

UREX ENERGY CORP.  
Form 10-Q  
November 14, 2008  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

[(Mark One)]

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2008**

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-50191**

**UREX ENERGY CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**98-0201259**

(IRS Employer Identification No.)

**10580 N. McCarran Blvd., Building 115 208, Reno, Nevada 89503**

(Address of principal executive offices) (zip code)

**775.747.0667**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ X ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ X ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [ X ]

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**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**84,425,600 common shares issued and outstanding as of November 5, 2008**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

It is the opinion of management that the interim consolidated financial statements for the quarter ended September 30, 2008, include all adjustments necessary in order to ensure that the interim consolidated financial statements are not misleading.

The interim consolidated financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

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UREX ENERGY CORP  
An Exploration Stage Company)  
CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (unaudited)	March 31, 2008 (audited)
ASSETS		
Current Assets		
Cash	\$ 26,530	\$ 394,432
Funds held in trust	-	460,014
Accounts receivable	80,274	22,347
Prepaid expenses	1,530	1,195
Security deposit	10,000	10,000
Total current assets	118,334	887,988
Fixed Assets, net	2,323	-
Total Assets	\$ 120,657	\$ 887,988
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 154,149	\$ 368,600
Due to related party	-	219
Line of credit	20,037	-
Note payable to related party	22,500	22,500
Notes payable	325,550	305,550
Total current liabilities	522,236	696,869
Long term debt	100,000	-
Stockholders' Deficit		
Common stock, \$.001 par value 300,000,000 shares authorized		
84,425,600 shares issued and outstanding	84,426	84,426
Additional paid-in capital	8,057,574	8,057,574
Deficit accumulated during the exploration stage	(8,639,384)	(7,950,369)
Cumulative transaction gain (loss)	(4,195)	(512)
Total stockholders' deficit	(501,579)	191,119
Total Liabilities and Stockholders' Deficit	\$ 120,657	\$ 887,988

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

**UREX ENERGY CORP**  
 (An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
 For the six months ended September 30, 2008 and 2007 and  
 For the period from February 6, 2002 ( Date of Inception) to September 30, 2008  
 (unaudited)

	For the three months ended September 30,		For the six months ended September 30,		For the Period from February 6, 2002 (inception) to September 30, 2008
	2008	2007	2008	2007	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES					
Depreciation	232	-	464	-	464
Management fees	36,686	32,964	72,152	65,970	397,312
Professional fees	22,532	14,628	44,107	28,198	290,982
Consulting fees	-	-	-	-	302,981
Exploration costs	109,743	24,721	501,458	150,465	1,223,717
Interest on loans	4,476	4,710	8,285	9,407	49,084
Investor relation fees	-	31,198	-	85,001	362,572
Travel	-	-	-	-	64,881
General and administrative	40,519	8,576	62,773	17,685	221,764
Impairment of intangible asset	-	-	-	-	5,735,753
Total operating expenses	214,188	116,797	689,239	356,726	8,649,510
Operating loss	(214,188)	(116,797)	(689,239)	(356,726)	(8,649,510)
OTHER INCOME					
Interest income	6	1,894	224	3,341	10,126
Total other income	6	1,894	224	3,341	10,126
Net loss	\$ (214,182)	\$ (114,903)	\$ (689,015)	\$ (353,385)	\$ (8,639,384)
Weighted average common shares outstanding - Basic and diluted	84,426,000	84,426,000	84,426,000	84,426,000	
Net loss per share basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	

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

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UREX ENERGY CORP.  
(An Exploration Stage Company)  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the period February 6, 2002 (Date of Inception) to September 30, 2008

	Common Stock 300,000,000 shares authorized			Additional Paid-in Capital	Accumulated Deficit	Currency Translation	Total Shareholders' Equity
	Shares Issued	Par Value \$.001 per share					
BALANCE, FEBRUARY 2, 2002 (INCEPTION)	-	\$ -	-	\$ -	-	-	\$ -
Shares issued at \$0.001	33,420,000	33,420	(31,920)	-	-	-	1,500
Shares issued at \$0.01	34,534,000	34,534	(19,034)	-	-	-	15,500
Net loss	-	-	-	-	-	-	-
BALANCE, MARCH 31, 2002	67,954,000	67,954	(50,954)	\$ -	-	-	\$ 17,000
Shares issued at \$0.05	5,458,600	5,459	6,791	-	-	-	12,250
Net loss	-	-	-	(25,559)	-	-	(25,559)
BALANCE, MARCH 31, 2003	73,412,600	73,413	(44,163)	\$ (25,559)	-	-	\$ 3,691
Shares issued at \$0.05	5,681,400	5,681	7,069	-	-	-	12,750
Net loss	-	-	-	(3,076)	-	-	(3,076)
BALANCE, MARCH 31, 2004	79,094,000	79,094	(37,094)	\$ (28,635)	-	-	\$ 13,365
Cancellation of shares	(668,400)	(668)	668	-	-	-	-
Net loss	-	-	-	(35,689)	-	-	(35,689)
BALANCE, MARCH 31, 2005	78,425,600	78,426	(36,426)	\$ (64,324)	-	-	\$ (22,324)
Net loss	-	-	-	(155,183)	-	-	(155,183)
BALANCE, MARCH 31, 2006	78,425,600	78,426	(36,426)	\$ (219,507)	-	-	\$ (177,507)
Shares issued for acquisition	16,000,000	16,000	5,584,000	-	-	-	5,600,000
Shares issued at \$0.25	10,000,000	10,000	2,490,000	-	-	-	2,500,000
Cancellation of shares	(20,000,000)	(20,000)	20,000	-	-	-	-
Net loss for the period	-	-	-	(6,546,554)	-	-	(6,546,554)
Net change in foreign currency translation	-	-	-	-	(16,838)	-	(16,838)
BALANCE, MARCH 31, 2007	84,425,600	84,426	8,057,574	\$ (6,766,061)	(16,838)	-	\$ 1,359,101
Net loss	-	-	-	(1,184,308)	-	-	(1,184,308)
Net change in foreign currency translation	-	-	-	-	16,326	-	16,326
BALANCE, MARCH 31, 2008	84,425,600	84,426	8,057,574	\$ (7,950,369)	(512)	-	\$ 191,119
Net loss	-	-	-	(689,015)	-	-	(689,015)
Net change in foreign currency translation	-	-	-	-	(3,683)	-	(3,683)
BALANCE, SEPTEMBER 30, 2008	84,425,600	84,426	8,057,574	\$ (8,639,384)	(4,195)	-	(501,579)

The accompanying notes are an integral part of these financial statements





UREX ENERGY CORP.  
 (An Exploration Stage Company)  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the six months ended September 30, 2008 and 2007, and  
 For the period February 6, 2002 (Date of Inception) to September 30, 2008  
 (unaudited)

	2008	For the six months ended September 30, 2007	For the Period from February 6, 2002 (inception) to September 30, 2008
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (689,015)	\$ (353,385)	\$ (8,639,384)
Depreciation	464	-	2,964
Impairment of goodwill	-	-	5,735,753
Changes in current assets and current liabilities:			
(Increase) decrease in accounts receivable	(57,927)	(2,435)	(85,707)
(Increase) decrease in prepaid expense	(335)	-	(1,530)
Security deposit	-	-	(10,000)
Increase (decrease) in accounts payable	(214,669)	(12,442)	17,073
Net cash used in operating activities	(961,482)	(368,262)	(2,980,831)
<b>Cash Flows From Investing Activities</b>			
Purchase of equipment	(2,787)	-	(2,787)
Option agreement	-	-	(2,500)
Assignment agreement advance	-	-	(50,000)
Net cash used in investing activities	(2,787)	-	(55,287)
<b>Cash Flows From Financing Activities:</b>			
Proceeds from the issuance of common stock	-	-	2,542,000
Proceeds from notes payable	20,000	-	581,208
Repayment of notes payable	-	-	(215,738)
Notes payable to related party	-	-	22,500
Line of credit	20,037	-	20,037
Convertible notes payable	100,000	-	100,000
Net cash provided by financing activities	140,037	-	3,050,007
Effect of Exchange Rate Changes on Cash	(3,684)	11,185	12,641
Cash held in trust	-	-	(1,665,773)
Cash released from trust during current period	460,014	208,778	1,665,773
	456,330	219,963	12,641
Increase(decrease) in cash and cash equivalents	(367,902)	(148,299)	26,530
Cash and Cash Equivalents, Beginning of Period	394,432	170,878	-
Cash and Cash Equivalents, End of Period	\$ 26,530	\$22,579	\$ 26,530
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid for interest	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -

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

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**UREX ENERGY CORP.**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2008

Note 1 Interim Reporting

While the information presented in the accompanying interim three and six months consolidated financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company's March 31, 2008 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's March 31, 2008 annual financial statements.

Operating results for the six months ended September 30, 2008 are not necessarily indicative of the results that can be expected for the year ended March 31, 2009.

Note 2 Nature and Continuance of Operations

UREX Energy Corp, (the Company) was incorporated in the State of Nevada on February 6, 2002 and changed its fiscal year end from September 30 to March 31. In July 2006, the Company changed its name from Lakefield Ventures, Inc. to its current name. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition and exploration of mining properties. Upon location of a commercial minable reserve, the Company expects to actively prepare the site for its extraction and enter into a development stage.

The Company is currently conducting an exploration drilling program on its Cerro Solo uranium project in Chubut Province, Argentina, by its wholly-owned subsidiary, United Energy Metals, Inc. ( UEM ).

Going Concern

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated a deficit of \$8,639,384 since inception, has yet to achieve profitable operations and further losses are anticipated in the development of its business, raising substantial doubt about the Company's ability to continue as a going concern. At September 30, 2008, the Company had a working capital deficit of \$403,902. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common stock and/or commercial borrowing. There can be no assurance that capital will be available, it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company would result in a dilution in the equity interests of its

**UREX ENERGY CORP.**

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 2 Summary of Significant Accounting Policies (Cont d)  
Going Concern (Cont d)

current stockholders. The Company may also seek to obtain short-term loans from the directors of the Company. There are no current arrangements in place for equity funding or short-term loans.

The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Basis of Presentation

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

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Urex Energy Corp. and its wholly-owned subsidiary, United Energy Metals, Inc. All significant intercompany accounts and transactions have been eliminated

Exploration Stage Company

The Company is an exploration stage company as defined in the Statements of Financial Accounting Standards (SFAS) No. 7 Accounting and Reporting by Development Stage Enterprises . It is primarily engaged in the acquisition and exploration of mining properties. All losses accumulated since inception, have been considered as part of the Company s exploration stage activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mineral Property Costs

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. From that time forward, the



**UREX ENERGY CORP.**

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 2 Summaries of Significant Accounting Policies - (Cont'd)

Mineral Property Costs (Cont d)

Company will capitalize all costs to the extent that future cash flows from mineral reserves equal or exceed the costs deferred. The deferred costs will be amortized over the recoverable reserves when a property reaches commercial production. Costs related to site restoration programs will be accrued over the life of the project. To date, the Company has not established any proven reserves on its mineral properties.

Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. For the purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale of liquidation.

The carrying values of cash, accounts payable and loan payable approximate fair value because of the short-term nature of these instruments. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

Income Taxes

The Company uses the assets and liability method of accounting for income taxes pursuant to SFAS No. 109 "Accounting for Income Taxes" (SFAS 109). Under the assets and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset will be recorded when it is more likely than not that it will be realized. Since the Company is in the

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 2 Summaries of Significant Accounting Policies (Cont d)  
Income Taxes (Cont d)

exploration stage and has had continuous losses, no deferred tax asset or income taxes have been recorded in the financial statements.

Basic and Diluted Loss Per Share

The Company reports basic loss per share in accordance with the SFAS No. 128, "Earnings Per Share". Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted loss per share has not been provided as it would be anti-dilutive.

Foreign Currency Translation

The Company's subsidiary is located and operates outside of the United States of America. It maintains its accounting records in Argentinean Pesos as follows:

At the transaction date, each asset, liability, revenue and expense is recorded into Argentinean Pesos by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into US dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations.

Concentration of credit risks

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents. The Company maintains accounts with financial institutions, which at times exceeds the insured Federal Deposit Insurance Corporation limit of \$100,000. The Company minimizes its credit risks associated with cash by periodically evaluating the credit quality of its primary financial institutions.

Recent Accounting Pronouncements

*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*

In June 2008, the FASB issued FSP Emerging Issues Task Force ( EITF ) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The FSP affects entities that accrue dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the award. This FSP is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP EITF 03-6-1 on its consolidated financial position and results of operations.

**UREX ENERGY CORP.**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 2 Summaries of Significant Accounting Policies - (Cont'd)

*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock" (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 07-5 on its consolidated financial position and results of operations.

*Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*

In May 2008, the FASB issued FSP Accounting Principles Board ( APB ) Opinion No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). The FSP clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for us as of January 1, 2009 and early adoption is not permitted. The Company is currently evaluating the potential impact of FSP APB 14-1 upon its consolidated financial statements.

*The Hierarchy of Generally Accepted Accounting Principles*

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (FAS No.162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 2 Summaries of Significant Accounting Policies - (Cont'd)  
*Determination of the Useful Life of Intangible Assets*

In April 2008, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position on Financial Accounting Standard ( FSP FAS ) No. 142-3, *Determination of the Useful Life of Intangible Assets* , which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142 *Goodwill and Other Intangible Assets* . The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of the expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007) *Business Combinations* and other U.S. generally accepted accounting principles. The Company is currently evaluating the potential impact of FSP FAS No. 142-3 on its consolidated financial statements.

Note 3 Mineral Properties

In December 2005, the Company acquired 100% interest in the La Jara Mesa Extension uranium property consisting of 137 unpatented mining claims of approximately 2,740 acres through staking, in the Grants Mining District of Cibola County in New Mexico, USA. The Company plans to commence a drilling exploration program as soon as exploration permits are obtained and financing is arranged.

Note 4 Value Added Taxes

Accounts receivable in the amount of \$80,274 represent a refund receivable of the value added taxes paid by UEM on its exploration expenses. According to Argentina Mining Investment law, certain value added taxes assessed on exploration expenses are refundable.

Note 5 Impairment of Goodwill

On September 22, 2005, the Company entered into an Assignment Agreement with International Mineral Resources Ltd. (IMR), whereby IMR assigned its right, title and interest in the Option Agreement entered between IMR and United Energy Metals, SA (UEM) to the Company. The Option Agreement allows for the holder of the option to acquire 99.8% of UEM, an Argentina company which in turn holds a 100% interest in a commanding property position of 170,000 hectares adjacent to the Cerro Solo Uranium deposit known as the Rio Chubut property. As consideration for the assignment of the Option from IMR to the Company, the Company is required to issue to IMR 8,000,000 common shares of the Company and pay IMR \$50,000. Furthermore, IMR will retain a 5% net smelter royalty.

The Company paid IMR \$50,000 in January 2006 and issued 8,000,000 common shares of the Company to IMR in June 2006. This acquisition was recorded as a purchase of UEM. The value of UEM was determined as the consideration paid plus the fair market value of the shares issued. The purchase price was then allocated against the fair market

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(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 5 Impairment of Goodwill- (Cont'd)

value of the assets and liabilities assumed, with the balance recorded as goodwill. Because UEM has no proven mineral reserves, the amount allocated toward goodwill was considered 100% impaired and written off at the date of acquisition.

Note 6 Related Party Transactions

On December 10, 2004, the Company issued a note payable in the amount of \$25,000 to the former President of the Company for the purpose of funding exploration activities. The note bears no interest and is due and payable on demand. As of March 31, 2008, the balance of the loan is \$22,500.

Effective October 1, 2005, the Company began paying a management consulting fee to Minera Teles Pires Inc., a company controlled by the President and director of the Company. The agreement provides a fixed fee of \$10,000 per month of which \$5,000 is paid and the other \$5,000 deferred until financing is obtained by the Company. During the year ended March 31, 2008, the Company incurred \$120,000 in management fees from Minera Teles Pires Inc. During the six months period, the Company incurred \$60,000 in management fees from Minera Teles Pires Inc.

Note 7 Line of credit

The Company executed a note with a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows the Company to borrow up to thirty-five hundred dollars (\$35,000) at an 8.5 % interest rate. The current balance of this Line of Credit is twenty thousand and thirty-seven dollars (\$20,037).

Note 8 Promissory Notes Payable

The promissory notes payable are unsecured and bear interest at 5% per annum. They are due on demand. As of September 30, 2008, the note consists of the following:

Date	Principal	Interest
November 15, 2005	\$82,775	\$11,906
December 01, 2005	18,800	2,663
January 06, 2006	100,000	13,671
July 14, 2006	103,975	11,523
September 30, 2008	20,000	-
Total	\$325,550	\$39,763

Note 9 Convertible Notes Payable

On August 14, 2008, the Company executed a 5% convertible note of \$100,000 that is due August 13, 2010. The note may be converted, from time to time, all or any part of the principal plus any unpaid accrued interest thereof into common

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

Note 9 Convertible Notes Payable (Cont d)

stock of the Company at a conversion price per share equal to the greater of i) the closing market price per share of the common stock on the trading day immediately preceding the date of conversion as quoted on the OTC-BB or such other exchange upon which the Company's shares are then listed or traded, or ii) \$0.10 per share. The conversion price shall be subject to adjustments. The minimum amount to be converted is \$10,000.

	Date	Principal	Interest
	August 15, 2008	\$ 100,000	\$ 625
Note 10	<u>Common Stock</u>		
<u>Issuance of shares</u>			

During the year ended March 31, 2007, the Company issued 10,000,000 shares of common stock at a price of \$0.25 per share.

The Company issued 16,000,000 (post-split) common shares to IMR for acquisition of UEM.

Cancellation of shares

The former President and former Director of the Company entered into an agreement with the Company to return his 20 million common shares which he beneficially owns back to treasury for cancellation, the 20 million shares were cancelled during 2006.

Forward Stock Split

The Company affected a forward stock split of 2 common shares for each 1 share issued and outstanding. The merger and forward stock split became effective as of July 3, 2006. The total issued and outstanding common shares (post-split) are 84,425,600. All references in the accompanying financial statements to the number of common shares and the per share amounts have been restated to reflect the forward stock split.

Note 11 Subsequent Events

Subsequent to the period ended September 30, 2008, the Company accepted a loan in the amount of \$20,000. The loan is unsecured, due on demand and bears an interest rate at 5% per annum.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This quarterly report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as *may*, *should*, *expects*, *plans*, *anticipates*, *believes*, *estimates*, *potential* or *continue* or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled *Risk Factors*, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this quarterly report, the terms *we*, *us*, *our*, and *Urex* mean Urex Energy Corp., unless otherwise indicated.

### *Corporate History*

We were incorporated in Nevada on February 6, 2002 under the name of Lakefield Ventures Inc. Effective June 2, 2006, we increased our authorized common stock from 50,000,000 shares, par value \$0.001, to 150,000,000 shares, par value \$0.001, and we effected a 11.4 for one (1) forward stock split of our issued and outstanding common stock. Effective July 3, 2006, we changed our name from *Lakefield Ventures Inc.* to *Urex Energy Corp.* as a result of a merger with Urex Energy Corp., our wholly-owned subsidiary that was incorporated solely to effect the name change. In addition, on July 3, 2006, we effected a two (2) for one (1) forward stock split of our authorized, issued and outstanding common stock. As a result, we are authorized to issue up to 300,000,000 shares of common stock, par value \$0.001.

Our principal executive office is located at 10580 N. McCarran Blvd., Building 115-208, Reno, Nevada. The telephone number of our principal executive office is 775.747.0667.

We are also registered as a foreign company in Argentina, and our legal address in Argentina is 1052 San Martin Avenue, 3rd Floor, Office 17, Ciudad Mendoza, Province of Mendoza, Argentina.

We have one majority-owned subsidiary, United Energy Metals S.A., an Argentina company, of which we own 99.8% of the issued and outstanding capital stock.

### *Our Current Business*

Since inception, we have been primarily engaged in the acquisition and exploration of uranium properties, but have not yet realized any revenues from our operations. Currently, we have two uranium properties, the Rio Chubut Property located in the Chubut Province of Patagonia, Southern Argentina and the La Jara Mesa Property located in Cibola County, New Mexico.

On June 8, 2006, we completed an assignment agreement, dated September 22, 2005, entered into between our company and International Mineral Resources Ltd., a company organized under the laws of the Turks & Caicos Islands, whereby International Mineral Resources agreed to assign its right, title and interest in and to an option



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agreement entered into between International Mineral Resources and United Energy Metals S.A. to our company. The option agreement allows for the holder of the option to acquire 99.8% property position of 170,000 hectares. On December 7, 2005, International Mineral Resources exercised the option to acquire 99.8% of the equity in United Energy Metals. As consideration for the assignment of the option from International Mineral Resources to our company, we were required to issue 8,000,000 shares of our company to International Mineral Resources and pay \$50,000.00 to International Mineral Resources, with International Mineral Resources retaining a 5% net smelter royalty in respect of the Rio Chubut Property.

On November 2, 2007, we obtained exploration permits from mining officials in Argentina. An airborne geophysical survey has been completed and field mapping and drilling commenced in February 2008 on the Argentine properties.

We completed 88 reverse circulation drill holes (7624 meters of drilling) on first pass drill testing on five uranium targets on our Cerro Solo area properties in Argentina.

The targets drill tested to date include: (1) Contreras; (2) Cerro Solo South (CSS); (3) Carbon; (4) Maple South; and (5) Plateau (see Figure 1). Our exploration strategy on our Argentina uranium properties is to conduct a first pass, broadly spaced drill programs to identify uranium mineralization and then return for follow-up drilling once initial drill testing is complete on the target set. Four additional target areas remain to be tested in the Cerro Solo Area in this current stage of drilling.

We completed a total of nine drill holes on the Contreras Target, which is located 11 km northeast of Comision Nacional de Energia Atomica s (CNEA) Cerro Solo uranium deposit. Uranium mineralization at the Contreras Target occurs near surface in the flat lying Cerro Barcino Formation lake sediments and is projected to be broadly distributed based on in initial mapping. A peak uranium value of 2.32 lbs/ton eU3O8 was obtained from drill hole CS08.

Seventeen drill holes were completed on CSS identifying a number of uranium zones for follow-up drilling. Partial drill results for CSS are given in Table 1. The CSS property is located on south boundary of CNEA s Cerro Solo uranium deposit (see Figure 1).

**Table 1 Partial Drill Results From CCS Target Area - Argentina**

Hole ID	From (m)	To (m)	Interval (meter)	eU3O8 (Lbs/Ton)*	eU (%)	Target
RC08007r	60.47	61.59	1.12	0.73	0.031	Cerro Solo South
RC08008r	70.50	71.66	1.16	3.48	0.144	Cerro Solo South
RC08009r	92.48	94.65	2.17	0.93	0.039	Cerro Solo South
RC08010r	73.75	77.71	3.96	2.33	0.099	Cerro Solo South
RC08011r	69.68	70.26	0.58	1.19	0.050	Cerro Solo South

\* .5 lbs/ton eU3O8 cutoff used in all drill holes

Thirty-seven drill holes were completed on the Carbon Target (see Figure 1 below) identifying thick zones of anomalous uranium mineralization related to high concentrations of organic carbon in Los Adobes Formation. Drill hole RC08037r from the Carbon Target returned a peak uranium value of 5.74 lbs/ton eU3O8.

Six drill holes were completed on the Maple South Target on 400 meters drill centers identifying uranium mineralization with drill hole RC08065r yielding a peak value of 0.39 lbs/ton eU3O8.

During September, 2008, we discovered a new zone of uranium mineralization on the our Cerro Solo Plateau Target in Argentina. The new uranium zone yielded a peak uranium value of 10.0 lbs of eU3O8 per ton (0.42 eU%) which occurs within an intercept of 2.24 meters grading 3.18 lbs eU3O8 per ton (0.13 eU%). The newly discovered

uranium mineralization is hosted in flat lying sandstone and conglomerate of the Cretaceous Los Adobes Formation between 60.51 and 62.75 meters below the surface.

Drill Hole RC08-079, which intersected the mineralization, is one of three holes drilled on an east-west fence of holes on 400 meter centers on the west edge of the Plateau Target. Twenty-two drill holes were completed on the Plateau Target and drilling will continue as the newly discovered uranium mineralization is outlined. To date, we have completed 88 drill holes totalling 7624 meters of drilling on our Cerro Solo Argentine properties since February 2008.

**Figure 1: Map showing Cerro Solo Area uranium drill targets. (The shaded areas are controlled by our company)**

We have contracted a mining engineer to advise our company on potential development plan in Argentina.

We are awaiting exploration permits for our La Jara Mesa Property located in New Mexico, but have been notified by the USFS that Urex will be required to complete an EIS before being allowed to proceed. We decided to put the La Jara Mesa Project on hold while we focus on our Argentine properties. During the next twelve month period, we plan to continue drilling on our Cerro Solo area properties that lie on the western side of the Rio Chubut Property.

#### RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with the unaudited interim consolidated financial statements and the notes to the unaudited interim consolidated financial statements included in this quarterly report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those anticipated in these forward-looking statements.

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**For the three month periods ended September 30, 2008 and September 30, 2007**

We did not generate any revenues for the three months ended September 30, 2008 and 2007. Our operating activities during these periods consisted primarily of the exploration of, and drilling on, our properties in Argentina.

Operating expenses for the three months ended September 30, 2008 were \$214,188 compared to \$116,797 for the three months ended September 30, 2007. Operating expenses generally consist of depreciation, management fees, professional fees, consulting fees, exploration costs, interest on loans, investor relation fees and general and administrative expenses. Management fees for the three months ended September 30, 2008 were \$36,686 compared to \$32,964 for the three months ended September 30, 2007. Professional fees for the three months ended September 30, 2008 were \$22,532 compared to \$14,628 for the three months ended September 30, 2007. Exploration costs for the three months ended September 30, 2008 were \$109,743 compared to \$24,721 for the three months ended September 30, 2007. Interest on loans for the three months ended September 30, 2008 was \$4,476 compared to \$4,710 for the three months ended September 30, 2007. Investor relations fees for the three months ended September 30, 2008 were \$nil compared to \$31,198 for the three months ended September 30, 2007. General and administrative expenses for the three months ended September 30, 2008 were \$40,519 compared to \$8,576 for the three months ended September 30, 2007. The overall increase in operating expenses for the three months ended September 30, 2008 compared to the three months ended September 30, 2007 was primarily due to increased exploration and drilling activities on our properties in Argentina.

Our net loss for the three month period ended September 30, 2008 was \$214,182 or \$(0.01) per share compared to \$114,903 or \$(0.01) for the three month period ended September 30, 2007. The weighted average number of shares outstanding was 84,426,000 at September 30, 2008 compared to 84,426,000 at September 30, 2007.

**For the six month periods ended September 30, 2008 and September 30, 2007**

We did not generate any revenues for the six months ended September 30, 2008 and 2007. Our operating activities during these periods consisted primarily of the exploration of, and drilling on, our properties in Argentina.

Operating expenses for the six months ended September 30, 2008 were \$689,239 compared to \$356,726 for the six months ended September 30, 2007. Operating expenses generally consist of depreciation, management fees, professional fees, consulting fees, exploration costs, interest on loans, investor relation fees and general and administrative expenses. Management fees for the six months ended September 30, 2008 were \$72,152 compared to \$65,970 for the six months ended September 30, 2007. Professional fees for the six months ended September 30, 2008 were \$44,107 compared to \$28,198 for the six months ended September 30, 2007. Exploration costs for the six months ended September 30, 2008 were \$501,458 compared to \$150,465 for the six months ended September 30, 2007. Interest on loans for the six months ended September 30, 2008 was \$8,285 compared to \$9,407 for the six months ended September 30, 2007. Investor relations fees for the six months ended September 30, 2008 were \$nil compared to \$85,001 for the six months ended September 30, 2007. General and administrative expenses for the six months ended September 30, 2008 were \$62,773 compared to \$17,685 for the six months ended September 30, 2007. The overall increase in operating expenses for the six months ended September 30, 2008 compared to the six months ended September 30, 2007 was primarily due to increased exploration and drilling activities on our properties in Argentina.

Our net loss for the six month period ended September 30, 2008 was \$689,015 or \$(0.01) per share compared to \$353,385 or \$(0.01) for the six month period ended September 30, 2007. The weighted average number of shares outstanding was 84,426,000 at September 30, 2008 compared to 84,426,000 at September 30, 2007.

**LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2008, we had a working capital deficit of \$403,902. Our total liabilities, consisting entirely of current liabilities, as of September 30, 2008 were \$522,236, as compared to total liabilities, consisting entirely of current liabilities, of \$696,869 as of March 31, 2008. The decrease in our total liabilities was primarily due to decreases in accounts payable and accrued liabilities. Our total assets as of September 30, 2008 were \$120,657, consisting of \$118,334 in current assets and \$2,323 in net fixed assets, as compared to total assets, consisting





entirely of current assets, of \$887,988 as of March 31, 2008. The decrease in our total assets was primarily due to expenditures in connection with the exploration and drilling of our properties in Argentina which resulted in decreases in cash and funds held in trust.

*Cash Flow Used in Operating Activities*

Operating activities used cash of \$961,482 for the six month period ended September 30, 2008, compared to using \$368,262 for the six month period ended September 30, 2007. The increase in cash used during the six month period ended September 30, 2008 was commensurate with an increase in our net loss, accounts receivable and prepaid expenses and payments of outstanding accounts payable.

*Cash Flow Used in Investing Activities*

Investing activities used cash of \$2,787 for the six month period ended September 30, 2008 compared to using \$nil for the six month period ended September 30, 2007. The cash used in investing activities was a result of the purchase of equipment.

*Cash Flow Provided by Financing Activities*

Financing activities generated cash of \$140,037 for the six month period ended September 30, 2008 compared to generating cash of \$nil for the six month period ended September 30, 2007. The cash generated from financing activities was from the issuance of notes payable, line of credit and the issuance of convertible notes payable.

*Trends and Uncertainties*

Our ability to generate revenues in the future is dependent on whether we successfully explore and develop our current property interests or any property interests that we may acquire in the future. We cannot predict whether or when this may happen and this causes uncertainty with respect to the growth of our company and our ability to generate revenues.

*Off-Balance Sheet Arrangements*

Our company has no outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. Neither our company nor our operating subsidiary engages in trading activities involving non-exchange traded contracts.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures of our company. Although these estimates are based on management's knowledge of current events and actions that our company may undertake in the future, actual results may differ from such estimates.

*Going Concern*

We have suffered recurring losses from operations. The continuation of our company as a going concern is dependent upon us attaining and maintaining profitable operations and raising additional capital.

Due to the uncertainty of our company's ability to meet our current operating expenses and the capital expenses noted above, in their report on the annual financial statements for the period ended March 31, 2008, our company's independent auditors included an explanatory paragraph regarding concerns about our company's ability to continue as a going concern.

The continuation of our company's business is dependent upon us raising additional financial support. The issuance



of additional equity securities by our company could result in a significant dilution in the equity interests of our company's current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our company's liabilities and future cash commitments.

There are no assurances that our company will be able to obtain further funds required for our continued operations. As noted herein, we intend to pursue various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to our company when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of our company and our majority-owned subsidiary, United Energy Metals S.A. All significant intercompany accounts and transactions have been eliminated.

#### *Exploration Stage Company*

We are an exploration stage company as defined in the Statements of Financial Accounting Standards (SFAS) No. 7 Accounting and Reporting by Development Stage Enterprises. We are primarily engaged in the acquisition and exploration of mining properties. All losses accumulated since inception, have been considered as part of our exploration stage activities.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Mineral Property Costs*

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. From that time forward, we will capitalize all costs to the extent that future cash flows from mineral reserves equal or exceed the costs deferred. The deferred costs will be amortized over the recoverable reserves when a property reaches commercial production. Costs related to site restoration programs will be accrued over the life of the project. To date, we have not established any proven reserves on our mineral properties.

#### *Environmental Costs*

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or our commitment to a plan of action based on the then known facts.

#### *Basic and Diluted Loss Per Share*

We report basic loss per share in accordance with the SFAS No. 128, Earnings Per Share. Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted loss per share has not been provided as it would be anti-dilutive.



#### *Foreign Currency Translation*

Our subsidiary is located and operates outside of the United States of America. It maintains its accounting records in Argentinean Pesos as follows:

At the transaction date, each asset, liability, revenue and expense is recorded into Argentinean Pesos by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into US dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In June 2008, the FASB issued FSP Emerging Issues Task Force ( EITF ) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The FSP affects entities that accrue dividends on share-based payment awards during the awards service period when the dividends do not need to be returned if the employees forfeit the award. This FSP is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of FSP EITF 03-6-1 on our consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock" (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of EITF 07-5 on our consolidated financial position and results of operations.

In May 2008, the FASB issued FSP Accounting Principles Board ( APB ) Opinion No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for us as of January 1, 2009 and early adoption is not permitted. We are currently evaluating the potential impact of FSP APB 14-1 upon our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (FAS No.162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In April 2008, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position on Financial Accounting Standard ( FSP FAS ) No. 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142 *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of the expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007) *Business Combinations* and other U.S. generally accepted accounting principles. We are currently evaluating the potential impact of FSP FAS No. 142-3 on our consolidated financial statements.



**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

**Item 4T. Controls and Procedures.**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our President (who is also our Secretary) to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2008, the three month period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our President (who is also our Secretary), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President (who is also our Secretary) concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

There have been no significant changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2008 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

**Item 1A. Risk Factors.**

**RISK FACTORS**

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

*We have had negative cash flows from operations and if we are not able to continue to obtain further financing our business operations may fail.*





To date we have had negative cash flows from operations and we have been dependent on sales of our equity securities and debt financing to meet our cash requirements and have incurred a net loss of \$214,182 for the three month period ended September 30, 2008, and cumulative net losses of \$8,639,384 from inception to September 30, 2008. As of September 30, 2008 we had a working capital deficit of \$403,902. We do not expect to generate positive cash flow from operations in the near future. There is no assurance that actual cash requirements will not exceed our estimates. Any decision to further expand our company's operations or our exploration properties is anticipated to involve consideration and evaluation of several significant factors including, but not limited to:

- costs to bring each property into production, including exploration work, preparation of production feasibility studies, and construction of production facilities;
- availability and costs of financing;
- ongoing costs of production;
- market prices for the minerals to be produced;
- environmental compliance regulations and restraints; and
- political climate and/or governmental regulation and control.

The occurrence of any of the aforementioned events could adversely affect our ability to meet our business plans.

We depend almost exclusively on outside capital to pay for the continued exploration and development of our properties. Such outside capital may include the sale of additional stock and/or commercial borrowing. Capital may not continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to us. The issuance of additional equity securities by us would result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business and, as a result, we may be required to scale back or cease our business operations, the result of which would be that our stockholders would lose some or all of their investment.

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been primarily financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

*We have a history of losses and fluctuating operating results which raises doubt about our ability to continue as a going concern.*

From inception through to September 30, 2008, we have incurred aggregate net losses of approximately \$8,639,384. Our net loss from operations for the three month period ended September 30, 2008 was \$214,188. There is no assurance that we will operate profitably or will generate positive cash flow in the future. In addition, our operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as general economic conditions, market price of minerals and exploration and development costs. If we cannot generate positive cash flows in the future, or raise sufficient financing to continue our operations, then we may be

forced to scale down or even close our operations. Until such time as we generate revenues, we expect an increase in development costs and operating costs. Consequently, we expect to incur operating losses and negative cash flow until our properties enter commercial production.

*We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.*

We have no history of revenues from operations and have no significant tangible assets. We have yet to generate positive earnings and there can be no assurance that we will ever operate profitably. Our company has a limited operating history and must be considered in the development stage. The success of our company is significantly dependent on a successful acquisition, drilling, completion and production program. Our company's operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the development stage and potential investors should be aware of the difficulties normally encountered by enterprises in the development stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

*Trading in our common shares on the OTC Bulletin Board is limited and sporadic making it difficult for our shareholders to sell their shares or liquidate their investments.*

Our common shares are currently quoted on the OTC Bulletin Board. The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

*Because of the early stage of development and the nature of our business, our securities are considered highly speculative.*

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by our company may be affected by numerous factors which are beyond the control of our company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulation, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in our company not receiving an adequate return of investment capital.

*As our properties are in the exploration and development stage, there can be no assurance that we will establish commercial discoveries on our properties.*

The mining and exploration business relies upon the accuracy of determinations as to whether a given deposit has significant mineral reserves and resources. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent with certainty that estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may

render certain mineral resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit.

*Our company will be subject to operating hazards and risks which may adversely affect our company's financial condition.*

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage. We do not have general liability insurance covering our operations and do not presently intend to obtain liability insurance as to such hazards and liabilities. Payment of any liabilities as a result could have a materially adverse effect upon our company's financial condition.

*Our company's activities will be subject to environmental and other industry regulations which could have an adverse effect on the financial condition of our company.*

Our activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which may result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and more stringent fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations could have an adverse effect on the financial condition of our company.

Our operations, including exploration and development activities and commencement of production on our properties, which will require permits from various federal, state, provincial and local governmental authorities, are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities. Such actions may cause operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

*Our current property interests are located in North and South America, and the current and future economic, political and social conditions, as well as the governmental policies of the respective jurisdictions, could have an adverse effect on our company's overall financial condition and ability to generate revenues.*

We expect that a substantial portion of our business, including future assets and operations of our company, will be located and conducted in North and South America, including Argentina and New Mexico. The economy of countries such as Argentina differs from the economies of most developed countries in many respects. While the economies of such countries, including Argentina, have experienced significant growth in the past twenty years, growth has been uneven, both geographically and among various sectors of the economy. The governments of such countries have implemented various measures to encourage economic growth and guide the allocation of resources. While some of these measures benefit the overall economy of such countries, they may have a negative effect on our operations. For example, our operating results and financial condition may be adversely affected by government



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control over capital investments or changes in tax regulations applicable to us. If there are any changes in any policies by such governments and our proposed business is negatively affected as a result, then our financial results, including our ability to generate revenues and profits, will also be negatively affected.

*Competition may have an adverse impact on our company's ability to acquire suitable mineral properties, which may have an adverse impact on our company's operations.*

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than our company, we may be unable to acquire attractive mineral properties on terms we consider acceptable. Accordingly, there can be no assurance that any proposed exploration and development program will yield any reserves or result in any commercial mining operation.

*We currently rely on certain key individuals and the loss of one of these certain key individuals could have an adverse effect on our company.*

Our company's success depends to a certain degree upon certain key members of our management. These individuals are a significant factor in our company's growth and success. We do not have key man insurance in place in respect of any of our senior officers or personnel and we do not anticipate obtaining such insurance in the near future. The loss of the service of members of our management and certain key employees could have a material adverse effect on our company. In particular, the success of our company is highly dependant upon the efforts of our president and director, Mr. Richard Bachman, the loss of whose services would have a material adverse effect on the success and development of our company.

*We are an exploration stage company, and there is no assurance that a commercially viable deposit or reserve exists on any of our properties that we have, or might obtain, an interest.*

We are an exploration stage company and cannot give assurance that a commercially viable deposit, or reserve, exists on any properties for which our company currently has or may have an interest. Therefore, determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If we fail to find a commercially viable deposit on any of our properties, our financial condition and results of operations will be adversely affected in a material manner.

*Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.*

Our constating documents authorize the issuance of 310,000,000 shares, consisting of 300,000,000 shares of common stock, par value \$0.001 per share and 10,000,000 shares of preferred stock, par value \$0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

*Trading of our stock may be restricted by the SEC's Penny Stock regulations which may limit a stockholder's ability to buy and sell our stock.*

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information



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about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

*The Financial Industry Regulatory Authority, or FINRA, sales practice requirements may also limit a stockholder's ability to buy and sell our stock.*

In addition to the penny stock rules described above, the FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**Exhibit**

<b>Number</b>	<b>Description</b>
<b>(3)</b>	<b>Articles of Incorporation and By-laws</b>
3.1	Articles and Bylaws incorporated by reference from our Registration Statement on Form 10-SB filed on February 27, 2003
3.2	Certificate of Amendment to the Articles of Incorporation dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006





- 3.3 Certificate of Change dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006
  - 3.4 Certificate of Amendment to the Articles of Incorporation incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 3.5 Certificate of Change incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 3.6 Articles of Incorporation of Urex Energy Corp. incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 3.7 Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
  - 3.8 Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
  - 3.9 Certificate of Correction with respect to the Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
  - 3.10 Certificate of Correction with respect to the Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006
  - (4) Instruments defining the rights of security holders, including indentures**
  - 4.1 2008 Stock Plan, effective October 16, 2008 (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
  - 4.2 Form of Stock Option Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
  - 4.3 Form of Restricted Share Grant Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008)
  - (10) Material Contracts**
  - 10.1 Consulting Agreement between our company and Minera Teles Pires Inc., dated September 27, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 10.2 Assignment Agreement between our company and International Mineral Resources Inc., dated September 22, 2005 incorporated by reference from our Current Report on Form 8-K filed on September 29, 2005
  - 10.3 Option Agreement between International Mineral Resources Inc. and United Energy Metals S.A., dated September 21, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 10.4 Agreement and Plan of Merger between Urex Energy Corp. and Lakefield Ventures Inc., dated June 8, 2006 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
  - 10.5 Form of Subscription Agreement with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
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- 10.6 Form of Series A Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.7 Form of Series B Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.8 Agreement with New-Sense Geophysics Limited incorporated by reference from our Annual Report on Form 10-KSB filed on July 17, 2007
- 10.9 Agreement with N.A. Dergstrom, Inc., dated January 31, 2008 incorporated by reference from our Annual Report on Form 10-KSB filed on July 15, 2008
- 10.10 Convertible Note with Four Tong Investments Limited, dated August 19, 2008 incorporated by reference on Form 8-K filed on August 26, 2008
- (31) Rule 13a-14(a)/15d-14(a) Certifications**
- 31.1\* Section 302 Certification of Richard Bachman
- (32) Section 1350 Certification**
- 32.1\* Section 906 Certification of Richard Bachman
- (99) Additional Exhibits**
- 99.2 Independent Review of the Rio Chubut Uranium Project prepared by Brian Cole, P.Geo., dated September 23, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006

\* Filed herewith

**SIGNATURES**

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

**UREX ENERGY CORP.**

By: */s/ Richard Bachman*\_\_\_\_\_

Richard Bachman

President and Director

November 14, 2008

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