URANIUM ENERGY CORP
Form 10QSB/A
June 09, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A
AMENDMENT NO. 1

[X] Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **January 31, 2008**

[ ] Transition Report Under Section13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number: **001-33706**

URANIUM ENERGY CORP.

(Exact name of small business issuer as specified in its charter)

NEVADA	98-0399476
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
Suite 230, 9801 Anderson Mill Road Austin, Texas	78750
(Address of Principal Executive Offices)	(Zip Code)

(512) 828-6980

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes [ ] No [X]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **39,807,823 shares of common stock as of March 13, 2008.**

Transitional Small Business Disclosure Format: (Check one) Yes [ ] No [X]

URANIUM ENERGY CORP.

Quarterly Report On Form 10-QSB
For The Quarterly Period Ended January 31, 2008

FORWARD-LOOKING STATEMENTS

This Form 10-QSB for the quarterly period ended January 31, 2008 contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this document include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties set forth in reports and other documents we have filed with or furnished to the SEC, including, without limitation, our Form 10-KSB for the period ended July 31, 2007, as amended. These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this document. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this document are made as of the date of this document and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

EXPLANATORY NOTE

This Form 10-QSB/A Amendment No. 1 of Uranium Energy Corp. (the "Company") amends the Company's Form 10-QSB for the period ended January 31, 2008 filed with the Securities and Exchange Commission ("SEC") on March 17, 2008. This Form 10-QSB/A is being filed to include the Company's restated interim financial statements for the period ended January 31, 2008, and to disclose Management's Consideration of the Restatement and the resulting conclusions regarding internal controls over financial reporting.

At each reporting period we performed an impairment analysis of any capitalized acquisition costs of our mineral properties. As none of our properties contained proven and probable reserves that were independently quantified and valued, management assessed that future cash flows could not be determined and, accordingly, we wrote down the carrying value of the capitalized acquisition costs of our mineral properties as of the end of each reporting period. The capitalized costs of mineral rights and properties were acquisition costs that were accounted for as tangible assets pursuant to EITF 04-02, *Whether Mineral Rights are Tangible or Intangible Assets*. The capitalized costs of databases were acquisition costs that were accounted for as intangible assets. The allocation to tangible assets as a result of the acquisition included economic value beyond the acquired assets proven and probable reserves. In carrying out our subsequent impairment tests, we did not consider data beyond proven and probable reserves and did not consider the information and data used in determining the initial capitalization of acquisition costs. Pursuant to EITF 04-03, *Mining Assets: Impairment and Business Combinations*, we have reconsidered our impairment analysis and have now included the cash flows associated with value beyond proven and probable reserves in estimating future cash flows (both undiscounted and discounted) used for determining whether mining assets were impaired under SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We have re-evaluated the impairment analysis performed at each respective period using all historical information including value beyond proven and probable reserves and have determined the capitalized costs of mineral properties should not have been written off.

Additionally, in reviewing the database related transactions we identified the following errors: (i) cash and stock based expenditures which were initially capitalized with other acquisition costs were not capital in nature and should have been charged to mineral property expenditures, (ii) cash and stock based proceeds from the sale of a portion of one of our database acquisitions was initially recorded as a reduction of capitalized costs and should have been recognized as an asset sale transaction, and (iii) depreciation was not recorded on capitalized database acquisitions. Accordingly, the financial statements have been restated to correct for the errors outlined above.

For the convenience of the reader, this Form 10-QSB/A Amendment No. 1 sets forth the entire Form 10-QSB, as amended by the Company's Form 10-QSB/A, which was originally prepared and filed with the SEC but reflects amendments only to those items affected by the matters described above. It does not update other disclosures presented in the originally filed Form 10-QSB, as amended. Accordingly, this Form 10-QSB/A Amendment No. 1 does not reflect any events subsequent to the date of the originally filed Form 10-QSB (other than the amendments set out in the Form 10-QSB/A). The amendments described above are reflected in certain Part I disclosures within Item 1, Financial Statements, Item 2, Management's Discussion and Analysis, and Item 3, Controls and Procedures.

URANIUM ENERGY CORP.

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2008

(Unaudited)

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS (Note 1)
(Unaudited)

	January 31, 2008	July 31, 2007
	(As Restated, see Note 13)	(As Restated, see Note 13)

CURRENT ASSETS		
Cash and cash equivalents	$6,788,969	$9,083,453
Restricted cash (Note 3)	158,958	4,500
Available-for-sale securities (Note 4)	425,995	717,198
Accounts and interest receivable	25,415	4,415
Due from related parties (Note 7)	9,020	
Prepaid expenses and deposits	249,997	163,240
	7,658,354	9,972,806
MINERAL RIGHTS AND PROPERTIES		
(Note 5)	12,908,433	11,463,208
DATABASES		
(Note 5)	574,102	536,183
PROPERTY AND EQUIPMENT		
(Note 6)	1,066,122	553,530
	$22,207,011	$22,525,727
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$551,364	$379,157
STOCKHOLDERS' EQUITY		
Capital stock (Note 8)		
Common stock $0.001 par value: 750,000,000 shares authorized		
39,672,823 shares issued and outstanding		
(July 31, 2007 - 37,612,088)	39,673	37,612
Additional paid-in capital	50,972,033	42,950,985

Common share and warrant proceeds	-	34,750
Deficit accumulated during the exploration stage	(29,469,722)	(21,163,764)
Accumulated other comprehensive income	113,663	286,987
	21,655,647	22,146,570
	$22,207,011	$22,525,727

COMMITMENTS

(Notes 5, 6 and 10)

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

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended January 31, 2008 (As Restated, see Note 13)	Three Months Ended January 31, 2007 (As Restated, see Note 13)	Six Months Ended January 31, 2008 (As Restated, see Note 13)	Six Months Ended January 31, 2007 (As Restated, see Note 13)	For the Period from May 16, 2003 (inception) to January 31, 2008 (As Restated, see Note 13)
EXPENSES					
Consulting fees	$147,169	$86,023	$302,058	$120,887	$1,263,639
Consulting fees - stock based (Note 8)	213,279	544,544	318,233	1,373,428	6,372,266
Depreciation	81,011	18,643	150,954	35,176	291,966

General and administrative	1,358,014	247,190	2,506,007	1,056,987	7,399,234
Impairment loss on mineral Properties (Note 5)	-	-	-	-	55,640
Interest and finance charges	-	-	-	-	116,396
Management fees	286,455	514,432	430,153	597,082	1,553,559
Management fees - stock based (Note 8)	267,000	1,737,253	267,000	1,899,753	2,964,753
Mineral property expenditures (Note 5)	1,431,894	761,920	3,280,627	1,516,702	7,987,644
Professional fees	201,974	111,491	322,107	185,997	1,064,936
Wages and benefits - stock based (Note 8)	525,090	472,178	752,722	472,178	1,420,013
	4,511,886	4,493,674	8,329,861	7,258,190	30,490,046
LOSS BEFORE OTHER ITEMS	(4,511,886)	(4,493,674)	(8,329,861)	(7,258,190)	(30,490,046)
OTHER ITEMS					
Gain on sale of assets	-	-	-	363,757	363,757
Interest income	53,031	74,660	131,427	104,385	527,745
Other income	10,355	20,020	10,355	29,713	51,530
LOSS BEFORE INCOME TAXES	(4,448,500)	(4,398,994)	(8,188,079)	(6,760,335)	(29,547,014)
INCOME TAXES					
Deferred income tax (expense) benefit	(90,101)	-	(117,879)	-	77,292
NET LOSS FOR THE PERIOD	(4,538,601)	(4,398,994)	(8,305,958)	(6,760,335)	(29,469,722)
	(132,480)	-	(173,324)	-	113,663

OTHER COMPREHENSIVE (LOSS)					
INCOME (NET OF INCOME TAXES)					
TOTAL COMPREHENSIVE LOSS					
FOR THE PERIOD	$(4,671,081)	$(4,398,994)	$(8,479,282)	$(6,760,335)	$(29,356,059)
BASIC AND DILUTED NET					
LOSS PER SHARE	$(0.12)	$(0.14)	$(0.22)	$(0.22)	
WEIGHTED AVERAGE NUMBER OF					
SHARES OUTSTANDING, BASIC AND DILUTED	38,751,900	31,781,849	38,185,316	30,047,284	

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

URANIUM ENERGY, CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional	Subscriptions	Accumulated	Accumulated Other Comprehensive	Stock
	Shares	Amount	Paid-in Capital	Received	Deficit	Income	E

Balance, July 31, 2007	37,612,088	$37,612	$42,950,985	$34,750	$(21,163,764)	$286,987	$22,1
Common stock							
Issued for cash at $3.75 per share	1,800,000	1,800	6,748,200	-	-	-	6,7
Issued on the exercise of options	195,000	195	161,440	-	-	-	1
Issued on the exercise of warrants	48,235	48	137,707	(34,750)	-	-	1
Issued pursuant to service agreements	17,500	18	62,732	-	-	-	
Share issuance costs	-	-	(505,000)	-	-	-	(5
Stock based compensation							
Options issued for consulting services	-	-	264,109	-	-	-	2
Options issued for management fees	-	-	267,000	-	-	-	2
Options issued for wages and benefits	-	-	752,722	-	-	-	7
Recovery of short swing profits	-	-	132,138	-	-	-	1
Net loss for the period	-	-	-	-	(8,305,958)	-	(8,3
Unrealized loss on available-for-sale	-	-	-	-	-	(173,324)	(1

securities							
Balance, January 31, 2008 (As Restated, see Note 13)	39,672,823	$39,673	$50,972,033	$ -	$(29,469,722)	$113,663	$21,(

All share amounts have been restated to reflect the 2:1 reverse share consolidation in January 2005 and the 1.5:1 forward share split as of the date of record, February 28, 2006.

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

URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended January 31, 2008 (As Restated, see Note 13)	Six Months Ended January 31, 2007 (As Restated, see Note 13)	For the Period From May 16, 2003 (inception) to January 31, 2008 (As Restated, see Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	$(8,305,958)	$(6,760,335)	$(29,469,722)
Adjustments to reconcile net loss to net cash from operating activities:			
Stock based compensation	1,337,955	3,745,359	10,757,032
Stock based mineral property expenditures	-	108,750	138,750
Impairment loss on mineral properties	-	-	55,640
Non-cash interest and finance charges	-	-	116,396

Depreciation and amortization	150,954	35,176	291,966
Deferred income tax expense (benefit)	117,879	-	(77,292)
Gain on sale of assets	-	(363,757)	(363,757)
Changes in operating assets and liabilities:			
Accounts and interest receivable	(21,000)	(3,348)	(25,415)
Prepaid expenses and deposits	(86,757)	(92,449)	(229,470)
Accounts payable and accrued liabilities	180,833	(123,982)	548,462
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(6,626,094)	(3,454,586)	(18,257,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of shares for cash	6,509,640	14,219,450	31,624,536
Convertible debenture proceeds	-	-	20,000
Share issuance costs	-	-	(329,700)
Recovery of short swing profits	132,138	-	132,138
Advances (to) from related parties	(9,020)	65,000	(9,020)
NET CASH FLOWS FROM FINANCING ACTIVITIES	6,632,758	14,284,450	31,437,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of mineral rights and properties	(1,445,225)	(271,830)	(4,756,574)
Acquisition of databases	(100,000)	45,000	(401,750)
Proceeds from sale of assets	-	150,000	150,000
Purchase of property and equipment	(601,465)	(150,670)	(1,224,293)
Restricted cash	(154,458)	(136,478)	(158,958)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,301,148)	(453,978)	(6,391,575)
(DECREASE) INCREASE IN CASH AND	(2,294,484)	10,375,886	6,788,969

CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,083,453	3,597,009	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$6,788,969	$13,972,895	$6,788,969
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash in bank	$239,040	$195,838	$239,040
Term deposits	6,549,929	13,777,057	6,549,929
	$6,788,969	$13,972,895	$6,788,969

SUPPLEMENTAL CASH FLOW INFORMATION AND

NONCASH INVESTING AND FINANCING ACTIVITIES (Note 11)

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

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2008 (Unaudited)

NOTE 1: NATURE OF OPERATIONS

Uranium Energy Corp. (the "Company") was incorporated on May 16, 2003 in the State of Nevada. The Company owns a 100% interest in UEC Resources Ltd. ("UEC Resources"), a private company incorporated in the province of British Columbia, Canada on December 21, 2007. Since November 1, 2004, the Company has acquired mineral leases and entered into joint venture agreements, directly and under options, for the purposes of exploring for economic deposits of uranium in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming. To January 31, 2008, interests in approximately 59,756 net acres of mineral properties have been staked, leased or are under option by the Company, including 6,717 gross acres leased by Cibola Resources LLC of which the Company holds a 49% interest equating to 3,291 net acres.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The Company commenced operations on May 16, 2003 and has not realized any significant revenues since inception.

As at January 31, 2008, the Company has working capital of $7,106,987 and an accumulated deficit of $29,469,722 (as restated, see Note 13). Existing cash resources are currently not expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary financing to continue operations. The Company is in the exploration stage of its mineral property development and to date has not yet established any proven mineral reserves on its existing properties. The continued operations of the Company and the recoverability of the carrying value of its assets is ultimately dependent upon the ability of the Company to achieve profitable operations. To date, the Company has completed private placements and received funding through the exercise of stock options and share purchase warrants for net proceeds of $31,437,954 from the issuance of shares of the Company's common stock.

Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the seven months ended July 31, 2007 included in the Company's Annual Report on Form 10-KSB, Form 10-KSB/A, and Form 10-KSB/A2 filed with the Securities and Exchange Commission. The interim unaudited consolidated financial statements should be read in conjunction with those financial statements included in the Form 10-KSB, Form 10-KSB/A, and Form 10-KSB/A2. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended January 31, 2008 are not necessarily indicative of the results that may be expected for the year ending July 31, 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of Uranium Energy Corp. (incorporated in the State of Nevada, USA) and its wholly-owned subsidiary, UEC Resources Ltd. (incorporated in the province of British Columbia, Canada). All significant inter-company transactions and balances have been eliminated upon consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral property acquisitions, valuation of stock-based compensation, and valuation of available-for-sale securities. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

Mineral Property Costs

The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. At the end of each fiscal quarter end, the Company assesses the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

Databases

Costs related to internally developed databases are expensed as incurred. Costs of acquired mineral property databases are capitalized upon acquisition. Mineral property data bases are tested for impairment whenever events or changes indicate the carrying value amount may not be recoverable. An impairment loss is recognized if it is determined that the carrying amount is not recoverable and exceeds fair value. Mineral property databases are amortized over five years using the straight-line method.

Restoration and Remediation Costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining. In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs.

Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates are determined by the Company's engineering studies calculating the cost of future surface and groundwater activities.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

Financial Instruments

The fair values of cash and cash equivalents, restricted cash, other current monetary assets, accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's operations and financing activities are conducted primarily in United States dollars, and as a result the Company is not subject to significant exposure to market risks from changes in foreign currency rates. Management has determined that the Company is not exposed to significant credit risk.

Loss per Common Share

Basic loss per share includes no dilution and is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings (loss) of the Company. The common shares potentially issuable on conversion of outstanding convertible debentures and exercise of stock options were not included in the calculation of weighted average number of shares outstanding because the effect would be anti-dilutive.

Foreign Currency Translation

The functional currency of the Company is United States dollars. UEC Resources Ltd. maintains its accounting records in their local currency (Canadian dollar). In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of the Company's subsidiary is translated into United States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than the Company's functional currency are included in the determination of net income in the period.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at January 31, 2008 the Company had net operating loss carry forwards; however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these losses carry forwards.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. On a quarerly basis, the Company estimates expected forfeitures and updates the valuation accordingly.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

Property and Equipment

Property and equipment are recorded at cost and amortized using the straight-line method over estimated useful lives at the following rates:

Computer Equipment	3 years
Exploration Equipment	5 years
Furniture and Fixtures	5 years
Leasehold Improvements	term of lease
Vehicles	5 years

Recent Accounting Pronouncements

In July 2006, FASB issued Interpretation No. 48. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS Statement No. 109, "Accounting for Income Taxes" ("FIN 48"). This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 as of January 1, 2007. The adoption of FIN 48 did not have an impact on the Company's consolidated financial statements during the current period.

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 157 on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

NOTE 3: RESTRICTED CASH

Restricted cash included certificates of deposit issued to the Wyoming Department of Environmental Quality, Land Quality Division, in lieu of a surety bond. The certificates of deposit accrue interest at 3.5% and 3.75% per annum, are automatically renewable and are protected by federal insurance up to $100,000. During the six months ended January 31, 2008, the Company transferred certificates of deposits from the AB Claims project in the total aggregate amount of $136,458 under the same terms as above for drill hole reclamation bonding on the Burnt Wagon exploration project, Natrona county, Wyoming. Additionally, the Company has placed additional deposits of $18,000 with the Arizona State Land Department pursuant to exploration activities in the State of Arizona.

NOTE 4: AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities consist of shares in a publicly traded company listed on the Toronto and Johannesburg Stock Exchanges. As of January 31, 2008 the Company reported the available-for-sale securities at market value and accordingly, recorded a $113,663 unrealized gain which has been reported in other comprehensive income, net of income taxes.

NOTE 5: MINERAL EXPLORATION PROPERTIES

Uranium Exploration

Since November 1, 2004, the Company has been acquiring mineral leases for the purpose of exploring for economic deposits of uranium in the states of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming.

As of January 31, 2008, a total of 67,491 gross acres (59,756 net mineral acres) of mineral properties have been staked. leased or optioned pursuant to agreements by the Company in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming for the purposes of uranium exploration for a cost of $4,756,573 plus $8,207,500 representing the fair value of non-cash compensation, for a cummulative cost of $12,964,073. The totals include 3,291 net acres (6,717 gross acres leased by Cibola Resources LLC of which the Company holds a 49% interest). These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium. As of January 31, 2008, total yearly recurring maintenance payments of $282,246 are required to maintain existing mineral leases.

Goliad Project

On October 11, 2005, the Company entered into a mineral asset option agreement (the "Moore Option") granting the Company the option to acquire certain mineral property leases in the State of Texas for total consideration of $200,000 and 3,000,000 post-split restricted common shares at a fair value of $0.33 per share. In consideration for the Moore Option and its partial exercise over the option term, the Company has made cash payments totaling $200,000 and issued 3,000,000 post-split shares of restricted common stock. Upon completion of the terms of the Moore Option title to the leases were transferred to the Company.

Acquisition costs for the Moore Option total $8,407,500 as of January 31, 2008 and include the following: (i) cash payments of $200,000, (ii) 750,000 restricted common shares issued on October 11, 2005 with a fair value of $250,000, (iii) 500,000 restricted common shares issued on April 10, 2006 with a fair value of $1,150,000, (iv) 250,000 restricted common shares issued on September 28, 2006 with a fair value of $462,500, (v) 750,000 restricted common shares issued on October 10, 2006 with a fair value of $975,000, and (vi) 750,000 restricted common shares issued on April 11, 2007 with a fair value of $5,370,000. Additionally, the Company has incurred $263,719 in other mineral right and property acquisition charges on the Goliad project, for a cumulative cost of $8,671,219 as of January 31, 2008.

Holley Option

On March 28, 2007 the Company entered into a letter option agreement (the "Holley Option") granting the Company the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of $1,594,690. Under the terms of the Holley Option, and in order to maintain its option to acquire the assets, the Company is required to make the following option payments totaling $1,500,000 to the order and direction of the Holley Option holders in the following manner:

(a) an initial payment of $25,000 on the execution date (paid);

(b) a payment of $100,000 on March 28, 2007 (paid);

(c) a payment of $475,000 on or before April 27, 2007 (paid);

(d) a further payment of $500,000 on or before April 27, 2008; and

(e) a final payment of $400,000 on or before April 27, 2009.

Upon execution of the Holley Option the Company also reimbursed the Holley Option holders with approximately $95,000 in prior regulatory fees and property payments. In addition, the Company will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any uranium or vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, the Company may elect to purchase the royalty interest at a base cost of $300,000 for each 1% interest it wishes to acquire. Additionally, the Company has incurred $6,568 in other mineral right and property acquisition charges related to the Holley Option, for a cumulative cost of $701,329 as of January 31, 2008.

Cibola Resources LLC

On April 27, 2007, with a reference date of April 26, 2007, the Company entered into a joint venture with Neutron Energy Inc. ("NEI"), a Wyoming corporation, in connection with the exploration of a property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the joint venture, Cibola Resources LLC ("Cibola"), a limited liability company under the laws of the State of Delaware, was formed to undertake the exploration activities as contemplated by the parties.

NEI acquired a ten year mining lease (the "Lease") to the Property from La Merced del Pueblo de Cebolleta ("Cebolleta"), a private entity that has the authority over the natural resources of the Property, pursuant to a Mining Lease and Agreement between Cebolleta and NEI effective April 6, 2007 (the "Mining Lease Agreement"), and has contributed the Lease to Cibola. Terms of the Lease provide for:

(a) initial payments of $3,000,000 (paid by NEI, of which 49% was reimbursed to NEI by the Company);

(b) an additional cash payment of $2,000,000 six months from the effective date of the Lease ($980,000 paid, being the Company's portion);

(c) every year after April 6, 2007 until uranium production begins, an advance royalty of $500,000 (to be deducted from any royalties paid in that same year);

(d) a recoverable reserve payment of $1 per pound of recoverable uranium reserves upon the completion of a feasibility study by an independent mining engineering firm, which will be reduced by all prior payments as described in clause (a) through (c) above;

(e) a production royalty of between 4.50% and 8.0% depending upon the sale price of uranium; and

(f) the funding of a $30,000 per year scholarship program.

The Company has reimbursed an aggregate of $2,450,000 to NEI (49%) of the capital invested to date. As a result, NEI and the Company hold a 51% and 49% interest, respectively, in Cibola and the Company is obligated to pay 49% of all future commitments under the terms of the Lease. Additionally, the Company has paid $119,137 in exploration costs on behalf of Cibola for a cumulative contribution of $2,569,137. As an exploration stage company, Cibola has no liabilities as of January 31, 2008 and accordingly, $2,450,000 in mineral right and property acquisition costs in addition to $36,750 in database acquisition costs have been capitalized, while other contributions of exploration costs have been charged to mineral property expenditures.

In December 2003, FASB issued FIN 46(R) "Consolidation of Variable Interest Entities" which requires investors to consolidate the financial information of investees in which they are the primary beneficiary. The Company is not the primary beneficiary in Cibola and accordingly, no consolidated financial information is required.

New River Project

Effective November 1, 2007, the Company entered into a binding letter Agreement to Purchase Assets (the "Agreement") with Melvin O. Stairs, Jr. ("Mr. Stairs"), whereby the Company acquired from Mr. Stairs an undivided 100% legal, beneficial and registered interest in and to a certain mineral exploration claim represented by permit number 08-111678, which is located at T7N R3E, Section 32, in Maricopa County, Arizona (the "Mineral Claim"), together with a certain database containing various material information respecting the subject Mineral Claim (the Mineral Claim and its database, collectively, the "Assets"). As consideration for acquisition of the Assets, the Company has agreed to make the following payments (each a "Purchase Price Payment") and the following Mineral Claim maintenance payments (each a "Purchase Price Maintenance Payment") to Mr. Stairs in the following manner at the following times after November 1, 2007 (the "Acceptance Date"):

(g) Purchase Price Payments: pay to the order and direction of Mr. Stairs the following Purchase Price Payments in the aggregate sum of U.S. $1,200,000 in the following manner and at the following times:

i) an initial and non-refundable Purchase Price Payment of U.S. $10,000 immediately upon the Acceptance Date of the Agreement (paid);

ii) further non-refundable Purchase Price Payments of U.S. $95,000 on or before January 10, 2008 (paid) and August 15, 2008; and

iii) further non-refundable Purchase Price Payments of U.S. $100,000 every six months commencing on or before January 10, 2009 and ending August 15, 2013.

(h) Purchase Price Maintenance Payments: pay, or cause to be paid, all outstanding, existing and future underlying regulatory and governmental fees, payments and assessment work required to keep the Mineral Claim interests comprising the Assets in good standing during the continuance of the Agreement and prior to our satisfaction of the entire Purchase Price consideration and including, without limitation, all permitting costs, transfer fees and any reclamation costs associated in any manner with the Mineral Claim interests comprising the Assets.

Pursuant to the terms of the Agreement, in order to secure the complete and timely payment of our purchase price obligations to Mr. Stairs under the Agreement, the Company granted a security interest in and to, a lien upon and a right of set-off against its right, title and interest in and to the Assets.

In addition, and pursuant to the terms of the Agreement, at any time prior to the earlier of the payment of the entire Purchase Price by us to Mr. Stairs or the termination of the Agreement for any reason, the Company has a right of first refusal to acquire all or any portion of any interest in the Agreement or to any mineral property interest which Mr. Stairs may have an interest in at anytime and which Mr. Stairs desires to dispose of (collectively, the "Holding"). If Mr. Stairs receives a *bona fide* offer to purchase from, or where a sale is solicited by Mr. Stairs, then upon settling the proposed terms thereof with a third party for the purchase or sale of the Holding, Mr. Stairs shall offer to sell the Holding to the Company. The offer to sell to the Company shall be on the same terms and conditions and of equivalent dollar value as those contained in the offer to the third party; provided, however, that should Mr. Stairs and the Company fail to agree upon a determination of the equivalent dollar value for any such offer, such equivalent dollar value shall be determined by arbitration under the provisions of the Agreement. The Company shall be entitled to elect, by notice to Mr. Stairs within 30 calendar days from the date of receipt of the offer to sell, to acquire the Holding, on the same terms and conditions as those set forth in the offer to the third party. If the Company does not exercise its right to acquire the Holding, Mr. Stairs may, for a period of 60 calendar days following the last date upon which it could have made the election, dispose of the Holding, but only on the same terms and conditions as set forth in that offer.

F-33 Acquisition (Todilto)

On November 13, 2007, the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of $400,000. Under the terms of the agreement, the Company paid an initial deposit of $100,000 upon closing with the remaining balance due in three installments of $100,000 due on March 31, 2008, December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date. Additionally, the Company has incurred $42,223 in other mineral right and property acquisition charges related to Todilto, for a cumulative cost of $142,223 as of January 31, 2008.

	January 31, 2008	July 31, 2007
Mineral Rights and Properties, Unproven		
Cibola Resources, New Mexico	2,450,000	1,470,000
Goliad, Texas	8,671,219	8,625,568
Holley Option, Colorado, New Mexico and Utah	701,329	694,761
New River, Arizona	105,000	-
Todilto, New Mexico	142,223	-
Other Property Acquisitions	894,302	728,519
	12,964,073	11,518,848
Write Down for Loss on Impairment	(55,640)	(55,640)
	$12,908,433	$11,463,208

Mineral property exploration costs on a regional basis are as follows:

	Three Months Ended January 31, 2008	Three Months Ended January 31, 2007	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007	For the Period From May 16, 2006 (inception) to January 31, 2008
Exploration Costs					
Arizona	$2,240	$ -	$16,342	$ 28	$93,282

Colorado	3,528	-	52,085	-	103,110
Nevada	-	-	-	-	963
New Mexico	6,289	16,809	130,519	19,551	365,869
Texas	1,368,328	720,074	2,761,765	1,288,996	6,544,974
Utah	2,200	-	8,991	-	16,348
Wyoming	49,309	25,037	310,925	208,127	863,098
	$1,431,894	$761,920	$3,280,627	$1,516,702	$7,987,644

Historical Mining Databases

	January 31, 2008	July 31, 2007
Mineral Property Databases		
Moore	141,890	141,890
Jebsen/Triantis	50,000	50,000
Brenniman	209,000	209,000
Halterman	166,500	166,500
Peirce	36,750	36,750
Jebsen	100,000	-
	704,140	604,140
Write Down for Loss on Impairment	(130,038)	(67,957)
	$574,102	$536,183

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NOTE 6: PROPERTY AND EQUIPMENT

	January 31, 2008	July 31, 2007
Property and Equipment		
Computer Equipment	$173,576	$98,897
Exploration Equipment	208,688	126,951
Furniture and Fixtures	58,388	43,723
Land	115,644	-
Leasehold Improvements	8,728	8,728
Vehicles	659,269	344,529
	1,224,293	622,828
Less: accumulated depreciation	(158,171)	(69,298)
	$1,066,122	$553,530

NOTE 7: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2008, the Company had transactions with certain officers and directors of the Company as follows:

(i) incurred $430,153 in management fees, and recorded $267,000 in stock based compensation for the fair value of options granted to directors and officers during the period;

(j) incurred $9,020 in general and administrative costs to be reimbursed by companies controlled by direct family members of current officer and a current director; and

(k) incurred $56,583 in consulting fees and $45,276 in general and administrative costs, including $15,011 in rental charges and $16,707 in media and website development fees, paid to companies controlled by a direct family member of a current officer.

All related party transactions involving provision of services or tangible assets were recorded at the exchange amount, which is the value established and agreed to by the related parties reflecting arms length consideration payable for similar services or transfers.

NOTE 8: CAPITAL STOCK

Share Capital

The Company's capital stock as at January 31, 2008 was 750,000,000 authorized common shares with a par value of $0.001 per share. On January 9, 2006, a majority of shareholders voted to amend the Company's Articles of Incorporation to increase the authorized capital from 75,000,000 shares of common stock to 750,000,000 shares of common stock. The increase in authorized capital was effective on February 1, 2006.

On February 14, 2006, the Company's Board of Directors, pursuant to minutes of written consent in lieu of a special meeting, authorized and approved a forward stock split on a 1.5 new for one old basis of the Company's total issued and outstanding shares of common stock (the "Forward Stock Split"). The Forward Stock Split was effectuated with a record date of February 28, 2006, upon filing the appropriate documentation. The Forward Stock Split increased the Company's issued and outstanding shares of common stock from 14,968,222 to approximately 22,452,338 shares of common stock. The common stock continued to have a $0.001 par value after the Forward Stock Split.

2008 Share Transactions

On December 12, 2007 the Company completed a private placement in the amount of 1,800,000 Units at a subscription price of $3.75 for gross proceeds to the Company of $6,750,000. Each Unit is comprised of one common share and one non-transferable share purchase warrant of the Company. Each warrant entitles the holder to purchase an additional common share of the Company for a period of one year from the date of issuance at an exercise price of $4.25 per share.

The December 12, 2007 private placement included a registration rights agreement, requiring a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. Under the terms of the registration rights agreement, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than three years from the original date of issuance. If the Company failed to maintain the effectiveness of the registration statement for the three year period, additional warrants could be issuable as as liquidated damages. Any additional warrant issuance is provided for under the terms of the registration rights agreement whereby 1/100 of an additional warrant was issuable to each such investor for each $1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. As of January 31, 2008, 2,160,000 additional warrants could be issuable as liquidated damages through the three year period expiring December 12, 2010.

On November 6, 2007 the Company issued 10,000 restricted common shares pursuant to a financial consulting agreement (refer to Note 10). At the time of issuance, the shares had a value of $4.46 per share and $44,600 was recorded as stock-based consulting fees. Additionally, on January 24, 2008 the Company issued 7,500 restricted common shares pursuant to the same agreement. At the time of issuance, the shares had a value of $2.42 per share and $18,150 was recorded as stock-based consulting fees.

During the six months ended January 31, 2008, 48,235 common share purchase warrants were exercised for total proceeds of $137,755 and 195,000 common stock options were exercised for total proceeds of $161,635.

Share Purchase Warrants

On June 15, 2007 the Company issued to certain investors an aggregate of 59,998 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 22, 2006 private placement subscription agreements with the Company. These warrants were issued as liquidated damages resulting from the Company's delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each $1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of the Company's restricted common stock under the same terms as the original warrants issued at the closing of the private placement in December of 2006. Under the terms of the subscription agreements, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than nine months from the June 15, 2007 effective date. If the Company failed to maintain the effectiveness of the registration statement for a period of eight months from the initial deadline of April 22, 2007, additional warrants could be issuable. As of January 31, 2008 no additional warrants are issuable as liquidated damages through the eight month period expired December 22, 2007.

A summary of the Company's common share purchase warrants as of January 31, 2008 and changes during the period is presented below:

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Balance, July 31, 2007	4,009,998	$2.66	1.70
Issued	1,800,000	4.25	1.00
Exercised	(48,235)	(2.86)	(0.50)
Balance, January 31, 2008	5,761,763	$3.15	1.19

The aggregate intrinsic value ("AIV") under the provisions of SFAS No. 123R of the 500,000 compensation warrants previously issued to consultants as at January 31, 2008 was estimated at $1,016,800.

Stock Options

On December 19, 2005 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,250,000 shares at $0.333 per share. On April 10, 2006 the Company amended its 2005 Stock Option Plan whereby, subject to adjustment from time to time as provided in Article 11.1, whereby the number of common shares available for issuance under the Plan was increased from 3,500,000 shares to 7,500,000 shares. On October 10, 2006 the Company ratified the 2006 Stock Incentive Plan whereby, subject to adjustment from time to time as provided in Article 18.1, the number of common shares available for issuance under the Plan was increased to 10,000,000 shares.

On November 1, 2007, a total of 660,000 stock options were granted to employees and officers at an exercise price of $3.80 per share. The term of these options is ten years. The fair value of these options at the date of grant of $1,762,200 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 4.33%, a dividend yield of 0%, and an expected volatility of 87%. During the six months ended January 31, 2008, the $827,701 value of the options earned during the period has been recorded as stock based consulting fees, management fees, and wages.

On January 25, 2008, a total of 100,000 stock options were granted to employees at an exercise price of $2.45 per share. The term of these options is ten years. The fair value of these options at the date of grant of $162,000 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 3.50%, a dividend yield of 0%, and an expected volatility of 80%. During the six months ended January 31, 2008, the $32,400 value of the options earned during the period has been recorded as stock based consulting fees.

A summary of the Company's stock options as of January 31, 2008 and changes during the period is presented below:

	Number of options	Weighted average exercise price	Weighted average remaining life (years)
Balance, July 31, 2007	3,832,500	$1.44	8.90
Issued	760,000	3.62	10.00
Exercised	(195,000)	(0.83)	(8.46)
Balance, January 31, 2008	4,397,500	$1.85	8.57

The AIV under the provisions of SFAS No. 123R of all outstanding options at January 31, 2008 was estimated at $6,919,408. Additionally, the AIV of options exercised during the six months ended January 31, 2008 was estimated at $527,583.

Stock Based Compensation

A summary of stock based compensation expense as of January 31, 2008:

	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007	For the Period From May 16, 2003 (inception) to October 31, 2007
Stock Based Consulting			

Amortization of deferred compensation	$ -	$1,128,259	$1,157,500
Common stock issued for consulting services	54,124	-	135,100
Options issued to consultants	264,109	255,169	3,461,140
Warrants issued for consulting services	-	-	1,618,526
	318,233	1,373,428	6,372,266
Stock Based Management Fees			
Amortization of deferred compensation	-	325,000	650,000
Options issued to management	267,000	1,574,753	2,314,753
	267,000	1,899,753	2,964,753
Stock Based Wages and Benefits			
Options issued to employees	752,722	472,178	1,420,013
	$1,337,955	$3,745,359	$10,757,032

NOTE 9: INCOME TAXES

As of January 31, 2008 the Company had net operating loss carry forwards of approximately $25,436,164 that may be available to reduce future years' taxable income. These carry forwards will begin to expire, if not utilized, commencing in 2023. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry forwards.

The Company reviews its valuation allowance requirements on an annual basis based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

A reconciliation of income tax computed at the federal and state statutory tax rates and the Company's effective tax rate is as follows:

	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
Federal income tax provision at statutory rate	(35.00)%	(35.00)%
States income tax provision at statutory rates, net of federal income tax effect	(5.48)%	(5.48)%
Total income tax provision	(40.48)%	(40.48)%

The actual income tax provisions differ from the expected amounts calculated by applying the combined federal and state corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	Six Months Ended January 31, 2008	Six Months Ended January 31, 2007
Loss before income taxes	$(8,188,079)	$(6,760,335)
Corporate tax rate	40.48%	40.48%
Expected tax expense (recovery)	(3,314,534)	(2,736,584)
Increase (decrease) resulting from:		
Permanent differences	572,973	1,403,760
True-up adjustment	1,755	-
Non-qualified stock options	-	-
Capitalized mineral property acquisition costs	(651,058)	(805,078)
Change in valuation allowance	3,508,739	2,137,902
From Operations	117,875	-
Unrecognized gain, other comprehensive income	(117,875)	-

Future income tax provision (recovery)	$ -	$ -

The Company's deferred tax assets are as follows:

	January 31, 2007	July 31, 2007
Deferred tax assets		
Mineral property acquisitions	$5,439,225	$4,782,209
Exploration costs	2,399,439	1,398,264
Permitting fees and expenditures	157,844	87,655
Stock option expense	579,202	1,195,355
Depreciable property	10,122	7,230
Charitable donations	7,475	7,475
Loss carry forwards	10,213,154	8,588,468
	18,806,462	16,066,656
Valuation allowance	(18,729,166)	(15,871,485)
Net Deferred Tax Assets	77,296	195,171
Deferred tax liability, other comprehensive income	(77,296)	195,171
Net Deferred Income Tax Assets	$ -	$ -

As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior year.

The Company's net operating loss carryforwards expire as follows:

July 31, 2023	$24,132

July 31, 2024	74,499
July 31, 2025	403,227
July 31, 2026	13,037,184
July 31, 2027	7,866,184
July 31, 2028	4,030,938
	$25,436,164

For U.S. federal income tax purposes a change in ownership under IRC Section 382 may have occurred in a prior year. If an ownership change has occurred, the utilization of these losses against future income would be subject to an annual limitation. The annual limitation would be equal to the value of the Company immediately prior to the change in ownership multiplied by the IRC Section 382 rate in effect during the month of the change.

NOTE 10 COMMITMENTS

On February 1, 2007 the Company entered into a financial consulting agreement for a 12 month term. The Consultant will: i) disseminate the Company's news releases, investor packages, research reports and corporate and industry sector materials; ii) promote investor awareness and manage financial public relations to the investment community; and iii) arrange meetings with industry sector analysts, stock brokers and portfolio managers. The Company will pay the Consultant $6,500 and 2,500 restricted common shares per month. As of January 31, 2008, issuances of 2,500 shares for each of the months of July through January (inclusive) have been accrued, and accordingly, an expense of $54,124 has been included in stock-based consulting fees based on the fair value of the 15,000 shares issuable during the period.

On April 6, 2007 the Company entered into a twelve month consulting services agreement at $10,000 per month. The consultant will provide representation before the executive and legislative branches of the federal government and state governments in addition to providing consulting services on political matters. As of December 1, 2007 the monthly fee has been reduced to $5,000 per month.

On September 6, 2007 the Company entered into an agreement for media distribution services valued at approximately $270,000. Under the terms of the agreement, the Company paid a retainer of $100,000, with the balance of the agreement due upon completion of the services. As of January 31, 2008 no services had been provided and accordingly, the $100,000 retainer is classified as a prepaid expense.

On November 1, 2007 the Company entered into an asset purchase agreement for a mineral exploration claim and related database information located in Maricopa County, Arizona. Under the terms of the agreement, the Company will pay total consideration of $1,200,000 including i) a $10,000 deposit upon execution (paid), ii) installments of $95,000 cash on January 10, 2008 (paid) and August 15, 2008, and iii) installments totaling $100,000 on January 10 and August 15 of each year for the period from January 10, 2009 through August 15, 2013. Additionally, the Company has granted the seller security interest on the acquired assets until the agreement is paid in full.

On November 13, 2007 the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of $400,000. Under the terms of the agreement, the Company paid an initial deposit of $100,000 upon closing with the remaining balance due in three installments of $100,000 due on

March 31, 2008, December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of the Company's common stock over the 10 days immediately preceding the due date.

On January 17, 2008 the Company entered into a twelve month consulting services agreement at $6,000 per month. The consultant will provide services for legislative, administrative, executive and regulatory matters in the State of Texas. As requested, the consultant may also assist in discussions with appropriate federal executive and legislative officials.

The Company is committed to pay its key executives a total of approximately $450,000 per year for management services.

The Company is currently leasing office premises in New Mexico, Texas, and Wyoming with total monthly payments of $10,882 with all agreements having a maximum term of no more than three years. Additionally, the Company is renting office space in Vancouver, Canada on a month to month basis at approximately $2,600 per month.

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The aggregate minimum payments over the next five years are as follows:

January 31, 2009	$1,056,449
January 31, 2010	475,028
January 31, 2011	204,051
January 31, 2012	200,000
January 31, 2013	200,000
Thereafter	100,000
	$2,235,528

NOTE 11 SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES

	Six Months Ended	
	January 31, 2008	January 31, 2007

Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

NOTE 12: SUBSEQUENT EVENTS

(l) On February 1, 2008 the Company entered into a financial consulting agreement for a 6 month term. The Consultant will: i) disseminate the Company's news releases, investor packages, research reports and corporate and industry sector materials; ii) promote investor awareness and manage financial public relations to the investment community; and iii) arrange meetings with industry sector analysts, stock brokers and portfolio managers. The Company will pay the Consultant $6,000 per month and issue 2,500 restricted common shares per month.

(m) On February 13, 2008 the Company entered into an asset purchase agreement for mapping and database information for geographic areas throughout the US and international locations. Under the terms of the agreement, the Company paid total consideration of $500,000.

(n) In February 2008 the Company was informed that it has been named as a defendant in a claim filed in the United States District Court for the Eastern District of New York for $33,000 in legal fees in connection with the January 30, 2008 settlement of a short-swing profit matter under Section 16(b) of the United States Securities Exchange Act of 1934, as amended, by a non-management shareholder of the Company. The plaintiff acted as counsel for the shareholder. The Company believes that the legal fees sought are highly unreasonable for the work performed by the plaintiff and it intends to vigorously defend against the claim.

NOTE 13: RESTATEMENT

Subsequent to the issuance of the Company's financial statements, the Company's Board of Directors, upon recommendation of management, concluded that the previously issued financial statements for the six months ended January 31, 2008 should not be relied upon due to a re-evaluation of the accounting treatment relating to the Company's mineral rights and properties and databases acquisition costs, in addition to the identification of errors in recording database related transactions.

At each reporting period the Company performed an impairment analysis of any capitalized acquisition costs of its mineral properties. As none of its properties contained proven and probable reserves that were independently quantified and valued, management assessed that future cash flows could not be determined and, accordingly, the Company wrote down the carrying value of the capitalized acquisition costs of its mineral properties as of the end of each reporting period.

The capitalized costs of mineral rights and properties were acquisition costs that were accounted for as tangible assets pursuant to EITF 04-02, Whether Mineral Rights are Tangible or Intangible Assets. The allocation to tangible assets as a result of the acquisition included economic value beyond the acquired assets proven and probable reserves. The capitalized costs of databases were acquisition costs that were accounted for as intangible.

In carrying out its subsequent impairment tests, the Company did not consider data beyond proven and probable reserves and did not consider the information and data used in determining the initial capitalization of acquisition costs.

Pursuant to EITF 04-03, *Mining Assets: Impairment and Business Combinations*, the Company has reconsidered its impairment analysis and has now included the cash flows associated with value beyond proven and probable reserves in estimating future cash flows (both undiscounted and discounted) used for determining whether mining assets were impaired under SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company has re-evaluated the impairment analyses performed at each respective period using all historical information including value beyond proven and probable reserves and has determined the capitalized costs of mineral properties should not have been written off.

Additionally, in reviewing the database related transactions the Company identified the following errors: (i) cash and stock based expenditures of $234,695 ($138,750 during the fiscal year ended December 31, 2006, $32,500 during the seven months ended July 31, 2007, and $63,445 during the three months ended October 31, 2007) which were initially capitalized with other acquisition costs were not capital in nature and should have been charged to mineral property expenditures, (ii) cash and stock based proceeds of $385,040 ($150,000 cash and $235,040 stock based) from the sale of a portion of one of the Company's database acquisitions was initially recorded as a reduction of capitalized costs and should have been recognized as an asset sale transaction with a resulting gain of $363,757, and (iii) depreciation of $133,794 ($37,135 during the fiscal year year ended December 31, 2006, $34,578 during the seven months ended July 31, 2007 and $62,081 during the three months ended October 31, 2007) was not recorded on capitalized database acquisitions. Accordingly, the financial statements have been restated to correct for the errors outlined above.

As a result the financial statements have been restated to reflect certain capitalized acquisition costs

and the correction of errors in recording database related transactions as follows:

	Amount Previously Reported for the Six Months Ended January 31, 2008	Adjustments	As Adjusted for the Six Months Ended January 31, 2008
Balance Sheets			
Mineral Rights and Properties	$ -	$12,908,433	$12,908,433
Databases	-	574,102	574,102
Deficit accumulated during the exploration stage			
Opening balance	(33,163,154)	11,999,390	(21,163,764)
Net loss for the period	(9,789,105)	1,483,147	(8,305,958)
Closing balance	(42,952,259)	13,482,537	(29,469,722)

Statements of Operations			
Depreciation and amortization	88,873	62,081	150,954
Impairment loss on mineral properties	1,608,673	(1,608,673)	-
Mineral property expenditures	3,217,182	63,445	3,280,627
Net loss for the period	(9,789,105)	1,483,147	(8,305,958)
Statements of Cash Flows			
Net loss for the period	(9,789,105)	1,483,147	(8,305,958)
Impairment loss on mineral properties	1,608,673	(1,608,673)	-
Depreciation and amortization	88,873	62,081	150,954
Acquisition of mineral rights and properties	(1,608,673)	163,448	(1,445,225)
Acquisition of databases	-	(100,000)	(100,000)

	Amount Previously Reported for the Three Months Ended January 31, 2008	Adjustments	As Adjusted for the Three Months Ended January 31, 2008
Statements of Operations			
Depreciation and amortization	$49,137	$31,874	$81,011
Impairment loss on mineral properties	435,154	(435,154)	-
Mineral property expenditures	1,426,276	5,618	1,431,894

Net loss for the period	(4,936,262)	397,661	(4,538,601)

	Amount Previously Reported for the Period from May 16, 2003 (inception) to January 31, 2008	Adjustments	As Adjusted for the Period from May 16, 2003 (inception) to January 31, 2008
Statements of Operations			
Depreciation and amortization	$158,172	$133,794	$291,966
Impairment loss on mineral properties	13,542,909	(13,487,270)	55,640
Mineral property expenditures	7,752,949	234,695	7,987,644
Gain on sale of assets	-	(363,757)	363,757
Net loss for the period	(42,952,259)	13,482,537	(29,469,722)
Statements of Cash Flows			
Net loss for the period	(42,952,259)	13,482,537	(29,469,722)
Stock based mineral property expenditures	-	138,750	138,750
Impairment loss on mineral properties	13,542,909	(13,487,270)	55,640
Non-cash reduction of mineral property expenditures	(235,040)	235,040	-
Depreciation and amortization	158,172	133,794	291,966
Gain on sale of assets	-	(363,757)	(363,757)

Acquisition of mineral rights and properties	(4,869,230)	112,656	(4,756,574)
Acquisition of databases	-	(401,750)	(401,750)
Proceeds from sale of assets	-	150,000	150,000

	Amount Previously Reported for the Seven Months Ended July 31, 2007	Adjustments	As Adjusted for the Seven Months Ended July 31, 2007
Balance Sheets			
Mineral Rights and Properties	$ -	$11,463,208	$11,463,208
Databases	-	536,183	536,183
Deficit accumulated during the exploration stage			
Opening balance	(16,969,779)	3,850,758	(13,119,021)
Net loss for the period	(16,193,375)	8,148,632	(8,044,743)
Closing balance	(33,163,154)	11,999,390	(21,163,764)

	Amount Previously Reported for the Six Months Ended January 31, 2007	Adjustments	As Adjusted for the Six Months Ended January 31, 2007

Statements of Operations			
Depreciation and amortization	$14,735	$20,441	$35,176
Impairment loss on mineral properties	1,988,830	(1,988,830)	-
Mineral property expenditures	1,022,912	493,790	1,516,702
Gain on sale of assets	-	(363,757)	363,757
Net loss for the period	(8,598,691)	1,838,356	(6,760,335)
Statements of Cash Flows			
Net loss for the period	(8,598,691)	1,838,356	(6,760,335)
Stock based mineral property expenditures	-	108,750	108,750
Impairment loss on mineral properties	1,988,830	(1,988,830)	-
Non-cash reduction of mineral property expenditures	(235,040)	235,040	-
Depreciation and amortization	14,735	20,441	35,176
Gain on sale of assets	-	(363,757)	(363,757)
Acquisition of mineral rights and properties	(316,830)	45,000	(271,830)
Acquisition of databases	-	(45,000)	(45,000)
Proceeds from sale of assets	-	150,000	150,000

	Amount Previously Reported for the Three Months Ended		As Adjusted for the Three Months Ended

	January 31, 2007	Adjustments	January 31, 2007
Statements of Operations			
Depreciation and amortization	$9,049	$9,594	$18,643
Impairment loss on mineral properties	267,214	(267,214)	-
Mineral property expenditures	701,920	60,000	761,920
Net loss for the period	(4,596,614)	197,620	(4,398,994)

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Item 2. Management's Discussion and Analysis or Plan of Operations

In this Quarterly Report, references to "we," "our," "us," the "Company," or "Uranium Energy," refer to Uranium Energy Corp. and its subsidiaries, unless the context requires otherwise.

The following discussion should be read in conjunction with (i) our Annual Report on Form 10-KSB for the year ended December 31, 2006, including our audited financial statements and the related notes contained therein; (ii) our Transition Report on Form 10-KSB for the period ended July 31, 2007, as amended, including our audited financial statements and the related notes contained therein; and (iii) our unaudited interim financial statements for the three-month period January 31, 2008 and the related notes included herein. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

GENERAL

We were organized under the laws of the State of Nevada, USA on May 16, 2003. Our shares of common stock commenced trading on the American Stock Exchange under the symbol "UEC" on September 28, 2007, prior to which they traded on the OTC Bulletin Board under the symbol "URME".

OUR BUSINESS OPERATIONS

We are a natural resource exploration and development company engaged in the exploration and development of properties that may contain uranium minerals in the United States. Our strategy is to acquire properties that are thought to contain economic quantities of uranium ore and have undergone some degree of uranium exploration but have not yet been mined. As of the date of this Quarterly Report, we have acquired interests in uranium exploration mineral properties totaling 67,491 gross acres (59,756 net mineral acres) of leased, staked or optioned mineral properties, consisting of claim blocks located in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming, which we intend to explore for economic deposits of uranium. The totals include 3,291 net acres (6,717 gross acres) leased by Cibola Resources LLC in which the Company holds a 49% interest. These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium. Many of these properties have been the subject of historical exploration by other mining companies. We believe that our properties are prospective for mineral exploration based on either prior exploration conducted by other companies, or management information and work products derived from various reports, maps, radioactive rock samples, exploratory drill logs, state organization reports, consultants, geological study, and other exploratory information.

Our principal mineral properties are the Goliad project in Goliad County, Texas and the Cibola Resources LLC Cebolleta joint venture project in Cibola County, New Mexico.

The acreage and location of our mineral properties is summarized as follows:

	Gross Acres	Net Acres (*)
Arizona	2,871.28	2,871.28
Colorado	5,041.04	5,041.04
New Mexico	29,872.06	22,986.86
Texas	10,015.24	9,165.25
Utah	2,226.94	2,226.94
Wyoming	17,464.23	17,464.23
	67,490.79	59,755.61

(*) Certain of our interests in our mineral properties in Texas and New Mexico are less than 100%. Accordingly, we have presented the acreage of our mineral properties on a net acre basis.

During the 2008 fiscal year through the date of this Quarterly Report, we acquired an additional 12,495 gross acres (12,063 net acres) in the States of Arizona, New Mexico, Texas and Wyoming for an aggregate paid consideration of $1,445,225.

We plan to use our database of exploration data in order to target additional exploration properties for acquisition. For the remainder of the 2008 fiscal year, we plan to acquire further acres of mineral properties consisting of claim blocks located in, but not limited to the states of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming. Our ability to complete these acquisitions will be subject to obtaining sufficient financing and being able to conclude agreements with the property owners on terms that are acceptable to us. These potential acquisition properties have not yet been specifically identified.

Our properties do not have any reserves. We plan to conduct exploration programs on these properties with the objective of ascertaining whether any of our properties contain economic concentrations of uranium that are prospective for mining. As such, we are considered an exploration or exploratory stage company. Since we are an exploration stage company, there is no assurance that a commercially viable mineral deposit exists on any of our properties, and a great deal of further exploration will be required before a final evaluation as to the economic and legal feasibility for our future exploration is determined. We have no known reserves of uranium or any other type of mineral. Since inception, we have not established any proven or probable reserves on our mineral property interests.

OUR MINERAL EXPLORATION PROPERTIES

We are participating in our mineral properties in the States of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming by way of mining claims and mineral leases. Certain properties were staked and claimed by us and registered with the United States Bureau of Land Management ("BLM"). Claim blocks acquired in this manner exist in Arizona, Colorado, New Mexico and Wyoming. We have surface access and complete mineral rights to an unlimited depth below surface. The claims are in effect for an indefinite period provided the claims are kept in good standing with the BLM and the counties. Annual maintenance fees to be paid to the BLM are relatively nominal. We will also be required to remediate the land upon release of the claim - bringing the land back into the state it was originally, prior to the commencement of our exploration activities. These costs are determined by the BLM and bonded accordingly.

In the States of New Mexico, Utah and Texas, we are participating in our mineral properties by way of property lease directly from the owners of the land/mineral rights. These leases give us similar access and privileges as described above, however with some important differences. Although we will have access to the surface, the mineral rights below surface are restricted to uranium and associated fissionable minerals only, with any other minerals and hydro carbons, including, for example, petroleum, retained by the lessor. The lease terms are for five years, and include five-year renewal periods. After the expiration of the second five-year term, the leases will be either held by production or the leases will be terminated. These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium at the time of production. Royalty payments must be made to the lessor in the event that we extract uranium ore from the properties. All royalties are based on the gross sales revenue less certain charges and fees.

These properties do not have any indicated or inferred minerals or reserves. We plan to conduct exploration programs on these properties with the intent to prove or disprove the existence of economic concentrations of uranium. Since inception, we have not established any proven or probable reserves on our mineral property interests.

RECENT EXPLORATION ACTIVITIES

Goliad

During the 2008 fiscal year and through the date of this Quarterly report, we continued the initial confirmation drilling at our 100% controlled Goliad project in Goliad County, Texas (the "Goliad Lease"). Our drilling program consists of ongoing drilling in order to confirm and expand the existence of historically drill-indicative resources on the property (as identified by Moore Energy Corporation during the 1980's) and extending historically identified mineralized trends.

As of the date of this Quarterly Report, current drilling is filling in gaps and defining boundaries within the historically delineated ore bodies as originally developed by Moore Energy Corporation in the 1980s based on 190,000 feet of drilling in approximately 450 holes. To date, our drilling has concentrated in the areas of the A and B Sand ore bodies, with a further total of 743 holes drilled, consisting of 258,595 feet.

On March 4, 2008, we issued a news release entitled "Uranium Energy Corp Reports Independent NI 43-101 Resource Estimate at Goliad Project." This news release is attached as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on the same day.

As described in more detail in the news release, we have received an updated technical report (the "Technical Report") in accordance with the provisions of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"), of the Canadian Securities Administrators for our Goliad Project located in Goliad County, Texas. The complete Technical Report is expected to be filed under our company's profile on the Canadian Securities Administrators public disclosure website, at

www.sedar.com, within 45 days of the date the news release was disseminated. The Technical Report is authored by Thomas A. Carothers, P.Geo., a qualified person as defined in NI 43-101, who has over 30 years of uranium experience, substantially in the South Texas Uranium trend. His experience includes working directly for two operating ISR mining companies in South Texas, US Steel and Tenneco Uranium, during the 1970s and 1980s.

As required by NI 43-101, the Technical Report contains certain disclosure relating to measured, indicated and inferred mineral resource estimates for the Company's Goliad Project. Such mineral resources have been estimated in accordance with the definition standards on mineral resources of the Canadian Institute of Mining, Metallurgy and Petroleum referred to in NI 43-101. Measured mineral resources, indicated mineral resources and inferred mineral resources, while recognized and required by Canadian regulations, are not defined terms under the SEC's Industry Guide 7, and are normally not permitted to be used in reports and registration statements filed with the SEC. Accordingly, we have not reported them in this prospectus or otherwise in the United States.

Investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. In particular, it should be noted that mineral resources which are not mineral reserves do not have demonstrated economic viability It cannot be assumed that all or any part of measured mineral resources, indicated mineral resources or inferred mineral resources discussed in the news release and Technical Report will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. Investors are cautioned not to assume that any part of the reported measured mineral resources, indicated mineral resources or inferred mineral resources referred to in this news release and in the Technical Report are economically or legally mineable.

RESULTS OF OPERATIONS

Three Months Ended January 31, 2008 Compared to Three Months Ended January 31, 2007

We are an exploration stage company and net production revenues during the three months ended January 31, 2008 and 2007 were $Nil. Our net loss for the three months ended January 31, 2008 (as restated) was $4,538,601 compared to a net loss of $4,398,994 during the same period ended January 31, 2007 (as restated).

Operating expenses incurred during the three months ended January 31, 2008 (as restated) increased to $4,511,886 from $4,493,674 over the same period ended January 31, 2007 (as restated). The increase is primarily due to the expansion of current operations and the corresponding change in administration and exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure, which was partially offset by the decrease in management fees and stock-based compensation expenses. Significant expenditures and changes are outlined as follows:

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- Consulting fees increased to $147,169 during the three months ended January 31, 2008 from $86,023 during the same period ended January 31, 2007 due primarily to increased reliance on third party service providers as we expand our operations.

- Consulting fees - stock based decreased to $213,279 during the three months ended January 31, 2008 from $544,544 during the same period ended January 31, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the amortization of significant stock and warrant grants issued to consultants.

- Depreciation and amortization increased to $81,011 during the three months ended January 31, 2008 (as restated) from $18,643 during the same period ended January 31, 2007 (as restated) due to significant investments in property and equipment during the current period, the seven month period ended July 31, 2007, and the last half of the 2006 calendar year.

- General and administrative costs increased to $1,358,014 during the three months ended January 31, 2008 from $247,190 during the same period ended January 31, 2007 due to the general expansion in operations and personnel in the current period as compared to the prior period, and significant marketing activities in the current period.

- Management fees decreased to $286,455 during the three months ended January 31, 2008 from $514,432 during the same period ended January 31, 2007 due primarily to year-end bonuses and the inclusion of an additional officer in the prior year.

- Management fees - stock based decreased to $267,000 during the three months ended January 31, 2008 from $1,737,253 during the same period ended January 31, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the fair value of significant option grants issued to management.

- Mineral property expenditures increased to $1,431,894 during the three months ended January 31, 2008 (as restated) from $761,920 during the same period ended January 31, 2007 (as restated) due to the expansion of exploration activities over the prior period, primarily in the Goliad project.

- Professional fees increased to $201,974 during the three months ended January 31, 2008 from $111,491 during the same period ended January 31, 2007 due primarily to increases in audit and review costs in addition to increases in counsel fees associated with the growth in our operations.

- Wages and benefits - stock based increased to $525,090 during the three months ended January 31, 2008 from $472,178 during the same period ended January 31, 2007. The current and prior year expenses consists of the fair value of option grants earned during the period.

Interest and other income decreased to $63,386 during the three months ended January 31, 2008 from $94,680 during the same period ended January 31, 2007 due to higher cash balances maintained during the prior period.

Deferred tax expense increased to $90,101 during the three months ended January 31, 2008 from $Nil during the same period ended January 31, 2007. The deferred tax benefit is calculated on the estimated unrealized gain on available-for-sale securities in the current fiscal period which is reflected in other comprehensive income.

Our net loss during the three months ended January 31, 2008 (as restated) was $4,538,601 or ($0.12) per share, compared to a net loss of $4,398,994 or ($0.14) per share during the same period ended January 31, 2007 (as restated). The weighted average number of shares outstanding was 38,751,900 for the three months ended January 31, 2008 compared to 31,781,849 for the same period ended January 31, 2007.

Transactions with Officers and Directors

Of the $4,511,886 incurred as operating expenses during the three months ended January 31, 2008 (as restated) an aggregate of $286,455 was incurred payable to certain officers and directors and recorded as management fees. Additionally, an aggregate of $267,000 was incurred as stock-based compensation based on the fair value of options granted to officers and directors during the period. At January 31, 2008 there were no amounts due and owing to our directors and officers. A balance of $9,020 for the reimbursement of administrative costs at January 31, 2008 is due from companies controlled by direct family members of a current officer and a current director.

Six Months Ended January 31, 2008 Compared to Six Months Ended January 31, 2007

We are an exploration stage company and net production revenues during the six months ended January 31, 2008 and 2007 were $Nil. Our net loss for the six months ended January 31, 2008 (as restated) was $8,305,958 compared to a net loss of $6,760,335 during the same period ended January 31, 2007 (as restated).

Operating expenses incurred during the six months ended January 31, 2008 (as restated) increased to $8,329,861 from $7,258,190 over the same period ended January 31, 2007 (as restated). The increase is primarily due to the expansion of current operations and the corresponding change in administration and exploration costs associated with the increased development of our uranium properties and related infrastructure, which was partially offset by the decrease in stock-based compensation expeneses. Significant expenditures and changes are outlined as follows:

- Consulting fees increased to $302,058 during the six months ended January 31, 2008 from $120,887 during the same period ended January 31, 2007 due primarily to increased reliance on third party service providers as we expand our operations.

- Consulting fees - stock based decreased to $318,233 during the six months ended January 31, 2008 from $1,373,428 during the same period ended January 31, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the amortization of significant stock and warrant grants issued to consultants.

- Depreciation and amortization increased to $150,954 during the six months ended January 31, 2008 (as restated) from $35,176 during the same period ended January 31, 2007 (as restated) due to significant investments in property and equipment during the current period, the seven month period ended July 31, 2007, and the last half of the 2006 calendar year.

- General and administrative costs increased to $2,506,007 during the six months ended January 31, 2008 from $1,056,987 during the same period ended January 31, 2007 due to the general expansion in operations and personnel in the current period as compared to the prior period, and more significant marketing activities in the current period.

- Management fees decreased to $430,153 during the six months ended January 31, 2008 from $597,082 during the same period ended January 31, 2007 due primarily to year-end bonuses and the inclusion of an additional officer in the prior year.

- Management fees - stock based decreased to $267,000 during the six months ended January 31, 2008 from $1,899,753 during the same period ended January 31, 2007. The current period expense consists of the fair value of option grants earned during the period, whereas the prior period consisted of the fair value of significant option grants issued to management.

- Mineral property expenditures increased to $3,280,627 during the six months ended January 31, 2008 (as restated) from $1,516,702 during the same period ended January 31, 2007 (as restated) due to the expansion of exploration activities over the prior period, primarily in the Goliad project.

- Professional fees increased to $322,107 during the six months ended January 31, 2008 from $185,997 during the same period ended January 31, 2007 due primarily to increases in audit and review costs in addition to increases in counsel fees associated with the growth in our operations.

- Wages and benefits - stock based increased to $752,722 during the six months ended January 31, 2008 from $472,178 during the same period ended January 31, 2007. The current and prior year expenses consists of the fair value of option grants earned during the period.

Interest and other income increased to $141,782 during the six months ended January 31, 2008 from $134,098 during the same period ended January 31, 2007 due to higher cash balances maintained during the period. During the six months ended January 31, 2006 (as restated), we recorded a $363,757 gain on the sale of the Cadena database.

Deferred tax expense increased to $117,879 during the six months ended January 31, 2008 from $Nil during the same period ended January 31, 2007. The deferred tax benefit is calculated on the estimated unrealized gain on available-for-sale securities in the current fiscal period which is reflected in other comprehensive income.

Our net loss during the six months ended January 31, 2008 (as restated) was $8,305,958 or ($0.22) per share, compared to a net loss of $6,760,335 or ($0.22) per share during the same period ended January 31, 2007 (as restated). The weighted average number of shares outstanding was 38,185,316 for the six months ended January 31, 2008 compared to 30,047,284 for the same period ended January 31, 2007.

Transactions with Officers and Directors

Of the $8,329,861 incurred as operating expenses during the six months ended January 31, 2008 (as restated) an aggregate of $430,153 was incurred payable to certain officers and directors and recorded as management fees. Additionally, an aggregate of $267,000 was incurred as stock-based compensation based on the fair value of options granted to officers and directors during the period. At January 31, 2008 there were no amounts due and owing to our directors and officers. A balance of $9,020 for the reimbursement of administrative costs at January 31, 2008 is due from companies controlled by direct family members of a current officer and a current director.

LIQUIDITY AND CAPITAL RESOURCES

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

At January 31, 2008 we had $6,788,969 in cash and working capital of $7,106,988. Generally, we have financed our operations through the proceeds from the private placement of equity securities and the exercise of stock options and warrants. We used $2,294,484 net cash during the six months ended January 31, 2008.

Operating Activities

Net cash used in operating activities during the six months ended January 31, 2008 (as restated) was $6,626,094 compared to $3,454,586 during the same period ending January 31, 2007 (as restated). Significant operating expenditures during the current period included mineral property expenditures, and general and administrative costs.

Financing Activities

Net cash provided by financing activities during the six months ended January 31, 2008 was $6,632,758 compared to $14,284,450 during the same period ending January 31, 2007. During the current period, we received net proceeds of $6,201,198 primarily from the sale our our common stock pursuant to private placements.

Investing Activities

Net cash used in investing activities during the six months ended January 31, 2008 (as restated) was $2,301,148 compared to $453,978 in the same period ending January 31, 2007 (as restated). Significant investing expenditures during the current period included mineral property acquisitions, including the $980,000 payment related to the Cibola Resources LLC agreement, and purchases of property and equipment.

Stock Options and Warrants

At January 31, 2008 we had 4,397,500 stock options and 5,761,763 share purchase warrants outstanding. The outstanding stock options have a weighted average exercise price of $1.85 per share and the outstanding warrants have a weighted average exercise price of $3.15 per share. Accordingly, as of January 31, 2008 the outstanding options and warrants represented a total of 10,159,263 shares issuable for proceeds of approximately $26,300,000 if these options and warrants were exercised in full. The exercise of these options and warrants is completely at the discretion of the holders. There is no assurance that any of these options or warrants will be exercised.

PLAN OF OPERATION AND FUNDING

Existing working capital is not expected to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments and the exercise of Stock Options and Warrants. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) uranium exploration operating activities; (ii) possible future reserve definition; (iii) possible future mining initiatives on current and future properties; and (iv) future possible property acquisitions. We intend to finance these expenses with further issuances of securities, and debt issuances. We expect we will need to raise additional capital to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

Going Concern

We commenced operations on May 16, 2003, and have not realized any significant revenues since inception. As at January 31, 2008 (as restated) we have working capital of $7,106,988 and an accumulated deficit of $29,469,722. Existing cash resources are currently not expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary financing to continue operations. We are in the exploration stage of our mineral property development and to date have not yet established any known mineral reserves on any of our existing properties. Our continued operations and the recoverability of the carrying value of our assets is ultimately dependent upon our ability to achieve profitable operations. To date we have completed private placements and exercised stock options for net proceeds of $31,437,954 from the issuance of shares of the our common stock.

MATERIAL COMMITMENTS

Epoch Financial Consulting Agreement

On February 1, 2007, we entered into a financial consulting agreement with Epoch Financial Group, Inc. ("Epoch") for a twelve month term (the "Epoch Financial Consulting Agreement"). In accordance with the terms and provisions of the Epoch Financial Consulting Agreement: (i) Epoch will disseminate our news releases, investor packages, research reports and corporate and industry sector materials; ii) Epoch will promote investor awareness to the investment community; (iii) Epoch will arrange meetings with industry sector analysts, stock brokers and portfolio managers; and (iv) we will pay Epoch a monthly fee of $6,500 and issue to Epoch an aggregate of 2,500 restricted common shares per month.

Holley Option

On March 28, 2007, we entered into the Holley Option granting us the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of $1,594,690. Under the terms of the Holley Option, and in order to maintain our option to acquire the assets, we are required to make the following option price payments totaling $1,500,000 to the order and direction of the Holley Option holders in the following manner:

(o) an initial payment of $25,000 on the execution date (paid);

(p) a payment of $100,000 on March 28, 2007 (paid);

(q) a payment of $475,000 on or before April 27, 2007 (paid);

(r) a further payment of $500,000 on or before April 27, 2008;

(s) a final payment of $400,000 on or before April 27, 2009.

Upon execution of the Holley Option, we also reimbursed the Holley Option holders approximately $95,000 for prior regulatory property payments having been made to the New Mexico Bureau of Land Management. In addition, we will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any Uranium or

Vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, we may elect to purchase the royalty interest at a base cost of $300,000 for each 1% royalty interest it wishes to acquire.

Consulting Agreement

On April 6, 2007 the Company entered into a twelve month consulting services agreement valued at $10,000 per month. The consultant will provide representation before the executive and legislative branches of the federal government and state governments in addition to providing consulting services on political matters. As of December 1, 2007 our monthly fee paid to the consultant has been reduced to $5,000 per month.

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Cibola Resources LLC

On April 27, 2007, we entered into a joint venture (the "Joint Venture") with Neutron Energy Inc., a Wyoming corporation ("NEI") in connection with exploration of property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the Joint Venture, Cibola Resources LLC, a Delaware limited liability company ("Cibola"), was formed for purposes of undertaking exploration activities contemplated by the Joint Venture.

On April 6, 2007, NEI and La Merced del Pueblo de Cebolleta, a private entity that has authority over the natural resources of the Property ("Cebolleta"), entered into a mining lease agreement (the "Mining Lease Agreement"), pursuant to which NEI acquired the mining lease to the Property from Cebolleta (the "Lease") for cash payments of $3,000,000. As of June 30, 2007, we have reimbursed NEI an aggregate of $1,470,000. As a result, we have a 49% equity interest in Cibola and NEI has a 51% equity interest in Cibola, respectively. NEI contributed the Lease to Cibola Resources LLC.

Under terms of a Letter Agreement (the "Letter Agreement") between Cebolleta and NEI, further payments to the order and direction of Cebolleta are required as follows:

(t) $2,000,000 six months from the effective date of the Letter Agreement (paid $980,000, being the Company's portion);

(u) $500,000 representing an advanced royalty, every 12 months from the effective date of the Letter Agreement until uranium production begins (to be deducted from any royalties paid in that same year);

(v) $1.00 per pound upon an independent mining engineering firm's completion of a feasibility study, and all prior payments made to Cebolleta will be credited to the recoverable reserve payment;

(w) 4.50% to 8.00% production royalty payments depending upon the uranium sale price; and

(x) $30,000 per year towards a scholarship fund.

We are required to contribute 49% of the aforementioned payments in order to retain our interest in the Joint Venture. Through the date of this Quarterly Report, the Company has paid $2,486,750 in acquisition costs and an additional $119,137 in exploration costs on behalf of Cibola for a cumulative contribution of $2,569,137.

Consulting Agreements

On September 6, 2007 we entered into an agreement for media distribution services valued at approximately $270,000. Under the terms of the agreement, we paid a retainer of $100,000, with the balance of the agreement due upon completion of the services.

New River Project Acquisition

On November 1, 2007 we entered into a binding letter Agreement to Purchase Assets with Melvin O. Stairs, Jr. ("Mr. Stairs"), for a mineral exploration claim and related database information located i4%"> end of period**$143.3**$62.0

Year ended Dec. 31 **2002** 2001

Cash and cash equivalents, beginning of period**$62.0**$53.8Provided by (used in): Operating activities **437.7** 715.6 Investing activities **(36.2)**(1,076.9) Financing activities **(320.9)** 368.7 Translation of foreign currency cash **0.7** 0.8

Cash and cash equivalents, of period**$143.3**$62.0

Explanation

Lower cash operating earnings offset by decreased working capital requirements due to collection of income taxes receivable related to U.S. operations in 2001.

In 2002, capital expenditures of $194.6 million relating primarily to construction of Sarnia and the Mexico plants, acquisition of Vision Quest for $41.1 million (less cash acquired of $8.2 million) and acquisition of remaining interest in Southern Cross Energy (SCE) for $7.2 million. In 2001, capital expenditures included the installation of the scrubber at the Centralia plant and construction of the Big Hanaford plant.

In 2002, net increase in short-term debt, offset by $100.0 million debenture maturity, net repayment of commercial paper and cash dividends of $29.5 million.

In 2001, debt issuances of $125.0 million and $169.4 million proceeds on issuance of preferred securities, offset by dividends of $28.7 million and redemption of common shares of $14.2 million.

Explanation

Lower cash operating earnings as a result of the impact of the Wabamun arbitration and prior period regulatory decisions, offset by increased working capital requirements due to the timing of the ancillary revenue settlement ($49.9 million), timing of accounts receivable relating to the Alberta Power Pool for Generation due to deregulation on Jan. 1, 2001 ($170.0 million), and the final instalment of 2001 income taxes paid in the first quarter of 2002 ($109.0 million).

In 2002, proceeds on the disposal of the Transmission operation and collection of amounts receivable from Aquila (formerly UtiliCorp) related to the sale of the discontinued Alberta D&R operation in 2000, offset by capital expenditures relating to the construction of the Sarnia, Big Hanaford, Campeche and Chihuahua plants, the acquisition of Vision Quest and the remaining portion of SCE as well as the installation of the scrubber at the Centralia plant during the second quarter.

In 2001, capital expenditures relating primarily to the installation of the scrubber at the Centralia plant and construction of the Sarnia, Big Hanaford and Campeche plants were offset by proceeds on the disposal of the Edmonton Composter, Mildred Lake, Fort Nelson and Fort Saskatchewan plants.

In 2002, the issuance of US$300.0 million in long-term notes offset by the repayment of short- and long-term debt, payment of common share and preferred securities distributions, and repurchase of common shares.

In 2001, net long-term borrowings offset by redemption of preferred shares of a subsidiary, common and preferred share dividends and repurchase of common shares.

O U T L O O K

The key factors affecting the financial results for 2003 continue to be the megawatt capacity in place, the availability of and production from generating assets, the pricing applicable to non-contracted production, the costs of production, and the volumes traded and margins achieved on Energy Marketing activities.

Generating capacity in 2003 will be higher than in 2002 due to the addition of the 575 MW Sarnia plant which will commence commercial operations in the first quarter of 2003. 55 MW of added capacity at Sarnia is forecasted for 2005. The acquisition of Vision Quest in December 2002 added 44 MW of capacity with a further 37.5 MW scheduled to commence operation in the second quarter of 2003. The 252 MW Campeche and 259 MW Chihuahua plants in Mexico are scheduled to commence commercial operations in the first and third quarters of 2003, respectively. These increases will be partially offset by the shutdown in November 2002 of unit three at the Wabamun facility (147 MW). Availability for 2003 is expected to be similar to 2002, however production is expected to be higher than in 2002 due to the increased capacity.

Electricity spot prices in 2003 are expected to be similar to those in 2002 for the Alberta market and higher in the Pacific Northwest. However, spark spreads (the difference between electricity prices and cost of gas consumed) are expected to compress due to the proportionately higher increase in the cost of natural gas. Expected electricity demand compared to levels of supply is expected to prevent prices from materially increasing over the medium term.

Legislation was passed in Ontario in late 2002 capping retail market prices at $43 per MWh. However, wholesale market prices have not been directly impacted by this decision. Some of the legislation has not yet been clarified and as a result, revenues for merchant capacity at the Sarnia plant may be affected.

Exposure to volatility in electricity prices is substantially mitigated through firm price long-term electricity sales contracts. Exposure to volatility in gas prices is substantially mitigated by the flow-through of the costs of natural gas to customers in some of these contracts and the existence of price caps in certain natural gas supply contracts. For 2003, approximately 88 per cent of output will be contracted, a significant portion of which relates to the Alberta PPAs which are capacity related based on achieving agreed availability rates. The corporation will continue to focus on the maximization of revenues from these contracts. For non-contracted sales, the historic correlation between natural gas and electricity prices is expected to weaken in 2003, resulting in a compression of spark spreads for non-contracted plants compared to 2002.

TransAlta is continuing its focus on reducing coal costs and ongoing operating (OM&A) expenses. The areas for reductions were identified in the fourth quarter of 2001 and have been, and continue to be, implemented. The benefits of these initiatives are beginning to be realized, and are expected to become fully apparent in 2003 and beyond. However, it is expected there will be more planned maintenance in the Alberta thermal plants in 2003 than in 2002.

Energy Marketing anticipates that short-term markets will continue to be active. Liquidity in the medium- and longer-term markets continues to be low, however there is a need for the types of products offered in these markets and the corporation hopes that additional creditworthy counterparties will begin to emerge and thereby increase liquidity. The financial performance of Energy Marketing activities is expected to be similar to that achieved in 2002.

In 2003, capital expenditures will be approximately $830 million, of which approximately $275 million will be spent on the Genesee Phase three project, described below, approximately $170 million will be spent to complete the two Mexican plants, $60 million on other growth projects and approximately $325 million on maintenance and productivity expenditures as a result of the planned outages and preventative maintenance. Included in the maintenance and productivity expenditures is $25 million in respect of CE Generation LLC (CE Gen), described below. Financing for these expenditures is expected to come from a combination of cash flow from operations, monetization of selected assets, issuance of common shares and the issuance of debt. TransAlta has access to a wide variety of sources of capital including: a $1.5 billion medium-term note program; a US$1.0 billion shelf prospectus; a $1.0 billion commercial paper program; and approximately $2.0 billion of bank credit facilities.

On Jan. 24, 2003 the corporation announced the acquisition of 50 per cent of the membership interests in CE Gen for US$205.0 million (approximately Cdn$312 million) plus approximately US$35.0 million of working capital (approximately Cdn$53 million) and the assumption of non-recourse debt of approximately US$500.0 million (approximately Cdn$762 million). MidAmerican Energy Holdings Company is the other 50 per cent member of CE Gen. CE Gen, through its subsidiaries, is primarily engaged in the development, ownership and operation of independent power production facilities in the United States utilizing geothermal and natural gas resources. CE Gen has 13 facilities with an aggregate operating capacity of 820 MW. The transaction closed on Jan. 29, 2003.

On Jan. 13, 2003, TransAlta and EPCOR Utilities Inc. (EPCOR) announced an agreement for TransAlta to acquire a 50 per cent interest in EPCOR's Genesee Phase three project for $395.0 million. On the same date, TransAlta paid EPCOR $157.0 million for TransAlta's share of project costs incurred to date. The 450 MW addition to the existing Genesee Generating Station is currently under construction southwest of Edmonton, Alberta. The two corporations will own and share costs for Genesee Phase 3 equally. EPCOR will continue to manage the project's construction and will operate the plant upon commercial operation in early 2005. Both parties will independently dispatch and market their share of the electrical output from the unit through the Alberta Power Pool. Included in the arrangement is an option for EPCOR to purchase a 50 per cent interest in TransAlta's Centennial one project described below. The option expires Dec. 31, 2005. EPCOR also has the option to purchase a 50 per cent interest in TransAlta's Sarnia plant, which may be exercised between January 2003 and March 2004.

In February 2002, the EUB approved the previously announced Centennial project, which is a 900 MW merchant expansion at the Keephills site. Phase one of the project is now part of the arrangement with EPCOR and the two corporations will jointly proceed with the development phase of the project. The decision to construct phase one will be made in sufficient time to ensure that the plant is operational when market conditions are appropriate. EPCOR has an option to participate in the construction and ownership of the project.

TransAlta will continue to focus on exploring strategic acquisitions and additional greenfield opportunities. Growth will only be undertaken to the extent that is affordable and supported by the balance sheet.

On Dec. 16, 2002, the Canadian government ratified the Kyoto Protocol. The Kyoto Protocol will have no impact on TransAlta's U.S., Mexican or Australian operations as these countries have not ratified the Protocol. TransAlta is not able to estimate the full impact the Protocol will have on its Canadian operations, as the Canadian government has not yet established an implementation plan. However, the PPAs for TransAlta's coal-fired plants in Alberta contain 'Change in Law' provisions that provide an opportunity to recover compliance costs from the PPA customers. As a member of the Canadian Clean Power Coalition, TransAlta, along with its peers, is exploring other means to reduce greenhouse gas emissions, including the purchase of offset credits. The acquisition of Vision Quest and its prospects for further developments has resulted in the additional amounts of zero-emissions facilities consistent with the strategy of the corporation. Since 1990 the corporation has reduced net emissions by 18 per cent and is on track to reach zero net emissions by 2024.

TRANSALTACORPORATION

CONSOLIDATEDSTATEMENTSOFEARNINGSANDRETAINEDEARNINGS

(in millions of Canadian dollars except per share amounts)

	3 months ended Dec. 31		Year ended Dec. 31	
	Unaudited 2002	2001	**Unaudited 2002**	Audited* 2001
Revenues	**$517.6**	$ 434.4	**$ 1,723.9**	$ 2,319.4
Fuel and purchased power	**(226.9)**	(246.4)	**(703.6)**	(1,230.6)
Gross margin	**290.7**	188.0	**1,020.3**	1,088.8
Operating expenses				

Operations, maintenance and administration	**135.1**	89.4	**420.5**	392.2
Depreciation and amortization	**62.5**	51.8	**219.0**	191.2
Asset impairment and equipment cancellation charges *(Note 6)*	**152.5**	2.7	**152.5**	118.8
Taxes, other than income taxes	**7.6**	4.6	**27.4**	18.7
	357.7	148.5	**819.4**	720.9
Operating income (loss)	**(67.0)**	39.5	**200.9**	367.9
Other income	**1.0**	1.2	**0.1**	1.5
Foreign exchange gain	**0.9**	2.9	**1.2**	0.8
Net interest expense	**(24.0)**	(12.4)	**(82.7)**	(88.1)
Earnings (loss) from continuing operations before regulatory decisions, income taxes and non-controlling interests	**(89.1)**	31.2	**119.5**	282.1
Prior period regulatory decisions *(Note 10)*	**-**	11.0	**(3.3)**	11.0
Earnings (loss) from continuing operations before income taxes and non-controlling interests	**(89.1)**	42.2	**116.2**	293.1
Income tax expense (recovery)	**(35.1)**	0.5	**18.1**	89.9
Non-controlling interests	**5.6**	5.0	**20.1**	20.6
Earnings (loss) from continuing operations	**(59.6)**	36.7	**78.0**	182.6
Earnings from discontinued operations *(Note 3)*	**-**	13.3	**12.8**	45.1
Gain on disposal of discontinued operations *(Note 3)*	**10.0**	-	**120.0**	-
Net earnings (loss)	**(49.6)**	50.0	**210.8**	227.7
Preferred securities distributions, net of tax	**4.7**	3.5	**20.9**	13.1
Net earnings (loss) applicable to common shareholders	**$(54.3)**	$ 46.5	**$ 189.9**	$ 214.6
Common share dividends	**(42.3)**	(41.7)	**(169.0)**	(168.4)
Adjustment arising from normal course issuer bid	**-**	(14.1)	**(27.0)**	(34.8)
Retained earnings				
Opening balance	**928.8**	847.6	**838.3**	826.9
Closing balance	**$832.2**	$ 838.3	**$ 832.2**	$ 838.3
Weighted average common shares outstanding in the period	**169.3**	168.9	**169.6**	168.9
Basic earnings (loss) per share				
Continuing operations	**$(0.38)**	$ 0.19	**$ 0.34**	$ 1.00
Earnings from discontinued operations	**-**	0.08	**0.07**	0.27
Net earnings (loss) from operations	**(0.38)**	0.27	**0.41**	1.27
Gain on disposal of discontinued operations, net of tax	**0.06**	-	**0.71**	-
Net earnings (loss)	**$(0.32)**	$ 0.27	**$ 1.12**	$ 1.27
Diluted earnings (loss) per share				
Earnings (loss) from continuing operations	**$(0.38)**	$ 0.19	**$ 0.34**	$ 0.98
Earnings from discontinued operations	**-**	0.08	**0.07**	0.27
Net earnings (loss) from operations	**(0.38)**	0.27	**0.41**	1.25

Gain on disposal of discontinued operations, net of tax	**0.06**	-	**0.71**	-
Net earnings (loss)	**$(0.32)**	$ 0.27	**$ 1.12**	$ 1.25

See accompanying notes.

** Derived from the audited Dec. 31, 2001 consolidated financial statements.*

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T R A N S A L T A C O R P O R A T I O N C O N S O L I D A T E D S T A T E M E N T S OF CASH FLOWS
(in millions of Canadian dollars)

	3 months ended Dec. 31		Year ended Dec. 31	
	Unaudited 2002	2001	**Unaudited 2002**	Audited* 2001
Operating activities				
Net earnings	**$ (49.6)**	$ 50.0	**$ 210.8**	$ 227.7
Depreciation and amortization	**79.7**	82.6	**314.8**	312.3
Asset impairment and equipment cancellation charges	**152.5**	-	**152.5**	66.5
Non-controlling interests	**5.6**	5.0	**20.1**	20.6
Loss (gain) on sale of property, plant and equipment	**12.3**	2.1	**15.6**	(5.4)
Site restoration costs incurred	**(3.5)**	(4.6)	**(15.6)**	(14.8)
Future income taxes (recovery)	**(43.8)**	33.2	**(60.4)**	39.9
Unrealized (gain) loss from energy marketing activities	**(10.9)**	6.0	**(5.9)**	(6.3)
Gain on disposal of Transmission operation *(Note 3)*	**(10.0)**	-	**(120.0)**	-
Other non-cash items	**(17.2)**	(0.7)	**(24.8)**	9.5
	115.1	173.6	**487.1**	650.0
Change in non-cash operating working capital balances	**74.4**	(41.9)	**(49.4)**	65.6
Cash flow from operating activities	**189.5**	131.7	**437.7**	715.6
Investing activities				
Additions to property, plant and equipment	**(194.6)**	(419.0)	**(945.8)**	(1,246.5)
Acquisitions *(Note 2)*	**(40.1)**	-	**(40.1)**	(9.8)
Proceeds on sale of property, plant and equipment to Limited Partnership	**-**	35.0	**-**	35.0
Disposals *(Note 3)*	**-**	-	**818.0**	-
Proceeds on sale of property, plant and equipment	**2.3**	0.2	**2.3**	201.6
Long-term receivables	**(5.4)**	20.3	**165.3**	(46.3)
Long-term investments *(Note 5)*	**-**	-	**(6.1)**	-
Deferred charges and other	**(23.2)**	(2.6)	**(29.8)**	(10.9)

Cash flow used in investing activities	**(261.0)**	(366.1)	**(36.2)**	(1,076.9)
Financing activities				
Net increase (decrease) in short-term debt	**289.3**	(7.8)	**(247.1)**	61.9
Issuance of long-term debt	**-**	125.0	**611.3**	789.9
Repayment of long-term debt	**(149.4)**	(0.8)	**(454.5)**	(292.7)
Redemption of preferred shares of a subsidiary	**-**	-	**-**	(122.1)
Issuance of common shares	**-**	0.1	**1.8**	14.1
Redemption of common shares	**-**	(14.2)	**(49.9)**	(44.4)
Distributions on preferred securities	**(8.2)**	(6.2)	**(34.9)**	(23.4)
Dividends on common shares	**(29.5)**	(28.7)	**(115.5)**	(149.6)
Net proceeds on issuance of preferred securities	**-**	169.4	**-**	169.4
Dividends to subsidiary's non-controlling preferred shareholders	**-**	-	**-**	(8.3)
Distributions to subsidiary's non-controlling limited partner	**(5.5)**	(6.0)	**(24.5)**	(26.3)
Deferred financing charges and other	**-**	0.1	**(7.6)**	0.2
Cash flow from (used in) financing activities	**96.7**	230.9	**(320.9)**	368.7
Cash flow from (used in) operating, investing and financing activities	**25.2**	(3.5)	**80.6**	7.4
Effect of translation on foreign currency cash	**(2.5)**	4.0	**0.7**	0.8
Increase in cash and cash equivalents	**22.7**	0.5	**81.3**	8.2
Cash and cash equivalents, beginning of period	**120.6**	61.5	**62.0**	53.8
Cash and cash equivalents, end of period	**$ 143.3**	$ 62.0	**$ 143.3**	$ 62.0

See accompanying notes.

** Derived from the audited Dec. 31, 2001 consolidated financial statements.*

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T R A N S A L T A C O R P O R A T I O N

Q U A R T E R L Y R E P O R T 2 0 0 2

T R A N S A L T A C O R P O R A T I O N
C O N S O L I D A T E D B A L A N C E SHEETS
(in millions of Canadian dollars)

	Dec. 31, 2002 Unaudited	Dec. 31, 2001 Audited*
ASSETS		

Current assets				
Cash and cash equivalents	**$**	**143.3**	$	62.0
Accounts receivable and other		**468.4**		625.3
Price risk management assets *(Note 4)*		**157.8**		137.6
Future income tax assets		**18.7**		16.9
Income taxes receivable		**111.5**		128.3
Materials and supplies at average cost		**112.7**		85.5
		1,012.4		1,055.6
Investments *(Note 5)*		**32.2**		37.3
Long-term receivables *(Note 7)*		**39.9**		221.4
Property, plant and equipment *(Note 3)*				
Cost		**8,124.9**		8,766.7
Accumulated depreciation		**(2,089.8)**		(2,671.9)
		6,035.1		6,094.8
Goodwill *(Note 2)*		**56.5**		29.3
Future income tax assets		**72.2**		15.6
Price risk management assets *(Note 4)*		**60.7**		71.3
Other assets		**110.6**		81.1
Total assets	**$**	**7,419.6**	$	7,606.4
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term debt	**$**	**290.0**	$	537.2
Accounts payable and accrued liabilities		**472.2**		627.5
Price risk management liabilities *(Note 4)*		**173.8**		114.1
Future income tax liabilities		**17.1**		11.8
Dividends payable		**42.9**		42.8
Current portion of long-term debt *(Note 8)*		**355.4**		104.3
		1,351.4		1,437.7
Long-term debt *(Note 8)*		**2,351.2**		2,406.8
Deferred credits and other long-term liabilities		**540.2**		560.5
Future income tax liabilities		**371.9**		409.1
Price risk management liabilities*(Note 4)*		**50.6**		69.0
Non-controlling interests		**263.0**		281.0
Preferred securities		**451.7**		452.6
Common shareholders' equity				
Common shares *(Note 9)*		**1,226.2**		1,170.9
Retained earnings		**832.2**		838.3
Cumulative translation adjustment		**(18.8)**		(19.5)
		2,039.6		1,989.7
Total liabilities and shareholders' equity	**$**	**7,419.6**	$	7,606.4

Contingencies *(Note 11)*

See accompanying notes.
** Derived from the audited Dec. 31, 2001 consolidated financial statements.*

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N O T E S T O C O N S O L I D A T E D F I N A N C I A L S T A T E M E N T S

(U N A U D I T E D)

(Tabular amounts in millions of Canadian dollars, except as otherwise noted)

1 . A C C O U N T I N G P O L I C I E S

These unaudited interim consolidated financial statements do not include all of the disclosures included in the corporation's annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the corporation's most recent annual consolidated financial statements.

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those used in the corporation's most recent annual consolidated financial statements, except for accounting for goodwill, stock-based compensation, exchange gains and losses on translation of long-term foreign currency denominated monetary items, impairment of long-lived assets and the presentation of energy-trading activities.

Effective Jan. 1, 2002, the corporation prospectively adopted the new Canadian Institute of Chartered Accountants (CICA) standard for goodwill and other intangibles. Under the new standard, goodwill and certain intangibles are no longer subject to amortization, but are instead tested for impairment at least annually. The adoption of this standard resulted in the reclassification of $29.3 million from acquired intangibles to goodwill, which will no longer be subject to amortization under the new standard. There was no impairment of goodwill upon adoption of this standard, nor was there an impairment at Dec. 31, 2002.

Net income and earnings per share for the three and twelve months ended Dec. 31, 2001 adjusted to exclude the amortization of the above amount are as follows:

	3 months ended Dec. 31, 2001	Year ended Dec. 31, 2001
Reported net earnings applicable to common shareholders	$ 46.5	$ 214.6
Amortization of acquired intangibles	2.3	7.7
Adjusted net earnings applicable to common shareholders	$ 48.8	$ 222.3
Reported basic earnings per share	$ 0.27	$ 1.27
Amortization of acquired intangibles per share	0.01	0.05
Adjusted basic earnings per share	$ 0.28	$ 1.32
Reported diluted earnings per share	$ 0.27	$ 1.25
Amortization of acquired intangibles per share	0.01	0.05
Adjusted diluted earnings per share	$ 0.28	$ 1.30

On Jan. 1, 2002, the corporation retroactively adopted the new CICA standard for stock-based compensation. The new standard requires that stock-based payments to non-employees, direct awards of stock and awards that call for settlement in cash or other assets be accounted for using the fair value method of accounting. The fair value method is encouraged for other stock-based compensation plans, but other methods of accounting, such as the intrinsic value method, are permitted. Under the fair value method, compensation expense is measured at the grant date and recognized over the service period. Under the intrinsic value method, compensation expense is determined as the difference between the market price of the underlying stock and the exercise price of the equity instrument granted. If the intrinsic value method is used, disclosure is made of earnings and per share amounts as if the fair value method had been used. The corporation has elected to use the intrinsic value method of accounting for its fixed stock option plans and its performance stock option plan. Accordingly, no compensation cost has been recognized for these plans. The following table provides pro forma measures of net earnings (loss) and earnings (loss) per share had compensation expense been recognized based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for stock-based compensation:

	3 months ended Dec. 31		Year ended Dec. 31	
	2002	2001	**2002**	2001
Reported net earnings (loss) applicable to common shareholders	**$(54.3)**	$ 46.5	**$ 189.9**	$ 214.6
Compensation expense	**1.0**	0.5	**3.7**	2.0
Pro forma net earnings (loss) applicable to common shareholders	**$(55.3)**	$ 46.0	**$ 186.2**	$ 212.6
Reported basic earnings (loss) per share	**$(0.32)**	$ 0.27	**$ 1.12**	$ 1.27
Compensation expense per share	**0.01**	-	**0.02**	0.01
Pro forma basic earnings (loss) per share	**$(0.33)**	$ 0.27	**$ 1.10**	$ 1.26
Reported diluted earnings (loss) per share	**$(0.32)**	$ 0.27	**$ 1.12**	$ 1.25
Compensation expense per share	**0.01**	-	**0.02**	0.01
Pro forma diluted earnings (loss) per share	**$(0.33)**	$ 0.27	**$ 1.10**	$ 1.24

Options were granted only in the first quarter of 2002. The estimated fair value of these stock options was determined using the binomial model using the following assumptions, resulting in a weighted-average fair value of $4.25 per option (2001 - $4.35):

	2002	2001
Risk-free interest rate	**5.9%**	5.4%
Expected hold period to exercise (years)	**7.0**	7.0
Volatility in the price of the corporation's shares	**28.3%**	28.2%

The accounting treatment for the corporation's performance share ownership plan remains unchanged from the year ended Dec. 31, 2001. Under this plan, compensation expense recognized in the three and twelve months ended Dec. 31, 2002 was $1.0 million and $5.3 million, respectively (2001 - $1.2 million and $6.6 million, respectively). Compensation expense is included in operations, maintenance and administration (OM&A) in the statements of earnings. Effective Jan. 1, 2003, TransAlta has elected to account for stock-based compensation in accordance with the fair value method, and will expense stock-based compensation in respect of stock options on a prospective basis.

The CICA amended its standard on foreign currency translation effective Jan. 1, 2002. The changes require that translation gains and losses arising on long-term foreign currency denominated monetary items be included in income in the current period. Previously, these gains and losses were to be amortized over the life of the related item. As TransAlta designates long-term foreign currency denominated items as hedges of net investments in foreign operations, all gains and losses arising on the translation of these items are deferred and included in the cumulative translation adjustment account in shareholders' equity, therefore this amendment has no impact on TransAlta.

The CICA has amended its standard on the recognition, measurement, and disclosure of the impairment of long-lived assets. This standard is effective April 1, 2003 and requires that an impairment loss be recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount that the long-lived asset's carrying value exceeds its fair value. TransAlta early adopted this standard in the fourth quarter of 2002. In accordance with the standard, the impairment calculation for the Wabamun plant resulted in the recognition of an impairment loss of $110.0 million, which is included in asset impairment and equipment cancellation charges in the statements of earnings.

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In the third quarter of 2002, in response to changes in accounting standards in the U.S. with respect to energy trading activities, the corporation has adopted a policy that all gains and losses on energy trading contracts be shown in the statement of earnings. Consistent with these recommendations, the corporation has chosen to disclose the gross transaction volumes of those energy trading contracts that are physically settled.

TransAlta's results are seasonal in nature due to the nature of the electricity market and related fuel costs.

2 . A C Q U I S I T I O N S

On Dec. 6, 2002, the corporation completed a step acquisition of Vision Quest Windelectric Inc. (Vision Quest). The initial steps resulted in 41 per cent ownership of Vision Quest for $13.5 million, accounted for using the equity method. Book values approximated fair values. The final step brought TransAlta's ownership to 100 per cent and TransAlta's total investment in Vision Quest to $68.8 million. The results of Vision Quest's operations have been included in the corporate segment of the consolidated financial statements since the date of acquisition. Vision Quest owns and operates 67 wind power turbine power plants with a total capacity of 44 MW with a further 37.5 MW under construction.

The aggregate purchase price includes the previous investments of $13.5 million, plus $21.3 million of cash and 745,791 common shares valued at $14.2 million. In addition, a loan of $19.8 million was previously advanced to Vision Quest. The value of the common shares issued was determined based on the average market price of TransAlta's common shares for the five days before and after the terms of the acquisition were agreed to and announced. 136,287 of the shares will be issued over the next three years.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. Due to the timing of the purchase, it was impractical to complete the allocations process satisfactory without causing undue delay in issuing the financial statements for the period in which the combination occurred. Therefore, the purchase price allocation was prepared based on the best allocations that could be made in the time available and, if necessary, the allocations in the purchase equation may be adjusted when the process is completed in the first quarter of 2003.

Net assets acquired at assigned values:		
Working capital, including cash of $8.2 million	$	6.5
Property, plant and equipment		70.1
Goodwill		27.2
Power Purchase Arrangement		2.5
Short-term debt		(32.2)
Future income tax liability		(4.7)
Interest rate swaps		(0.6)
Total	$	68.8
Consideration:		
Initial investments	$	13.5
Cash, including previous advances of $19.8 million		41.1
Common shares		14.2
Total	$	68.8

On Dec. 6, 2002, the corporation purchased the remaining 15 per cent interest in the Southern Cross Energy Partnership, located in western Australia, for AUD$8.5 million (Cdn$7.2 million). At the time of acquisition, book values approximated fair values.

3 . D I S C O N T I N U E D O P E R A T I O N S

On July 4, 2001, the corporation signed a purchase and sale agreement for the disposal of its Transmission operation. Regulatory approval was received on March 28, 2002. On April 29, 2002, the Transmission operation was sold for proceeds of $820.7 million, of which $818.0 million has been collected. The proceeds excluded accounts receivable of $31.7 million, which were retained and collected by TransAlta, and accounts payable of $4.4 million. The disposal resulted in a final gain on sale of $120.0 million ($0.71 per common share), net of income taxes of $32.9 million. The previously reported gain included a number of estimates, therefore the gain was adjusted in the fourth quarter of 2002 to reflect agreed working capital adjustments and actual amounts paid and received.

For reporting purposes, the results of the Transmission operation have been presented as discontinued operations in the statement of earnings.

3 months ended Dec. 31			**2002 Transmission**	2001 Transmission
Revenues			**$ -**	$ 42.8
Operating expenses			**-**	(19.1)
Operating income			-	23.7
Net interest expense			**-**	(0.6)
Earnings before income taxes			**-**	23.1
Income taxes			**-**	9.8
Earnings before gain on disposal			**-**	13.3
Gain on disposal			**10.0**	-
Earnings from discontinued operations			**$ 10.0**	$ 13.3

Year ended Dec. 31	**2002 Transmission**	2001 Transmission	2001 Edmonton Composter	Total
Revenues	**$ 55.8**	$ 171.1	$ 6.6	$ 177.7
Operating expenses	**(30.8)**	(84.6)	(5.4)	(90.0)
Operating income	**25.0**	86.5	1.2	87.7
Net interest expense	**(2.4)**	(9.7)	-	(9.7)
Earnings before income taxes	**22.6**	76.8	1.2	78.0
Income taxes	**9.8**	32.4	0.5	32.9
Earnings before gain on disposal	**12.8**	44.4	0.7	45.1
Gain on disposal	**120.0**	--	-	-
Earnings from discontinued operations	**$ 132.8**	$ 44.4	$ 0.7	$ 45.1

At Dec. 31, 2002, all of the corporation's discontinued operations had been sold. At Dec. 31, 2001, all of the corporation's discontinued operations had been sold with the exception of the Transmission operation. Balance sheet amounts are as follows:

	Dec. 31, 2002	Dec. 31, 2001
Current assets	**$ -**	$ 36.1
Capital assets	**-**	637.5
Other assets	**-**	3.3
Current liabilities	**-**	(15.5)
Net assets	**$ -**	$ 661.4

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4 . P R I C E R I S K M A N A G E M E N T A S S E T S A N D L I A B I L I T I E S

The Energy Marketing group uses energy derivatives, including physical and financial swaps, forwards and options to optimize returns from assets, earn trading revenues and gain market information. Energy contracts that meet the definition of a derivative in FASB Statement 133, *Accounting for Derivative Instruments and Hedging Activities*, are accounted for at fair value in accordance with Canadian and U.S. generally accepted accounting principles (GAAP). Derivatives are used to hedge the corporation's exposure to changes in electricity and natural gas prices. Under Canadian GAAP, settlement accounting is used for hedging activities if certain criteria are met. Under U.S. GAAP, hedging activities are accounted for in accordance with FASB Statement 133.

Energy Marketing's price risk management assets and liabilities represent the fair value of unsettled (unrealized) trading transactions. With the exception of transmission contracts, the fair value of all energy trading activities is based on quoted market prices. The fair value of physical transmission contracts is based on quoted market prices and a spread option valuation model. The fair value of financial transmission contracts is based upon statistical analysis of historical data.

	Dec. 31, 2002	Dec. 31, 2001
Price risk management assets		
Current	**$ 157.8**	$ 137.6
Long-term	**60.7**	71.3
Price risk management liabilities		
Current	**(173.8)**	(114.1)
Long-term	**(50.6)**	(69.0)
	$ (5.9)	$ 25.8

The following table illustrates movements in the fair value of the corporation's price risk assets and liabilities during the year ended Dec. 31, 2002:

Fair value of net price risk management assets outstanding at Dec. 31, 2001	**$ 25.8**
Fair value of new contracts entered into during the period	**(2.7)**
Changes in fair values attributable to market price and other market changes	**7.6**
Contracts realized or settled during the period	**(36.6)**
Changes in fair values attributable to changes in valuation techniques and assumptions	**-**
Fair value of net price risk management liabilities outstanding at Dec. 31, 2002	**$ (5.9)**

The source of the valuations of the above contracts and maturities over each of the next five calendar years and thereafter is as follows:

	2003	2004	2005	2006	2007	2008 and thereafter	Total
Prices actively quoted	$ (17.6)	$ 3.3	$ 3.2	$ 2.1	$ 1.5	$ -	$ (7.5)
Prices based on models	1.6	-	-	-	-	-	1.6
Asset (liability)	$ (16.0)	$ 3.3	$ 3.2	$ 2.1	$ 1.5	$ -	$ (5.9)

5 . I N V E S T M E N T S

In January 2002, an additional $2.9 million was invested in Vision Quest. In December 2002, the corporation purchased the remaining interest in Vision Quest as described in *Note 2*.

In April 2002, an additional $2.5 million was invested in a distributed generation company. This investment is accounted for using the equity method.

In April 2002, an initial $0.2 million was invested in a biomass generation company. An additional $0.5 million was invested in September 2002. The investment is accounted for using the cost method.

A foreign exchange revaluation of $1.9 million occurred during the twelve months ended Dec. 31, 2002 on the investment in the Australian gas transmission pipeline.

6 . A S S E T I M P A I R M E N T A N D E Q U I P M E N T C A N C E L L A T I O N C H A R G E S

After a detailed engineering assessment, a review of environmental issues and a review of short- and long-term market forecasts, the corporation decided to implement a phased decommissioning of its 569 MW coal-fired Wabamun facility in November 2002. As a result of this decision, the corporation recorded an impairment charge of $110.0 million during the quarter. The impairment charge was calculated as the excess of carrying value over fair value. The fair value of the facility was determined by estimating the present value of future cash flows.

In November 2002, the corporation cancelled orders for four natural gas turbines and as a result recorded a cancellation charge of $42.5 million for contract termination costs. The costs consist of progress payments made to date.

In September 2001, the corporation monetized its investment in the 154 MW Pierce Power plant, resulting in the recognition of revenue of $121.8 million, an impairment charge of $66.5 million and $52.3 million in anticipated future operating costs.

7 . L O N G - T E R M R E C E I V A B L E S

In August 2002, the remaining $180.3 million due from Aquila Networks Canada (formerly UtiliCorp Networks Canada) that arose from the August 2000 sale of the discontinued Alberta Distribution and Retail operation was collected in full.

The net California accounts receivable of US$24.2 million has been reclassified to long-term receivables, as collection is no longer expected in 2003, although ultimate collection of the net receivable is expected.

On Dec. 12, 2002, a U.S. Federal Energy Regulatory Commission (FERC) Administrative Law Judge issued proposed findings of fact that TransAlta be entitled to receive approximately US$44.0 million for electricity sales to California. However, FERC has proposed further adjustments in respect of power and gas prices, which could result in further adjustments to the amount to be received by TransAlta. Until a final ruling is made with respect to these issues, TransAlta will maintain the provision for these receivables.

8 . L O N G - T E R M D E B T

On June 20, 2002, the corporation issued debt of US$300.0 million under a US$1.0 billion shelf prospectus filed

May 14, 2002. The notes are unsecured and bear interest at 6.75 per cent, and mature on July 15, 2012. Net proceeds on the issuance were $456.9 million.

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9 . C O M M O N S H A R E S I S S U E D A N D O U T S T A N D I N G

TransAlta Corporation is authorized to issue an unlimited number of voting common shares without nominal or par value. At Dec. 31, 2002, the corporation had 169.8 million (Dec. 31, 2001 - 168.3 million) common shares issued and outstanding plus outstanding employee stock options to purchase an additional 3.2 million shares (Dec. 31, 2001 - 2.8 million).

In February 2002, TransAlta announced a normal course issuer bid to repurchase up to 3.0 million common shares for cancellation. For the year ended Dec. 31, 2002, 2.0 million common shares had been repurchased under the normal course issuer bid.

On Dec. 6, 2002, the corporation issued 609,504 common shares as a portion of the aggregate purchase price of Vision Quest *(Note 2)*.

1 0 . . P R I O R P E R I O D R E G U L A T O R Y D E C I S I O N S

Financial results for 2002 were affected by Alberta Energy and Utilities Board (EUB) decisions related to other reporting periods. The impact of such regulatory decisions is recorded when the effect of such decisions is known, without adjustment to the financial statements of prior periods.

On April 16, 2002, the EUB rendered a negative decision of $3.3 million pre-tax with respect to TransAlta's hydro bidding strategy in 2000.

In December 2001, the EUB ruled that the Wabamun unit four outage qualified for relief under the Temporary Suspension Regulation (TSR) and ordered that TransAlta would receive $11.0 million ($7.0 million after-tax) to compensate the corporation for obligation payments incurred in 2000 as a result of the outage.

1 1 . . C O N T I N G E N C I E S

In August 2000, a single thermal generating unit at the Wabamun plant was shut down due to safety concerns related to possible corrosion fatigue cracks within the waterwall tubing of its boiler. Repairs were completed late in the second quarter of 2001 and the unit returned to service in June 2001.

Since Jan. 1, 2001, the unit has been subject to the terms of a power purchase arrangement (PPA). Under the PPA's *force majeure* article, the corporation is not obligated to supply electricity during the period of repair, subject to confirmation by the administrator of the PPAs. Had such confirmation not occurred, the corporation would have been obligated to pay a penalty equal to the cost of obtaining an alternative source of electricity to fulfill its PPA supply obligations during the affected period. The *force majeure* decision went to arbitration in July 2001. On May 23, 2002, the arbitrators confirmed in their ruling that the outage qualified as a *force majeure* event, but also ruled that the corporation should have returned the unit to service more quickly. As a result of the decision, the corporation was required to pay $38.9 million plus interest of $2.7 million, all pre-tax. The payment was recorded as reduction to revenue.

On May 8, 2002, FERC requested that 150 sellers of wholesale electricity and ancillary services to the California electricity market, including TransAlta, respond to questions regarding their trading strategies in California during 2000 and 2001. TransAlta has responded to the FERC request and believes it operated in accordance with all applicable laws, rules, regulations and tariffs.

On May 21 and 22, 2002, FERC issued two additional requests for information regarding 'round-trip' trading activities, to which TransAlta responded, stating that the corporation does not believe it participated in any round-trip trades during 2000 and 2001. In addition, Reliant Energy Inc. issued a statement that it engaged in round-trip trades in 1999 with Merchant Energy Group of the Americas, Inc. (MEGA). TransAlta acquired an initial 50 per cent interest in MEGA in June 2000, and acquired the remaining 50 per cent in June 2001. TransAlta contends that no round-trip trading occurred between Reliant Energy Inc. and MEGA during any period in which TransAlta had an ownership interest in MEGA. TransAlta will continue to cooperate with the regulators and supply all information requested.

On May 30, 2002, the California Attorney General's Office (CAGO) filed civil complaints in the state court of California against eight additional wholesale power companies, including TransAlta. The complaint alleges violations of California's unfair business practices law in connection with rates charged for wholesale electricity sales. TransAlta believes that it has complied with applicable laws in regard to this complaint. In particular, the company is of the view that the basis of the complaint is a matter of federal rather than state jurisdiction. FERC has previously rejected allegations made by CAGO that TransAlta's subsidiaries violated rate filing requirements. On June 26, 2002, TransAlta filed a Notice of Motion to dismiss the complaint.

On Sept. 9, 2002, the Commodities Futures Trading Commission requested information on similar issues. TransAlta has provided the requested information.

On Dec. 16 and 20, 2002, two class action lawsuits on behalf of all persons and businesses in the states of Oregon and Washington were initiated in respect of alleged unlawful practices in the purchase and sale of wholesale energy. TransAlta believes these are without merit and will vigorously defend its actions. No amount has been accrued in these financial statements as neither the amount of the claim nor the outcome was determinable at the reporting date.

On Dec. 16, 2002, the Canadian government ratified the Kyoto Protocol. The Kyoto Protocol will have no impact on TransAlta's U.S., Mexican or Australian operations as these countries have not ratified the Protocol. TransAlta is not able to estimate the full impact the Protocol will have on its Canadian operations, as the Canadian government has not yet established an implementation plan. However, the PPAs for TransAlta's coal-fired plants in Alberta contain 'Change in Law' provisions that provide an opportunity to recover compliance costs from the PPA customers. As a member of the Canadian Clean Power Coalition, TransAlta, along with its peers, is exploring other means to reduce greenhouse gas emissions, including the purchase of offset credits. The acquisition of Vision Quest and its prospects for further development has resulted in additional amounts of zero-emissions facilities consistent with the strategy of the corporation. Since 1990, the corporation has reduced net emissions in Canada by 18 per cent and is on track to reach zero net emissions by 2024.

1 2 . . C O M P A R A T I V E F I G U R E S

Certain comparative figures have been reclassified to conform with the current period's presentation.

1 3 . . S E G M E N T E D D I S C L O S U R E S

Effective Jan. 1, 2002, the Generation and Independent Power Projects business segments were combined into one Generation segment to reflect changes in TransAlta's organizational structure. Prior period amounts have been reclassified.

I. Earnings information

3 months ended Dec. 31, 2002	Generation	Unaudited Energy Marketing	Corporate	Total
Revenues	**$ 498.7**	**$ 992.4**	**$ 1.0**	**$ 1,492.1**
Trading purchases	-	**(974.5)**	**-**	**(974.5)**
Net segment revenues	**498.7**	**17.9**	**1.0**	**517.6**
Fuel and purchased power	**(226.9)**	**-**	**-**	**(226.9)**
Gross margin	**271.8**	**17.9**	**1.0**	**290.7**
Operations, maintenance and administration	**115.3**	**3.6**	**16.2**	**135.1**
Depreciation and amortization	**57.4**	**0.5**	**4.6**	**62.5**
Asset impairment and equipment cancellation charges *(Note 6)*	**152.5**	**-**	**-**	**152.5**
Taxes, other than income taxes	**7.6**	**-**	**-**	**7.6**
EBIT before corporate allocations	**(61.0)**	**13.8**	**(19.8)**	**(67.0)**
Corporate allocations	**(18.1)**	**(2.3)**	**20.4**	**-**
EBIT	**$ (79.1)**	**$ 11.5**	**$ 0.6**	**(67.0)**
Other income				**1.0**
Foreign exchange gain				**0.9**
Net interest expense				**(24.0)**
Earnings from continuing operations before income taxes and non-controlling interests				**$ (89.1)**

3 months ended Dec. 31, 2001	Generation	Unaudited Energy Marketing	Corporate	Total
Revenues	$ 431.8	$ 526.9	$ -	$ 958.7
Trading purchases	-	(524.3)	-	(524.3)
Net segment revenues	431.8	2.6	-	434.4
Fuel and purchased power	(246.4)	-	-	(246.4)
Gross margin	185.4	2.6	-	188.0
Operations, maintenance and administration	68.7	1.6	19.1	89.4
Depreciation and amortization	41.4	4.0	6.4	51.8
Asset impairment and equipment cancellation charges *(Note 6)*	2.7	-	-	2.7
Taxes, other than income taxes	4.6	-	-	4.6
Prior period regulatory decisions *(Note 10)*	(11.0)	-	-	(11.0)
EBIT before corporate allocations	79.0	(3.0)	(25.5)	50.5
Corporate allocations	(23.6)	(1.9)	25.5	-
EBIT	$ 55.4	$ (4.9)	$ -	50.5
Other income				1.2
Foreign exchange gain				2.9
Net interest expense				(12.4)

Earnings from continuing operations before income taxes and non-controlling interests	$	42.2

Earnings information

Year ended Dec. 31, 2002		Generation	Unaudited Energy Marketing	Corporate	Total
Revenues		**$ 1,673.9**	**$ 3,703.8**	**$ 1.0**	**$ 5,378.7**
Trading purchases		**-**	**(3,654.8)**	**-**	**(3,654.8)**
Net segment revenues		**1,673.9**	**49.0**	**1.0**	**1,723.9**
Fuel and purchased power		**(703.6)**	**-**	**-**	**(703.6)**
Gross margin		**970.3**	**49.0**	**1.0**	**1,020.3**
Operations, maintenance and administration		**346.3**	**15.1**	**59.1**	**420.5**
Depreciation and amortization		**196.3**	**2.5**	**20.2**	**219.0**
Asset impairment and equipment cancellation charges	*(Note 6)*	**152.5**	**-**	**-**	**152.5**
Taxes, other than income taxes		**27.3**	**0.1**	**-**	**27.4**
Prior period regulatory decisions *(Note 10)*		**3.3**	**-**	**-**	**3.3**
EBIT before corporate allocations		**244.6**	**31.3**	**(78.3)**	**197.6**
Corporate allocations		**(70.6)**	**(8.3)**	**78.9**	**-**
EBIT		**$ 174.0**	**$ 23.0**	**$ 0.6**	**197.6**
Other income					**0.1**
Foreign exchange gain					**1.2**
Net interest expense					**(82.7)**
Earnings from continuing operations before income taxes and non-controlling interests					**$ 116.2**

Year ended Dec. 31, 2001		Generation	Audited Energy Marketing	Corporate	Total
Revenues		$ 2,158.4	$ 2,694.7	$ -	$ 4,853.1
Trading purchases		-	(2,533.7)	-	(2,533.7)
Net segment revenues		2,158.4	161.0	-	2,319.4
Fuel and purchased power		(1,230.6)	-	-	(1,230.6)
Gross margin		927.8	161.0	-	1,088.8
Operations, maintenance and administration		290.6	36.2	65.4	392.2
Depreciation and amortization		156.5	11.0	23.7	191.2
	(Note 6)	118.8	-	-	118.8

Asset impairment and equipment cancellation charges				
Taxes, other than income taxes	18.7	-	-	18.7
Prior period regulatory decisions *(Note 10)*	(11.0)	-	-	(11.0)
EBIT before corporate allocations	354.2	113.8	(89.1)	378.9
Corporate allocations	(82.5)	(6.6)	89.1	-
EBIT	$ 271.7	$ 107.2	$ -	378.9
Other income				1.5
Foreign exchange gain				0.8
Net interest expense				(88.1)
Earnings from continuing operations before income taxes and non-controlling interests				$ 293.1

II. Selected balance sheet information

Dec. 31, 2002 (unaudited)	Generation	Energy Marketing	Corporate	Discontinued Operations	Total
Goodwill	**$ -**	**$ 29.3**	**$ 27.2**	**$ -**	**$ 56.5**
Other assets	**6,353.4**	**315.3**	**694.4**	**-**	**7,363.1**
Total segment assets	**$ 6,353.4**	**$ 344.6**	**$ 721.6**	**$ -**	**$ 7,419.6**
Dec. 31, 2001 (audited)					
Goodwill	$ -	$ 29.3	$ -	$ -	$ 29.3
Other assets	5,873.2	384.0	643.0	676.9	7,577.1
Total segment assets	$ 5,873.2	$ 413.3	$ 643.0	$ 676.9	$ 7,606.4

III. Selected cash flow information

3 months ended Dec. 31, 2002	Generation	Energy Marketing	Corporate	Discontinued Operations	Total
Capital expenditures	**$ 190.8**	**$ 2.1**	**$ 1.7**	**$ -**	**$ 194.6**
3 months ended Dec. 31, 2001					
Capital expenditures	$ 415.5	$ 2.0	$ (6.3)	$ 7.8	$ 419.0

Year ended Dec. 31, 2002						
Capital expenditures	**$**	**909.1$**	**4.2**	**$ 10.7**	**$ 21.8**	**$ 945.8**
Year ended Dec. 31, 2001						
Capital expenditures	$	1,147.6$	43.8	$ 15.1	$ 40.0	$ 1,246.5

IV. Reconciliation
Depreciation and amortization (D&A) expense per statement of cash flows

	3 months ended Dec. 31		12 months ended Dec. 31	
	2002	2001	**2002**	2001
D&A expense for reportable segments	**$ 62.5**	$ 51.8	**$ 219.0**	$ 191.2
Discontinued operations	**-**	12.9	**15.6**	46.5
Mining equipment depreciation, included in fuel and purchased power	**9.3**	7.0	**37.1**	31.8
Site restoration accrual, included in fuel and purchased power	**7.7**	9.1	**38.9**	37.3
Other	**0.2**	1.8	**4.2**	5.5
	$ 79.7	$ 82.6	**$ 314.8**	$ 312.3

1 4 .. U N I T E D S T A T E S G E N E R A L L Y A C C E P T E D A C C O U N T I N G P R I N C I P L E S

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP and follow the same accounting policies and methods of computation as, and should be read in conjunction with, the most recent annual financial statements.

In connection with the corporation's May 12, 2002 shelf debt prospectus, TransAlta is required to reconcile these interim consolidated financial statements to U.S. GAAP. This reconciliation will be included with the corporation's annual report, and it shall be deemed to be incorporated by reference into these interim consolidated financial statements.

1 5 .. S U B S E Q U E N T E V E N T S

On Jan. 13, 2003, TransAlta and EPCOR Utilities Inc. (EPCOR) announced an agreement whereby TransAlta will acquire a 50 per cent interest in EPCOR's Genesee Phase three project for $395.0 million. On the same date, TransAlta made a $157.0 million payment to EPCOR for TransAlta's share of project costs incurred to date. A 450 MW addition to the existing Genesee Generating station is currently under construction and expected to commence commercial operations in early 2005. Included in the arrangement is an option for EPCOR to puchase a 50 per cent interest in TransAlta's Centennial one project, formerly referred to as Keephills three. The option expires Dec. 31, 2005. EPCOR also has the option to purchase a 50 per cent interest in TransAlta's Sarnia plant, which may be exercised between January 2003 and March 2004.

On Jan. 24, 2003, the corporation announced the acquisition of 50 per cent of the membership interests in CE Generation LLC (CE Gen) for US$205.0 million (approximately Cdn$312 million) plus approximately US$35.0 million (approximately Cdn$53 million) and the assumption of debt of approximately US$500.0 million (approximately Cdn$762 million). The acquisition will be accounted for using the purchase method of accounting. CE Gen is controlled jointly by TransAlta and MidAmerican Energy Holdings Company. As such, the financial results of CE Gen will be proportionately consolidated with those of TransAlta. The transaction closed on Jan. 29, 2003.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TransAlta Corporation

(Registrant)

By:/s/ Alison T. Love

(Signature)

Alison T. Love, Corporate Secretary

Date: January 31, 2003

CERTIFICATIONS

I, Stephen G. Snyder, certify that:

1.

I have reviewed this Report of Foreign Private Issuer on Form 6-K of TransAlta Corporation;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the Evaluation Date); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:

January 31, 2003

/s/ Stephen G. Snyder

Stephen G. Snyder

President and Chief Executive Officer

I, Ian Bourne, certify that:

1.

I have reviewed this Report of Foreign Private Issuer on Form 6-K of TransAlta Corporation;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the Evaluation Date); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 31, 2003

/s/ Ian Bourne

Ian Bourne

Executive Vice President and Chief Financial Officer