

Financial Statements of

UEX CORPORATION

Years ended December 31, 2008 and 2007



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AUDITORS' REPORT TO THE SHAREHOLDERS

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

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

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

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

March 6, 2009

UEX CORPORATION

Balance Sheets

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,166,305	\$ 51,830,474
Amounts receivable	432,243	1,112,004
Prepaid expenses	186,770	249,499
	24,785,318	53,191,977
Equipment (note 3)	210,532	290,274
Mineral properties (note 4)	129,988,477	99,539,582
	\$ 154,984,327	\$ 153,021,833

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,283,373	\$ 4,703,355
Future income taxes (note 5)	15,058,296	14,625,397
Shareholders' equity:		
Share capital (note 6)	124,699,739	124,485,587
Contributed surplus (note 7)	29,324,721	19,785,302
Deficit	(19,381,802)	(10,577,808)
	134,642,658	133,693,081
	\$ 154,984,327	\$ 153,021,833

Nature of operations and going concern (note 1)
Commitments (notes 4 and 8)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Stephen H. Sorensen" Director

"Graham C. Thody" Director

UEX CORPORATION

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2008 and 2007

	2008	2007
Expenses:		
Amortization	\$ 12,008	\$ 10,543
Bank charges and interest	3,721	4,551
Donations	120,000	1,000
Filing fees and stock exchange	215,786	179,011
General and administration	238,755	230,055
Insurance	46,748	48,358
Legal and audit	219,795	185,648
Rent	87,733	65,129
Salaries and benefits	465,086	414,329
Stock-based compensation (note 6(c))	8,210,881	8,937,973
Telephone	8,391	9,549
Travel and promotion	74,017	58,954
Loss before the undernoted items	(9,702,921)	(10,145,100)
Investment income	1,249,743	3,034,219
Write-down of mineral property	(435,360)	-
Loss before income taxes	(8,888,538)	(7,110,881)
Future income tax recovery (note 5)	84,544	1,638,347
Net loss and comprehensive loss for the year	(8,803,994)	(5,472,534)
Deficit, beginning of year	(10,577,808)	(5,105,274)
Deficit, end of year	\$ (19,381,802)	\$ (10,577,808)
Loss per share:		
Basic	\$ (0.05)	\$ (0.03)
Diluted	(0.05)	(0.03)
Weighted average number of shares outstanding:		
Basic	183,662,888	182,368,774
Diluted	185,373,082	185,939,334

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash provided by (used for):		
Operations:		
Net loss for the year	\$ (8,803,994)	\$ (5,472,534)
Items not involving cash		
Amortization	12,008	10,543
Future income tax recovery	(84,544)	(1,638,347)
Stock-based compensation	8,210,881	8,937,973
Write-down of mineral property	435,360	-
Changes in non-cash operating working capital:		
Amounts receivable	29,060	(49,594)
Prepaid expenses	62,729	(175,087)
Accounts payable and accrued liabilities	144,756	(18,100)
	6,256	1,594,854
Investments:		
Mineral property expenditures	(27,766,842)	(31,911,969)
Purchase of equipment	(47,263)	(209,513)
	(27,814,105)	(32,121,482)
Financing:		
Common shares issued	143,680	5,491,046
Decrease in cash and cash equivalents	(27,664,169)	(25,035,582)
Cash and cash equivalents, beginning of year	51,830,474	76,866,056
Cash and cash equivalents, end of year	\$ 24,166,305	\$ 51,830,474
Supplementary information:		
Interest received	\$ 1,332,728	\$ 3,109,822
Non-cash transactions:		
Increase in accounts payable and accrued liabilities relating to mineral property expenditures	435,262	3,884,054
Decrease (increase) in amounts receivable relating to mineral property expenditures	650,701	(596,986)
Non-cash stock-based compensation included in mineral property expenditures	1,399,010	2,646,014
Increase in mineral properties due to future income taxes	517,443	1,197,245
Amortization included in mineral properties	114,997	110,788

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

1. Nature of operations and going concern:

The Company was incorporated under the Canada Business Corporations Act on October 2, 2001. On October 23, 2001, the Company entered into an agreement with Pioneer Metals Corporation (Pioneer) and Cameco Corporation (Cameco) to establish the Company as a public uranium exploration company. On July 17, 2002, under a plan of arrangement with Pioneer, Pioneer transferred to the Company its uranium exploration properties and all related assets, including the Riou Lake and Black Lake Projects. On the same date, Cameco transferred its Hidden Bay uranium exploration property and certain related assets, in exchange for shares of the Company.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, the completion of commitments required under option agreements in order for the Company to earn its interest in the underlying mineral claims, and upon future profitable production or proceeds from the disposition of its mineral properties. Based on the Board approved 2009 budgets of approximately \$12 million for exploration and development and administrative costs, the Company has sufficient funding to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Adoption of new accounting standards:

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- (i) Handbook Section 1535, *Capital Disclosures*, specifies 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 externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance (see Note 9).
- (ii) Handbook Section 3862, *Financial Instrument - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, replace Section 3861, *Financial Instruments - Disclosure and Presentation*, revising its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks (see note 10).

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(b) Adoption of new accounting standards (continued):

(iii) Handbook Section 1400, *General Standards on Financial Statement Presentation*, has been amended to require management of the Company to assess at each balance sheet date and, if necessary, disclose any uncertainty surrounding the ability of the Company to continue as a going concern. The adoption of this standard has enhanced the Company's disclosures in these financial statements.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties, determination of valuation allowances for future income tax assets and assumptions used in determining the fair value of non-cash stock-based compensation. Actual amounts may differ from such estimates.

(d) Cash equivalents:

Cash equivalents are highly liquid investments having a maturity of three months or less at the date of acquisition and are readily convertible to contracted amounts of cash.

(e) Equipment:

Equipment is stated at cost less accumulated amortization. Amortization is provided on a declining-balance basis over the expected useful lives of the assets, using the following rates:

Asset	Rate
Exploration equipment	30%
Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%

In the year of acquisition, amortization is provided at one-half the declining balance rate.

(f) Mineral properties:

All acquisition, exploration and development costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or the recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated ore reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The underlying value of all properties is dependent on the existence and economic recovery of reserves in the future. All administrative costs are expensed in the year incurred.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(g) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it incurs a legal obligation, if a reasonable estimate of fair value can be made, based on the discounted estimated future cash settlement of an asset retirement obligation. The asset retirement obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. This asset retirement cost will be depreciated over the life of the related asset. The liability is accreted, through operating expense, over a period ending when the liability is finally settled in cash, subject to annual adjustments for changes in estimates. The Company has assessed each of its mineral projects and determined that no material asset retirement obligations exist as at December 31, 2008 and 2007.

(h) Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents are designated as held for trading and carried at fair value, with the unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations. Amounts receivable is classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities, and recorded at amortized cost using the effective interest rate method. In addition, any impairment of loans and receivables is deducted from the amortized cost. The Company does not hold any derivative financial instruments.

The carrying amounts of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities are a reasonable estimate of their fair values because of the short period to maturity of these instruments.

(i) Stock-based compensation:

The Company has a share option plan which is described in note 6(c). The Company records all stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(j) Income taxes:

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future 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 bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period the substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(j) Income taxes (continued):

The future income tax benefit on eligible mineral property expenditures which are renounced to investors due to the issuance of flow-through shares is charged to share capital at the time the tax credit associated with the expenditures are renounced to shareholders, provided there is reasonable assurance that the expenditures will be made.

(k) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury stock method is used to calculate diluted earnings per share. However, outstanding options and warrants would have no dilutive effects on basic loss per share for 2008 and 2007 due to the Company's loss for the year.

(l) Variable interest entities:

The Company applies CICA Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15). AcG-15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity (VIE). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. Management has determined the Company does not have any variable interest entities for the years ended December 31, 2008 and 2007.

(m) Future accounting policies:

(i) Recent accounting pronouncements:

CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets* and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts* is amended to clarify criteria for recognition of an asset. CICA Handbook Section 3450, *Research and Development Costs* is replaced by guidance in Section 3064. EIC 27 *Revenues and Expenditures During the Pre-Operating Period* is no longer applicable for entities that have adopted Section 3064. A number of other EIC abstracts have consequential amendments. CICA Accounting Guideline 11 *Enterprises in the Development Stage* is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. These changes are effective for the Company commencing January 1, 2009. The Company is currently assessing the financial reporting impact of these standards.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

2. Significant accounting policies (continued):

(m) Future accounting policies (continued):

(ii) International Financial Reporting Standards (IFRS):

In 2006, the Canadian Accounting Standards Board (AcSB) 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 IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. In July 2008, the Canadian Securities Administrators announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. We are currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

3. Equipment:

2008	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 313,198	\$ 176,397	\$ 136,801
Computer equipment	108,948	55,841	53,107
Computer software	108,867	97,773	11,094
Furniture and fixtures	11,704	2,174	9,530
	\$ 542,717	\$ 332,185	\$ 210,532

2007	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 306,495	\$ 119,204	\$ 187,291
Computer equipment	98,076	35,412	62,664
Computer software	86,679	49,835	36,844
Furniture and fixtures	4,204	729	3,475
	\$ 495,454	\$ 205,180	\$ 290,274

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

Project	Balance December 31, 2007	Exploration and development expenditures	Write-down of mineral property	Balance December 31, 2008
Hidden Bay	\$ 41,273,130	\$ 18,064,686	\$ -	\$ 59,337,816
Western Athabasca	30,702,947	9,751,660	-	40,454,607
Black Lake	13,883,916	1,369,198	-	15,253,114
Riou Lake	7,454,397	1,477,100	-	8,931,497
Northern Athabasca	5,636,733	212,489	(435,360)	5,413,862
Beatty River	588,459	9,122	-	597,581
	\$ 99,539,582	\$ 30,884,255	\$ (435,360)	\$ 129,988,477

Project	Balance December 31, 2006	Exploration and development expenditures	Balance December 31, 2007
Hidden Bay	\$ 21,840,142	\$ 19,432,988	\$ 41,273,130
Western Athabasca	17,860,659	12,842,288	30,702,947
Black Lake	10,432,040	3,451,876	13,883,916
Riou Lake	6,889,274	565,123	7,454,397
Northern Athabasca	2,915,883	2,720,850	5,636,733
Beatty River	448,500	139,959	588,459
	\$ 60,386,498	\$ 39,153,084	\$ 99,539,582

A summary of the company's mineral property interests is as follows:

(a) Hidden Bay Project:

The Company's 100%-owned Hidden Bay Project, including the West Bear, Raven and Horseshoe Deposits, is located in the eastern Athabasca Basin of northern Saskatchewan, Canada.

(b) Western Athabasca Projects:

The Western Athabasca Projects, located in the western Athabasca Basin, which include the Anne, Colette and Kianna Deposits, are ten joint ventures with the Company holding a 49% interest and AREVA Resources Canada Inc. (AREVA) holding a 51% interest as at December 31, 2008 and 2007. The Company is in the process of preparing joint venture agreements with AREVA.

The Anne, Colette and Kianna Deposits are subject to a royalty of US\$0.212 per pound of U₃O₈ sold to a maximum royalty of US\$10,000,000.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

4. Mineral properties (continued):

(c) Black Lake Project:

The Black Lake Project, located in the northern Athabasca Basin, is a joint venture with the Company holding a 89.96% (2007 - 89.31%) interest and AREVA holding a 10.04% (2007 - 10.69%) interest as at December 31, 2008. As a result of AREVA electing not to participate in the 2008 exploration programs at Black Lake, the Company's interest in the Black Lake Project increased and AREVA's interest decreased by 0.65%.

(d) Riou Lake Project:

The Company has a 100% interest in the Riou Lake Project located in the northern Athabasca Basin.

(e) Northern Athabasca Projects:

The Company has a 100% interest in the Northern Athabasca Projects located in the northern Athabasca Basin. During the year ended December 31, 2008, the Company determined to allow certain mineral claims of the Northern Athabasca Projects to lapse and wrote-off \$435,360 of deferred mineral property costs associated with those claims.

(f) Beatty River Project:

During 2004, the Company entered into an option agreement with Japan-Canada Uranium Company, Limited (JCU), whereby the Company was granted an option to acquire a 25% interest in the Beatty River Project, located in the western Athabasca Basin, by funding \$865,000 in exploration expenditures by December 31, 2008. On January 29, 2008, the deadline date was extended to December 31, 2010. At the time of the agreement, AREVA held a 50.71% interest and JCU held a 49.29% interest in the Beatty River Project.

5. Income taxes:

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2008 and 2007 are presented below:

	2008	2007
Future tax assets:		
Losses carried forward	\$ 335,762	\$ -
Equipment	36,616	38,318
Share issuance costs	347,775	714,839
	720,153	753,157
Future tax liabilities:		
Mineral properties	(15,778,449)	(15,378,554)
Net future tax liabilities	\$ (15,058,296)	\$ (14,625,397)

The Company has non-capital losses available for income tax purposes totaling approximately \$1,123,562 which may be carried forward to reduce future year's taxable income. These losses will expire in 2028.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

5. Income taxes (continued):

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2008	2007
Loss before income taxes	\$ (8,888,538)	\$ (7,110,881)
Statutory rates	31.00%	34.12%
Income tax recovery at statutory rates	\$ 2,755,447	\$ 2,426,233
Non-deductible expenses and permanent differences	(2,546,800)	(3,014,805)
Change in future corporate tax rates	(124,103)	2,226,919
Future income tax recovery	\$ 84,544	\$ 1,638,347

During the year ended December 31, 2007, the Canadian government enacted amendments to current tax legislation, which provided for a reduction in future corporate tax rates. The effect of the changes in income tax legislation on the Company's future income tax liability was a reduction of \$2,195,868.

6. Share capital:

(a) Authorized:

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares.

(b) Issued and outstanding - common shares:

	Number of shares	Value
Balance, December 31, 2006	180,819,918	\$ 119,783,082
Issued in 2007:		
For cash on exercise of stock options (note 6(c))	2,083,134	5,491,046
Contributed surplus transferred on exercise of stock options	-	2,931,459
Future income taxes on flow-through expenditures renounced to shareholders	-	(3,720,000)
Balance, December 31, 2007	182,903,052	124,485,587
Issued in 2008:		
For cash on exercise of stock options (note 6(c))	800,000	143,680
Contributed surplus transferred on exercise of stock options	-	70,472
Balance, December 31, 2008	183,703,052	\$ 124,699,739

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

6. Share capital (continued):

(c) Stock-based compensation:

Under the Company's stock-based compensation plan, the Company may grant options to its key employees, directors, officers and others providing services to the Company. The maximum number of shares issuable under the plan changed to a rolling number equal to 10% of the issued and outstanding common shares of the Company from time to time. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall not be less than the quoted closing market price of the shares on the Toronto Stock Exchange on the date prior to the option being granted and an option's maximum term is 10 years. The shares subject to each option shall become purchasable at such time or times as may be determined by the board of directors.

A summary of the status of the Company's stock-based compensation plan as of December 31, 2008 and 2007, and changes during the years ended on these dates are presented below.

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2006	7,656,000	\$ 2.84
Granted during the year	4,675,000	6.10
Exercised during the year	(2,083,134)	2.64
Cancelled during the year	(66,666)	5.00
Outstanding, December 31, 2007	10,181,200	4.37
Granted during the year	8,895,000	2.88
Exercised during the year	(800,000)	0.18
Cancelled during the year	(7,225,000)	5.63
Outstanding, December 31, 2008	11,051,200	\$ 2.65
Exercisable, December 31, 2008	6,366,200	\$ 1.87

As at December 31, 2008, the Company had reserved a total of 11,051,200 common shares for issuance related to director, employee and consultant options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2008	Weighted average remaining contractual life
\$ 0.08	156,500	4.7 years
0.84	300,000	5.5 years
0.95	575,000	5.7 years
1.20	4,020,000	9.4 years
1.80	99,700	6.5 years
2.75	175,000	6.2 years
3.56	1,850,000	7.7 years
4.22	3,875,000	8.8 years
	11,051,200	8.5 years

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

6. Share capital (continued):

(c) Stock-based compensation (continued):

On December 22, 2008, the Board approved the re-pricing of 3,875,000 outstanding stock options from an exercise price of \$4.22 per option to an exercise price of \$0.52 per option. The modification of these stock options is subject to shareholder approval. Until the re-pricing is approved, these options cannot be exercised.

The estimated fair value of all options granted and vested during 2008 is \$9,609,891 (2007 - \$11,583,987). Of this amount, included in deferred exploration and development expenditures for the year is \$1,399,010 (2007 - \$2,646,014). The unamortized balance of stock-based compensation expense for options that were not vested at December 31, 2008 is \$1,064,004 (2007 - \$2,727,328).

The weighted average fair value of options granted during the year ended December 31, 2008 was \$1.35 (2007 - \$3.03) per option using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Volatility	69%	71%
Risk-free interest rate	3.0%	4.5%
Dividend yield	-	-
Expected life of options	3 years	3 years

(d) Flow-through shares:

In February 2007, the Company renounced \$12,000,000 of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds. During the year ended December 31, 2007, the Company recorded a future income tax liability of \$3,720,000, with a corresponding reduction in share capital.

7. Contributed surplus:

The continuity of the Company's contributed surplus is as follows:

	2008	2007
Contributed surplus, beginning of year	\$ 19,785,302	\$ 11,132,774
Fair value of options granted and vested during the year	9,609,891	11,583,987
Transferred to share capital on exercise of options	(70,472)	(2,931,459)
Contributed surplus, end of year	\$ 29,324,721	\$ 19,785,302

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

8. Commitments:

The Company has an obligation under an operating lease for its office premises. The future minimum lease payments are as follows:

2009	\$	40,782
2010		37,384

Other commitments in respect of the Company's mineral properties are disclosed in note 4.

9. Management of capital:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development programs on its mineral properties. The Company manages its capital structure, consisting of shareholders' equity and cash and cash equivalents, and makes adjustments to it, based on funds available to the Company, in order to support the exploration and development of its mineral properties. Historically, the Company has relied exclusively on the issuance of common shares for its capital requirements.

All of the Company's cash and cash equivalents are available for exploration and development programs and administrative operations.

The Company has not changed its approach to capital management during the current period. The Company is not subject to any external capital restrictions.

10. Management of financial risk:

The Company operates entirely in Canada and is therefore not subject to any significant foreign currency risks. The Company's financial instruments are exposed to limited liquidity risk, credit risk and interest rate risk.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in note 9 of these financial statements. Accounts payable and accrued liabilities are due within the current operating period.

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and cash equivalents and amounts receivable. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The maximum exposure to credit risk is equal to the carrying value of cash equivalents and accounts receivable. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, such as bankers' acceptance notes, with maturities 90 days or less from the original date of acquisition.

The accounts receivable consists mainly of GST receivable and office recoveries and are not considered past due.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2008 and 2007

10. Management of financial risk (continued):

The Company holds a significant portion of its cash and cash equivalents in interest-bearing instruments. The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing the income it receives from its investments without significantly increasing risk. To minimize interest rate risk, the Company maintains its portfolio of cash equivalents in highly liquid short-term interest-bearing investments, such as bankers' acceptance notes, with maturities 90 days or less from the original date of acquisition.