

ABBASTAR URANIUM CORP.

(formerly Abbastar Holdings Ltd.)

Vancouver, BC

INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"John B. Good"

President and Chief Executive Officer

"Patrick Lavit"

Chief Financial Officer

November 14, 2008

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

INTERIM BALANCE SHEETS

(Unaudited – Prepared by Management)

	September 30, 2008	December 31, 2007
	\$	\$
Assets		
Current		
Cash	236,290	68,834
Short-term investments	-	175,000
Amounts receivable	6,774	83,080
Promissory note receivable (Note 4)	18,000	29,000
Deposit	62,000	5,000
	<u>323,064</u>	<u>360,914</u>
Equipment (Note 5)	501	590
Interest in mineral property (Note 6)	100,000	100,000
	<u>423,565</u>	<u>461,504</u>
Liabilities		
Current		
Payables and accruals	127,486	74,096
Due to related parties (Note 7)	10,702	-
	<u>138,188</u>	<u>74,096</u>
Shareholders' equity		
Share capital (Note 8)	10,383,908	10,396,395
Contributed surplus	527,374	353,697
Deficit	(10,625,905)	(10,362,684)
	<u>285,377</u>	<u>387,408</u>
	<u>423,565</u>	<u>461,504</u>

Nature and continuance of operations (Note 1)

See notes to the interim financial statements.

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

INTERIM STATEMENTS OF OPERATIONS

(Unaudited – Prepared by Management)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Expenses				
Amortization	30	37	89	111
Bank charges	84	268	227	1,754
Consulting fees	13,287	26,901	61,361	29,901
Corporate communications	30,440	10,616	37,815	17,416
Management fees	29,250	35,500	80,250	77,250
Mineral exploration expenditures (Note 8)	556	100,574	38,465	928,930
Mineral property payment	-	-	75,000	-
Office and miscellaneous	10,243	11,182	35,158	21,070
Professional fees	75	600	8,090	22,910
Regulatory and transfer agent fees	12,162	11,596	22,856	37,900
Salaries	25,555	-	76,920	-
Stock-based compensation	44,831	16,980	55,690	220,395
Travel and promotion	2,127	16,148	10,859	28,970
Loss from operations	(168,640)	(230,402)	(502,780)	(1,386,607)
Other items				
Interest income	2,945	1,861	7,059	6,342
Future income tax recovery	-	-	232,500	-
Net loss for the period	(165,695)	(228,541)	(263,221)	(1,380,265)
Basic and diluted loss per common share	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.13)
Weighted average number of common shares outstanding	13,670,439	10,884,002	13,090,823	10,614,314

See notes to the interim financial statements.

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited – Prepared by Management)

	Common Shares		Contributed	Accumulated	Shareholders'
	Number	Amount	Surplus	Deficit	Equity
		\$	\$	\$	\$
Balances, January 1, 2007	9,212,830	8,724,934	88,665	(8,548,294)	265,305
Private placement – February 2007	2,000,000	650,000	-	-	650,000
Private placement – June 2007	775,000	706,528	36,472	-	743,000
Stock options exercised	310,000	62,000	-	-	62,000
Warrants exercised	500,000	225,000	-	-	225,000
Fair value of stock options exercised	-	27,933	(27,933)	-	-
Stock-based compensation	-	-	256,493	-	256,493
Net loss for the period	-	-	-	(1,814,390)	(1,814,390)
Balances, December 31, 2007	12,797,830	10,396,395	353,697	(10,362,684)	387,408
Tax deductions on flow-through share issuances	-	(232,500)	-	-	(232,500)
Private placement – July 2008	2,000,000	193,904	126,096	-	320,000
Stock options exercised	90,000	18,000	-	-	18,000
Fair value of stock options exercised	-	8,109	(8,109)	-	-
Stock-based compensation	-	-	55,690	-	55,690
Net loss for the period	-	-	-	(263,221)	(263,221)
Balances, September 30, 2008	14,887,830	10,383,908	527,374	(10,625,905)	285,377

See notes to the interim financial statements.

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

INTERIM STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(165,695)	(228,541)	(263,221)	(1,380,265)
Items not involving cash:				
Amortization	30	37	89	111
Stock-based compensation	44,831	16,980	55,690	220,395
Future income tax recovery	-	-	(232,500)	-
Changes in non-cash working capital				
Amounts receivable	2,401	(1,326)	76,306	(57,278)
Deposits and prepaid expenses	(62,000)	(85,000)	(57,000)	(85,000)
Payables and accruals	18,581	(96,842)	53,390	(486)
Due to related parties	(11,130)	(14,886)	10,702	(9,237)
Net cash used in operating activities	(172,982)	(409,578)	(356,544)	(1,311,760)
Cash flows from financing activities				
Issue of common shares	320,000	780,000	338,000	1,655,000
Share subscription advance	-	(260,000)	-	-
Net cash provided by financing activities	320,000	520,000	338,000	1,655,000
Cash flows from investing activities				
Short-term investments	70,000	-	175,000	-
Acquisition of interest in mineral property	-	-	-	(100,000)
Promissory notes receivable	-	2,752	11,000	(8,410)
Net cash provided by (used in) investing activities	70,000	2,752	186,000	(108,410)
Increase in cash and cash equivalents	217,018	113,174	167,456	234,830
Cash and cash equivalents, beginning of period	19,272	432,205	68,834	310,549
Cash and cash equivalents, end of period	236,290	545,379	236,290	545,379
Supplementary cash flow information				
Interest received	2,730	2,509	7,281	6,342
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-

See notes to the interim financial statements.

ABBASTAR URANIUM CORP. (formerly Abbastar Holdings Ltd.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

September 30, 2008

Note 1 Nature and Continuance of Operations

Abbastar Uranium Corp. (the "Company") was incorporated in the Province of British Columbia under the name 424025 B.C. Ltd. on April 13, 1992. On May 29, 2007, the Company changed its name to Abbastar Uranium Corp.

The Company is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

These financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Company has incurred operating losses and has a cumulative deficit of \$10,625,905 at September 30, 2008. The ability of the Company to continue as a going concern is dependent upon a number of factors including obtaining additional financing as required and seeking profitable operations.

Note 2 Interim Financial Statements – Basis of Presentation

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual financial statements have been omitted. As a result, these unaudited interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2007 ("Annual Financial Statements").

These unaudited interim financial statements have been prepared using the same accounting principles as set out in the Annual Financial Statements of the Company for the year ended December 31, 2007, with the exception of those described in Note 3.

Note 3 Changes in Accounting Policies

On January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to capital disclosures and financial instruments disclosure and presentation.

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

Other than the additional disclosure in Note 11, the adoption of this Section has had no impact on the Company's financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Note 3 Changes in Accounting Policies (continued)

Financial Instruments – Disclosures - (CICA Handbook Section 3862) requires an increased emphasis on disclosing the nature and the extent of risk arising from financial statements and how the entity manages those risks. This section, together with Section 3863, “Financial Instruments – Presentation”, replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.

Financial Instruments – Presentation - (CICA Handbook Section 3863) establishes standards for presentation of financial instruments and non-financial derivatives.

Other than the additional disclosure in Note 12, the adoption of these Sections has had no impact on the Company's financial statements.

Future accounting changes

The Company will adopt the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be effective January 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 4 Promissory Note Receivable

	September 30, 2008	December 31, 2007
	\$	\$
Promissory note receivable dated March 31, 2007 from a non-related entity, bearing interest at 8% per annum, unsecured and due on demand. The note was repaid in full subsequent to quarter-end.	<u>18,000</u>	<u>29,000</u>

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Note 5 Equipment

	September 30, 2008			December 31, 2007		
	Cost \$	Accumulated Amortization \$	Net \$	Cost \$	Accumulated Amortization \$	Net \$
Office equipment	<u>2,000</u>	<u>1,499</u>	<u>501</u>	<u>2,000</u>	<u>1,410</u>	<u>590</u>

Note 6 Interest in Mineral Property

On February 13, 2007, the Company and Entourage Mining Ltd. ("Entourage") entered into an option agreement (the "Agreement") wherein the Company has been granted the sole option and right to acquire up to 70% of Entourage's interest (the "Transaction") in the Doran uranium property (the "Doran Property") situated in Costebelle Township, on the north shore of the Gulf of St. Lawrence in south-eastern Quebec.

On February 16, 2007, the Company advanced Entourage \$100,000 in the form of a promissory note with interest at 8% per annum. In May 2007, the promissory note was converted into the cash payment required pursuant to the Agreement in order to exercise and acquire the interest in the Doran Property.

The Company will earn its interest in the Doran Property as follows:

- 20% interest by expending not less than \$500,000 on exploration within one year from the date of the Agreement (this expenditure requirement has been met);
- 15% additional interest by expending an additional \$1,000,000 on exploration within two years from the date of the Agreement;
- 15% additional interest by expending an additional \$1,500,000 on exploration within three years from the date of the Agreement; and
- 20% additional interest by expending an additional \$2,000,000 on exploration within four years from the date of the Agreement.

Pursuant to the Agreement, the Company has acquired the sole and exclusive right to manage the Doran Property. The Company may at any time elect to abandon its interest in the Doran Property. The Agreement also provides that the Company and Entourage will enter into a joint venture agreement after the Company makes all of the above expenditures and earns the 70% interest or elects not to acquire any further interest after making the \$100,000 payment and expending \$500,000 on the Doran Property.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from potential aboriginal claims and frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to the Doran Property and, to the best of its knowledge; title to the Doran Property is in good standing.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

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Note 7 Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The period-end balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from the provision of services and loan advances described.

During the three and nine months ended September 30, 2008, the Company incurred \$3,750 and \$3,750 (2007 - \$nil and \$nil) in management fees and \$7,500 and \$7,500 (2007 - \$nil and \$nil) in salary to its President and at September 30, 2008 the Company owes this individual an aggregate of \$3,750 (December 31, 2007 - \$nil) for fees.

During the three and nine months ended September 30, 2008, the Company incurred \$7,500 and \$22,500 (2007 - \$17,500 and \$37,500) in management fees and \$15,000 and \$45,000 (2007 - \$nil and \$nil) in salary to its former President and at September 30, 2008 the Company owes this individual an aggregate of \$2,752 (December 31, 2007 - \$nil) for fees and cash advances.

During the three and nine months ended September 30, 2008, the Company incurred \$12,000 and \$36,000 (2007 - \$12,000 and \$27,750) in management fees to a director and at September 30, 2008 the Company owes this individual an aggregate of \$4,200 (December 31, 2007 - \$nil) for fees.

Note 8 Share Capital

Authorized

Unlimited number of common shares, without par value.

Common shares

Private placements:

In August 2008, the Company closed the private placement announced on July 15, 2008, comprised of 2,000,000 shares units ("Units") at a price of \$0.16 per Unit for gross proceeds of \$320,000. Each Unit consists of one common share and one common share purchase warrant. One common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.21 for a period of one year. The Units are subject to a four-month hold expiring on December 25, 2008. The fair value of the warrants issued in the private placement was \$126,096 and was allocated to contributed surplus. The proceeds from the financing were used for general working capital purposes. There was no finder's fees payable in connection with this private placement.

In August 2007, the Company closed the private placement announced on June 6, 2007 and amended August 14, 2007, comprised of 400,000 flow-through shares ("07Q3 FTS") at a price of \$1.00 per 07Q3 FTS and 375,000 non flow-through units ("07Q3 NFT Unit") at a price of \$1.00 per 07Q3 NFT Unit for total gross proceeds of \$775,000. Each 07Q3 NFT Unit consisted of one common share and one common share purchase warrant. Two common share purchase warrants entitles the holder to purchase one additional common share of the Company at a price of \$1.50 for a period of one year. All warrants expired unexercised on July 30, 2008. The Company paid a finder's fee in the amount of \$32,000 in connection with this private

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

September 30, 2008

Note 8 Share Capital (continued)

Private placements (continued):

placement. The fair value of the warrants issued in the private placement was \$36,472 and was allocated to contributed surplus. The proceeds from this private placement were used for further exploration expenditures on the Doran Property in Quebec and for general working capital purposes.

In May 2007, the Company closed the private placement announced on February 14, 2007 comprised of 1,000,000 flow-through shares ("07Q2 FTS") at a price of \$0.35 per 07Q2 FTS and 1,000,000 non flow-through units ("07Q2 NFT Unit") at a price of \$0.30 per 07Q2 NFT Unit for total gross proceeds of \$650,000. Each 07Q2 NFT Unit was comprised of one common share and one common share purchase warrant. Two common share purchase warrants entitled the holder to acquire one additional share of the Company at a price of \$0.45 for a period of one year, provided that if at any time the Company's shares have a closing price of \$0.75 or more for twenty (20) consecutive trading days on the Exchange, the Company will be entitled to give notice to the holders of the warrants to the effect that the warrants will expire 30 days from the date of mailing of such notice unless exercised before the expiry of that period, and in such event all unexercised warrants will expire at 4:30 p.m. (Vancouver time) on the last day of such 30 day period. All warrants were exercised during 07Q2. The proceeds from this private placement and exercise of warrants were used for exploration expenditures on the Doran Property in Quebec and for general working capital. There was no finder's fee payable in connection with this financing.

Renounced exploration expenditures:

In February 2008, the Company renounced \$750,000 of mineral exploration expenditures under its flow-through share program, resulting in a future income tax liability of \$232,500, which was deducted from share capital. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future income tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of \$232,500.

Warrants/stock options exercised:

During the nine months ended September 30, 2008, 90,000 stock options were exercised at \$0.20 per share for proceeds of \$18,000. During the year ended December 31, 2007, 310,000 stock options were exercised at \$0.20 per share for proceeds of \$62,000 and 1,000,000 warrants were exercised into 500,000 common shares at \$0.45 per share for proceeds of \$225,000.

Warrants

As at September 30, 2008 there were 2,000,000 warrants outstanding exercisable into 2,000,000 common shares at \$0.21 per share expiring August 25, 2009. As at December 31, 2007 there were 375,000 warrants outstanding, exercisable into 187,500 common shares at \$1.50 per share. On July 30, 2008 all 375,000 warrants expired without being exercised.

Stock-based compensation plan

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 2,500,000 common shares of the Company. Under the plan, the exercise price of each option cannot be less than the discounted market price as defined in Policy 1.1 of the TSX Venture Exchange ("Exchange") policies. The options can be granted for a maximum term of five years and the vesting period of each option grant is at the discretion of the board of directors, subject to applicable Exchange policies.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

September 30, 2008

Note 8 Share Capital (continued)

Stock-based compensation plan (continued)

Options under the plan are summarized as follows:

	Nine months ended September 30, 2008		Year ended December 31, 2007	
	Options	Weighted Average Exercise Price \$	Options	Weighted Average Exercise Price \$
Outstanding, beginning of period	930,000	0.38	675,000	0.20
Granted	1,440,000	0.22	645,000	0.56
Exercised	(90,000)	0.20	(310,000)	0.20
Cancelled	<u>(475,000)</u>	<u>0.44</u>	<u>(80,000)</u>	<u>1.00</u>
Outstanding, end of period	<u>1,805,000</u>	<u>0.25</u>	<u>930,000</u>	<u>0.38</u>

		Options Outstanding September 30, 2008		Options Exercisable September 30, 2008	
Exercise Price \$	Number Outstanding	Weighted Average Remaining Contractual Life (Yrs)	Expiry Date	Number Exercisable	Weighted Average Exercise Price \$
0.20	275,000	2.9	10-Aug-11	275,000	0.20
0.20	250,000	4.9	21-Aug-13	62,500	0.20
0.21	775,000	4.8	15-Jul-13	193,750	0.21
0.25	315,000	4.5	15-Apr-13	78,750	0.25
0.30	75,000	3.4	14-Feb-12	75,000	0.30
0.45	75,000	4.1	9-Nov-12	75,000	0.45
1.00	<u>40,000</u>	<u>3.7</u>	8-Jun-12	<u>40,000</u>	<u>1.00</u>
	<u>1,805,000</u>	<u>4.0</u>		<u>800,000</u>	<u>0.28</u>

During the three and nine months ended September 30, 2008, the total compensation expense related to the fair value of stock options granted and vested was \$44,831 and \$55,690 (2007 - \$16,980 and \$220,395). This amount was determined using the Black-Scholes option pricing model with the following weighted average assumptions: no dividends were paid, expected volatility of 97.39% (2007 – 109.75%); risk-free rate of return of 3.20% (2007 – 3.11%); and expected lives of 2.5 years (2007 – 2.1 years).

The weighted average fair value of options granted during the nine months ended September 30, 2008 was \$0.18 (2007 - \$0.57).

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

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Note 9 Mineral Exploration Expenditures

A summary of exploration expenditures incurred on the Doran Property for the periods indicated is provided below.

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Air support and fuel	-	-	-	189,554
Assaying and analysis	-	20,700	1,666	27,728
Contract labour	-	9,000	-	35,200
Drilling	-	-	-	427,884
Equipment rental	-	15,061	847	39,123
Field supplies	-	8,146	-	28,629
Geological consulting	-	25,772	33,497	95,637
Shipping, handling and expediting	-	18,156	602	22,456
Storage	556	-	1,853	-
Travel and lodging	-	3,739	-	62,719
Incurred during the period	556	100,574	38,465	928,930
Cumulative expenditures, beginning of period	<u>1,275,172</u>	<u>828,356</u>	<u>1,237,263</u>	<u>-</u>
Cumulative expenditures, end of period	<u>1,275,728</u>	<u>928,930</u>	<u>1,275,728</u>	<u>928,930</u>

Note 10 Mineral Property Payment

During 08Q1 the Company made the final payment of \$75,000 due to the vendor of the Doran Property on behalf of Entourage. Pursuant to the Agreement (see Note 6) Entourage acknowledges the \$75,000 payment made by the Company as a mineral exploration expenditure.

Note 11 Capital Management

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

September 30, 2008

Note 11 Capital Management (continued)

The Company currently has no source of revenues; as such the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2008. The Company is not subject to externally imposed capital requirements.

Note 12 Financial Instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk:

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had a cash and short-term investment balance of \$236,290 (December 31, 2007 - \$243,834) to settle current liabilities of \$138,188 (December 31, 2007 - \$74,096). Other than due to related parties, all of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk:

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

(a) Interest rate risk - the Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk - the Company currently believes it has no significant foreign exchange risk.

(c) Price risk - the Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Note 12 Financial Instruments (continued)

Sensitivity Analysis:

The carrying amount of cash and accounts payable and accrued liabilities approximates their fair value due to their short term nature. The Company does not have any deposits with fixed interest rates and is therefore does not have significant exposure to changing interest rates.