

Financial Statements of

UEX CORPORATION

Years ended December 31, 2009 and 2008



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2009 and 2008 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, 2009 and 2008 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 5, 2010

UEX CORPORATION

Balance Sheets

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,938,416	\$ 24,166,305
Amounts receivable	200,152	432,243
Prepaid expenses	104,563	186,770
	<u>17,243,131</u>	<u>24,785,318</u>
Equipment (note 3)	164,788	210,532
Mineral properties (note 4)	145,909,266	129,988,477
	<u>\$ 163,317,185</u>	<u>\$ 154,984,327</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 694,925	\$ 5,283,373
Future income taxes (note 5)	14,829,975	15,058,296
Shareholders' equity:		
Share capital (note 6)	138,144,108	124,699,739
Contributed surplus (note 7)	37,050,195	29,324,721
Deficit	<u>(27,402,018)</u>	<u>(19,381,802)</u>
	<u>147,792,285</u>	<u>134,642,658</u>
	<u>\$ 163,317,185</u>	<u>\$ 154,984,327</u>

Nature of operations and going concern (note 1)
Commitments (notes 4 and 8)
Subsequent event (note 6(d))

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Graham C. Thody" Director

"Emmet McGrath" Director

UEX CORPORATION

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2009 and 2008

	2009	2008
Expenses:		
Amortization	\$ 11,840	\$ 12,008
Bank charges and interest	2,779	3,721
Donations	-	120,000
Filing fees and stock exchange	97,671	215,786
General and administration	203,396	238,755
Insurance	44,957	46,748
Legal and audit	204,046	219,795
Rent	88,375	87,733
Salaries and retiring allowance	1,116,372	465,086
Stock-based compensation (note 6(c))	6,760,244	8,210,881
Telephone	9,925	8,391
Travel and promotion	31,018	74,017
Loss before the undernoted items	(8,570,623)	(9,702,921)
Investment income	85,704	1,249,743
Write-down of mineral property	-	(435,360)
Loss before income taxes	(8,484,919)	(8,888,538)
Future income tax recovery (note 5)	464,703	84,544
Net loss and comprehensive loss for the year	(8,020,216)	(8,803,994)
Deficit, beginning of year	(19,381,802)	(10,577,808)
Deficit, end of year	\$ (27,402,018)	\$ (19,381,802)
Basic and diluted loss per share	\$ (0.04)	\$ (0.05)
Basic and diluted weighted average number of shares outstanding	190,161,338	183,662,888

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash provided by (used for):		
Operations:		
Net loss for the year	\$ (8,020,216)	\$ (8,803,994)
Items not involving cash		
Amortization	11,840	12,008
Future income tax recovery	(464,703)	(84,544)
Stock-based compensation	6,760,244	8,210,881
Write-down of mineral property	-	435,360
Changes in non-cash operating working capital:		
Amounts receivable	90,322	29,060
Prepaid expenses	82,207	62,729
Accounts payable and accrued liabilities	(107,990)	144,756
	(1,648,296)	6,256
Investments:		
Mineral property expenditures	(18,841,980)	(27,766,842)
Purchase of equipment	(44,867)	(47,263)
	(18,886,847)	(27,814,105)
Financing:		
Common shares issued, net of share issuance costs	13,307,254	143,680
Decrease in cash and cash equivalents	(7,227,889)	(27,664,169)
Cash and cash equivalents, beginning of year	24,166,305	51,830,474
Cash and cash equivalents, end of year	\$ 16,938,416	\$ 24,166,305
Supplementary information:		
Interest received	\$ 102,755	\$ 1,332,728
Non-cash transactions:		
Increase (decrease) in accounts payable and accrued liabilities relating to mineral property expenditures	(4,480,458)	435,262
Decrease in amounts receivable relating to mineral property expenditures	141,769	650,701
Non-cash stock-based compensation included in mineral property expenditures	977,271	1,399,010
Increase in mineral properties due to future income taxes	361,456	517,443
Amortization included in mineral properties	78,771	114,997

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2009 and 2008

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 business 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, and upon future profitable production or proceeds from the disposition of its mineral properties. Based on the Board approved 2010 budgets of approximately \$9 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 (Canadian GAAP).

(b) Adoption of new accounting standards:

During the year, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

(i) Goodwill and intangible assets:

On January 1, 2009, the Company adopted the new requirements of CICA Handbook Section 3064 *Goodwill and Intangible Assets*. This new accounting standard replaces Section 3062 *Goodwill and Other Intangible Assets*. Section 3064 expands on the standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and intangible assets. The adoption of this standard had no effect on these financial statements.

(ii) Credit risk and the fair value of financial assets and liabilities

On January 23, 2009, the CICA Emerging Issues Committee (EIC) issued EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. EIC-173 is effective for interim and annual financial statements ending on or after January 20, 2009. Adoption of this guidance is to be applied retrospectively without restatement. EIC-173 clarifies that an entity should take into account its own credit risk and the credit risk of counterparties in determining the fair value of financial assets and liabilities, including derivatives. The Company's adoption of this abstract had no effect on these financial statements.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

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

(iii) Mining exploration costs:

In March 2009, the CICA Emerging Issues Committee issued EIC-174 *Mining Exploration Costs*. This EIC abstract provides guidance related to the capitalization of exploration costs and subsequent tests for recoverability and impairment of capitalized costs. This standard is effective for financial statements issued after March 27, 2009. The Company's adoption of this abstract had no effect on these financial statements.

(iv) Financial Instruments:

Effective for fiscal years ending after September 30, 2009, the Company adopted the amendments to CICA Handbook Section 3862 *Financial Instruments - Disclosures* during the year. The amendments establish revised standards for the disclosure of financial instruments. This new standard establishes a three-tier hierarchy as a framework for disclosing the fair value of financial instruments based on the valuation inputs used.

(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% - 100%
Furniture and fixtures	20%

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

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(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.

(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, 2009 and 2008.

(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 as interest income. 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.

(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.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(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.

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 2009 and 2008 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, 2009 and 2008.

(m) Future accounting policies:

(i) International Financial Reporting Standards (IFRS):

In February 2008, the Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. As a result, the Company will publish its first financial statements, prepared in accordance with IFRS, for the quarter ending March 31, 2011. The Company will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. While the effects of IFRS have not yet been fully determined, the Company has identified a number of key areas which are likely to be impacted by changes in accounting policy and disclosures, including the accounting for mineral properties and future income taxes.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(m) Future accounting policies (continued):

(ii) Business combinations:

Effective January 1, 2011, the Company will adopt three new CICA accounting standards:

- CICA Handbook Section 1582, *Business Combinations* which replaces CICA Handbook Section 1581, *Goodwill and Business Combinations*, and establishes revised standards for the recognition, measurement, presentation and disclosure of business acquisitions and aligns Canadian GAAP with IFRS standards.
- CICA Handbook Section 1601, *Consolidated Financial Statements* and CICA Handbook Section 1602, *Non-Controlling Interests*, which replace Handbook Section 1600, *Consolidated Financial Statements*, and establish revised standards for the preparation of consolidated financial statements.

Adoption of these standards is expected to have no impact on the Company's financial statements.

3. Equipment:

2009	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 313,198	\$ 217,437	\$ 95,761
Computer equipment	261,503	201,161	60,342
Furniture and fixtures	12,883	4,198	8,685
	\$ 587,584	\$ 422,796	\$ 164,788

2008	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 313,198	\$ 176,397	\$ 136,801
Computer equipment	217,815	153,614	64,201
Furniture and fixtures	11,704	2,174	9,530
	\$ 542,717	\$ 332,185	\$ 210,532

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

Project	Balance December 31, 2008	Exploration and development expenditures	Write-down of mineral property	Balance December 31, 2009
Hidden Bay	\$ 59,337,816	\$ 9,702,937	\$ -	\$ 69,040,753
Western Athabasca	40,454,607	5,948,784	-	46,403,391
Black Lake	15,253,114	156,780	-	15,409,894
Riou Lake	8,931,497	80,301	-	9,011,798
Northern Athabasca	5,413,862	24,771	-	5,438,633
Beatty River	597,581	7,216	-	604,797
	\$ 129,988,477	\$ 15,920,789	\$ -	\$ 145,909,266

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

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 Horseshoe, Raven and West Bear 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 Kianna, Anne and Colette 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, 2009 and 2008. The Company is in the process of preparing joint venture agreements with AREVA.

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

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

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 an 89.96% interest and AREVA holding a 10.04% interest as at December 31, 2009 and 2008.

(d) Riou Lake Project:

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

(e) Northern Athabasca Projects:

The Company holds a 100% interest in the Northern Athabasca Projects located in the northern Athabasca Basin. During the year ended December 31, 2008 the Company decided 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:

The Company holds an option with JCU (Canada) Exploration Company, Limited (JCU) 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, 2011.

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, 2009 and 2008 are presented below:

	2009	2008
Future tax assets:		
Losses carried forward	\$ 1,055,763	\$ 335,762
Equipment	39,813	36,616
Share issuance costs	214,356	347,775
	1,309,932	720,153
Future tax liabilities:		
Mineral properties	(16,139,907)	(15,778,449)
Net future tax liabilities	\$ (14,829,975)	\$ (15,058,296)

At December 31, 2009, the Company has non-capital losses available for income tax purposes totaling approximately \$3,890,000 (2008 - \$1,123,562) which may be carried forward to reduce future years' taxable income. These losses, if not utilized, will expire in 2029.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

5. Income taxes (continued):

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Loss before income taxes	\$ (8,484,919)	\$ (8,888,538)
Statutory rates	30%	31%
Income tax recovery at statutory rates	\$ 2,545,476	\$ 2,755,447
Non-deductible expenses and permanent differences	(2,029,130)	(2,546,800)
Change in future corporate tax rates and tax rate differences	(51,643)	(124,103)
Future income tax recovery	\$ 464,703	\$ 84,544

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, 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
Issued in 2009:		
For cash by way of private placements, net of share issuance costs	13,303,100	13,294,734
For cash on exercise of stock options (note 6(c))	156,500	12,520
Contributed surplus transferred on exercise of stock options	-	12,041
Future income taxes on share issuance costs	-	125,074
Balance, December 31, 2009	197,162,652	\$ 138,144,108

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

6. Share capital (continued):

(b) Issued and outstanding - common shares (continued):

On April 15, 2009, the Company issued 8,700,000 flow-through common shares at \$1.00 per share for gross proceeds of \$8,700,000, pursuant to a brokered private placement. A commission of \$348,000 was paid to the broker and \$78,968 of additional issuance costs were incurred.

On December 17, 2009, the Company issued 3,628,100 flow-through common shares at \$1.12 per share and 975,000 non-flow-through common shares at \$1.02 per share for aggregate gross proceeds of \$5,057,972, pursuant to a non-brokered private placement. The Company incurred issuance costs of \$36,270.

(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 is 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, 2009 and 2008, and changes during the years ended on these dates are presented below.

	Number of options	Weighted-average exercise price
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
Surrendered during the year	(7,225,000)	5.63
Outstanding, December 31, 2008	11,051,200	2.65
Granted during the year	10,135,000	1.41
Exercised during the year	(156,500)	0.08
Surrendered during the year	(6,375,000)	3.46
Outstanding, December 31, 2009	14,654,700	\$ 1.47
Exercisable, December 31, 2009	12,488,034	\$ 1.48

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

6. Share capital (continued):

(c) Stock-based compensation (continued):

As at December 31, 2009, the Company had a total of 14,654,700 stock options outstanding related to director, employee and consultant options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2009	Weighted-average remaining contractual life
\$ 0.84	300,000	4.5 years
0.95	575,000	4.7 years
1.00	600,000	10.0 years
1.20	4,020,000	6.2 years
1.34	1,685,000	9.7 years
1.45	6,350,000	7.0 years
1.80	99,700	5.5 years
2.75	175,000	5.2 years
3.56	850,000	6.7 years
	14,654,700	7.0 years

The estimated fair value of all options granted and vested during 2009 is \$7,737,515 (2008 - \$9,609,891). Of this amount, included in deferred exploration and development expenditures for the year is \$977,271 (2008 - \$1,399,010). The unamortized balance of stock-based compensation expense for options that were not vested at December 31, 2009 is \$1,022,703 (2008 - \$1,064,004).

The weighted average fair value of options granted during the year ended December 31, 2009 was \$0.82 (2008 - \$1.35) per option using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Volatility	91%	69%
Risk-free interest rate	1.7%	3.0%
Dividend yield	-	-
Expected life of options	3 years	3 years

(d) Flow-through shares:

In February 2010, the Company renounced \$12,763,472 of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds, and the Company recorded a future income tax liability of \$3,446,137, with a corresponding reduction in share capital.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

7. Contributed surplus:

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

	2009	2008
Contributed surplus, beginning of year	\$ 29,324,721	\$ 19,785,302
Fair value of options granted and vested during the year	7,737,515	9,609,891
Transferred to share capital on exercise of options	(12,041)	(70,472)
Contributed surplus, end of year	\$ 37,050,195	\$ 29,324,721

8. Commitments:

The Company has an obligation under an operating lease for its office premises until November 30, 2010. The future minimum lease payments during 2010 are \$37,384.

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

9. Management of capital:

The Company's objective when managing capital is 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 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, and is not subject to any external capital restrictions.

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Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Management of financial risk:

The Company operates entirely in Canada and is therefore not subject to any significant foreign currency risk. 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 and cash equivalents and accounts receivable. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments that are redeemable 90 days or less from the original date of acquisition. Amounts receivable consists mainly of GST receivable and office recoveries and are not considered past due.

The Company is subject to interest rate risk on its cash and cash equivalents..

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of 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.

Cash and cash equivalents are classified as held-for-trading and are therefore recorded at fair value. At December 31, 2009 and 2008, the Company's cash and cash equivalents of \$16,938,416 (2008 - \$24,166,305) are classified as Level 1 within the fair value hierarchy.