TRIGON URANIUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

December 31, 2008

AUDITORS' REPORT

To the Shareholders of
Trigon Uranium Corp.

We have audited the consolidated balance sheets of Trigon Uranium Corp. as at December 31, 2008 and 2007 and the consolidated statements of operations 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 18, 2009

TRIGON URANIUM CORP.
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31

	2008	2007
ASSETS		
Current		
Cash	$ 320,500	$ 1,794,756
Receivables	44,954	107,378
Prepaid expenses	19,078	44,808
Marketable securities (note 4)	180,000	1,984,000
	564,532	3,930,942
Equipment (note 5)	189,857	203,162
Investment in ICP (note 6)	2,211,100	-
Advances on mineral properties	-	65,296
Mineral properties (note 7)	6,111,052	5,876,813
	$ 9,076,541	$ 10,076,213
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 400,660	$ 651,571
Shareholders' equity		
Capital stock (note 8)	18,859,262	18,575,578
Contributed surplus (note 8)	1,600,188	1,589,398
Deficit	(11,783,569)	(10,740,334)
	8,675,881	9,424,642
	$ 9,076,541	$ 10,076,213

Nature of operations and going concern (Note 1)
Commitments (Note 12)

On behalf of the Board:

"Sidney Himmel" Director *"George Poling"* Director

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

TRIGON URANIUM CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

	2008	2007
EXPENSES		
Administration	$ 296,709	$ 248,090
Amortization	59,649	80,188
Conferences	8,823	24,599
Consulting	219,365	79,842
Foreign exchange loss (gain)	20,027	(26,317)
Investor relations	128,852	273,593
Professional fees	317,212	315,037
Property investigation costs	-	85,768
Rent and storage	89,439	60,978
Stock-based compensation (note 9)	59,534	487,973
Transfer agent and filing fees	30,749	92,734
Travel and related costs	109,821	83,107
Wages and benefits	673,341	548,799
Loss before other items and income taxes	(2,013,521)	(2,354,391)
OTHER ITEMS		
Interest income	32,619	98,575
Recovery of debt	-	10,000
Costs of closing Kelowna office	-	(187,925)
Gain (loss) on disposal of mineral properties (note 7)	567,151	(2,814,940)
Loss on disposal of equipment (note 5)	-	(129,600)
Write-off of advances on mineral properties	(65,296)	-
Write-off of mineral properties (note 7)	(483,832)	(292,543)
Gain (loss) on marketable securities (note 4)	(919,980)	96,000
Equity loss in ICP (note 6)	(59,859)	-
Dilution gain on investment in ICP (note 6)	1,837,130	-
	907,933	(3,220,433)
Loss before income taxes	(1,105,588)	(5,574,824)
Future income tax benefit	-	404,300
Loss for the year (entity)	(1,105,588)	(5,170,524)
Non-controlling interest - ICP	62,353	-
Loss and comprehensive loss for the year	(1,043,235)	(5,170,524)
Deficit, beginning of year	(10,740,334)	(5,569,810)
Deficit, end of year	$ (11,783,569)	$ (10,740,334)
Basic and diluted loss per common shares	$ (0.02)	$ (0.09)
Weighted average number of common shares outstanding	62,443,909	56,869,120

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

TRIGON URANIUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,043,235)	$ (5,170,524)
Items not affecting cash:		
Amortization	59,649	80,188
Stock-based compensation	59,534	487,973
Costs of closing Kelowna office	-	45,746
Future income tax recovery	-	(404,300)
Write-off of advances on mineral properties	65,296	-
Write-off of mineral properties	483,832	292,543
Loss (gain) on disposal of mineral properties	(567,151)	2,814,940
Loss on return of equipment	3,499	129,600
Loss (gain) on marketable securities	919,980	(96,000)
Non-controlling interest - I/S	62,353	-
Equity loss in ICP	59,859	-
Dilution gain on investment in ICP	(1,837,130)	-
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	69,761	(59,000)
(Increase) decrease in prepaid expenses	25,730	(835)
Increase (decrease) in accounts payable	(228,824)	300,103
Net cash used in operating activities	(1,866,847)	(1,579,566)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(59,986)	(122,125)
Expenditures on mineral properties	(419,011)	(5,247,829)
Mineral property option payment received	-	22,722
Proceeds on sale of mineral properties	-	25,000
Proceeds on sale of marketable securities	1,280,020	-
Advances on mineral properties	-	(65,296)
Investment in ICP	(496,182)	-
Net cash provided by (used in) investing activities	304,841	(5,387,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	87,750	7,183,648
Share issuance costs	-	(769,463)
Net cash provided by financing activities	87,750	6,414,185
Decrease in cash for the year	(1,474,256)	(552,909)
Cash, beginning of year	1,794,756	2,347,665
Cash, end of year	$ 320,500	$ 1,794,756

Supplemental disclosure with respect to cash flows (note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Trigon Uranium Corp. (the "Company") was incorporated under the Canada Business Corporations Act on November 8, 2002. The Company's principal activities are investment in natural resources through direct acquisitions, joint ventures and equity investments. The Company's primary business is the acquisition and exploration of mineral properties and it is considered to be in the exploration stage. To date the Company has not earned operating revenue. The Company also owns 36.8 percent of Intercontinental Potash Corp. ("ICP"), a company involved in exploration for potash and potash-related minerals.

The Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The recovery of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred ongoing losses and there is substantial doubt about the Company's ability to continue as a going concern. The Company is reducing expenditures to conserve cash.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Trigon Exploration Utah Inc., Trigon Exploration Red Canyon Inc., Trigon Exploration Colorado Inc. All inter-company accounts and transactions have been eliminated on consolidation.

c) Equipment

Equipment is recorded at cost. Amortization is recorded at the following annual rates and methods:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	20% declining balance
Vehicle	30% declining balance

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

d) **Mineral properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

e) **Asset retirement obligation**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

There were no Asset Retirement Obligations (site reclamation costs) in 2007 or 2008.

f) **Estimates**

The preparation of financial statements in accordance with Canadian 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 amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the fair value of financial instruments, the assessment of possible impairment of its mineral properties, useful lives of equipment, future income taxes, and stock-based compensation. Actual results could differ from those estimates.

g) **Equity investments**

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method of accounting, the Company has a one-line consolidation for the investment in an account called "Investment in ICP". The Company's portion of accrual-based net income or loss is recorded as equity earnings or loss on the income statement with an offsetting increase or decrease in the investment account. Dividends received would be a decrease to the investment account.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

h) **Foreign currency translation**

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

i) **Stock-based compensation**

The Company has a stock option plan. The Company uses the fair value based method to recognize compensation costs for direct awards of stock and for the granting of all stock options which are valued using the Black-Scholes option pricing model. The fair value of stock options is amortized over the period of vesting. Any consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from contributed surplus to share capital.

j) **Future income taxes**

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

k) **Flow-through shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recognized as a recovery of income taxes in the statement of operations.

l) **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) **Comparative figures**

Comparative figures have been reclassified to conform with the current year's presentation.

n) **Financial instruments**

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income. For the year ended December 31, 2008, the Company had no derivatives or embedded derivatives.

o) **Comprehensive income**

Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income ("OCI") includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity. The Company does not currently have any OCI items or AOCI. Therefore, comprehensive loss is equal to net loss for the years ended December 31, 2008 and 2007.

3. CHANGES IN ACCOUNTING POLICIES

a) Changes in accounting policies

The following accounting policy changes were adopted effective January 1, 2008:

(i) Capital management
CICA Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital: (ii) quantitative data about what the entity regards as capital: (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 16 to these consolidated financial statements.

(ii) Financial instruments – disclosures and presentation
CICA Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 15 to these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES (cont'd...)

(iii) Assessing Going Concern
The Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption had no impact on the Company's financial statements.

b) Future accounting changes

(i) Goodwill and Intangible Assets
The CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. This standard is effective for years beginning on or after January 1, 2009. The Company is currently in the process of evaluating the impact of this standard, but no significant impact is expected.

(ii) International Financial Reporting Standards ("IFRS")
In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. A changeover plan is being established to convert to the new standards within the allotted timeline. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. MARKETABLE SECURITIES

The Company has designated the shares of Diamondex Resources Ltd. ("DSP") as held-for-trading to be valued at fair market value with any gains and losses being included in operations.

Pursuant to the sale of the Company's diamond properties that closed on July 26, 2007 (note 7), the Company received 6,400,000 DSP shares having a value of $1,888,000. As at December 31, 2007, gross fair market value of these shares was $1,984,000. In 2008, the Company issued options on the DSP shares for proceeds of $1,280,000, which were exercised during 2008 for $20 resulting in a loss of $703,980.

The Company received an additional 3,600,000 common shares from DSP in August 2008, having a value of $396,000, which was recorded as a gain on sale of mineral properties. As at December 31, 2008 the DSP shares had a value of $180,000 resulting in an unrealized loss of $216,000.

5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	$ 23,887	$ 4,988	$ 18,899	$ 13,794	$ 1,379	$ 12,415
Computer equipment	173,127	106,276	66,851	158,932	80,543	78,389
Exploration equipment	148,536	76,122	72,414	148,536	57,924	90,612
Vehicle	45,232	13,539	31,693	25,584	3,838	21,746
	$ 390,782	$ 200,925	$ 189,857	$ 346,846	$ 143,684	$ 203,162

6. INVESTMENT IN INTERCONTINENTAL POTASH CORP. ("ICP")

On May 14, 2008, the Company acquired 15,000,000 common shares of Intercontinental Potash Corp. ("ICP") for $300,000, which represented a 50% interest in ICP. ICP is a related company because it has two directors and two officers in common with the Company.

The purchase price of $300,000 was allocated as follows:

Cash	$ 211,754
Receivables	25,120
Mineral properties	175,868
Accounts payable	(88,222)
Note payable	(24,520)
Net assets acquired	$ 300,000

The acquisition of ICP was accounted for using the purchase method and accordingly, these consolidated financial statements include the results of operations of ICP from the date of acquisition until June 20, 2008. On June 20, 2008, ICP completed a financing through the issuance of additional shares resulting in a decrease in ownership to 37.22% and on November 25, 2008 ownership was reduced to 36.77% resulting in the recording of a combined dilution gain of $1,837,130. After June 20, 2008, ICP was accounted for as an equity investment.

The net consolidated ICP loss (after non-controlling interest portion) was $62,353 and the equity loss was $59,859. Additional costs of the Company capitalized to the investment account totaled $196,182.

7. MINERAL PROPERTIES

	2008				
	Marysvale	**Henry Mountains**	**Wray Mesa**	**Other Properties**	**Total**
Acquisition costs					
Balance, beginning of year	$ 872,542	$ 1,320,278	$ 781,878	$ 515,804	$ 3,490,502
Additions during the year	146,498	(3,940)	3,627	84,183	230,368
Total acquisition costs	1,019,040	1,316,338	785,505	599,987	3,720,870
Deferred exploration costs					
Balance, beginning of year	730,118	1,167,160	167,855	321,178	2,386,311
Additions during the year					
Planning	13,640	15,305	688	236,022	265,655
Annual maintenance	26,233	49,101	30,392	70,971	176,697
Geology	4,278	14,392	-	46,811	65,481
Drilling	2,121	61,634	-	-	63,755
Drilling bond refund	(24,002)	(59,883)	-	-	(83,885)
Total additionals during the year	22,270	80,549	31,080	353,804	487,703
Total deferred exploration costs	752,388	1,247,709	198,935	674,982	2,874,014
Written-off during the year	-	-	-	(483,832)	(483,832)
Total	$ 1,771,428	$ 2,564,047	$ 984,440	$ 791,137	$ 6,111,052

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

7. MINERAL PROPERTIES (cont'd…)

	2007					
	Marysvale	Henry Mountains	Wray Mesa	Other Uranium Properties	Diamond Properties	Total
Acquisition costs						
Balance, beginning of year	$ 548,214	$ 881,557	$ 92,761	$ -	$ 2,088,379	$ 3,610,911
Additions during the year	324,328	438,721	689,117	598,777	267,845	2,318,788
Total acquisition costs	872,542	1,320,278	781,878	598,777	2,356,224	5,929,699
Deferred exploration costs						
Balance, beginning of year	232,486	41,851	4,361	-	5,507,435	5,786,133
Additions during the year						
Planning	83,674	86,838	35,905	383,039	63,571	653,027
Annual maintenance	33,498	226,948	109,437	77,273	-	447,156
Geology	34,833	76,317	18,152	70,436	582,980	782,718
Drilling	345,627	735,206	-	-	683,533	1,764,366
	497,632	1,125,309	163,494	530,748	1,330,084	3,647,267
Total deferred exploration costs	730,118	1,167,160	167,855	530,748	6,837,519	9,433,400
Recoveries						
Balance, beginning of year	-	-	-	-	(4,443,081)	(4,443,081)
Option payments received	-	-	-	-	(22,722)	(22,722)
Total recoveries	-	-	-	-	(4,465,803)	(4,465,803)
Disposed during the year	-	-	-	-	(4,727,940)	(4,727,940)
Written-off during the year	-	-	-	(292,543)	-	(292,543)
Total	$ 1,602,660	$ 2,487,438	$ 949,733	$ 836,982	$ -	$ 5,876,813

7. MINERAL PROPERTIES (cont'd…)

a) Marysvale property (formerly Garfield property)

During the year ended December 31, 2006, the Company entered into an option agreement to acquire certain claims and two state leases in the Sevier and Piute Counties of central Utah. Under the agreement, in 2008 and 2007 respectively, the Company paid $95,519 (2007 – $207,964), issued 234,000 (2007 - 700,000) common shares valued at $66,690 (2007 - $272,000), incurred certain acquisition costs of $ nil (2007 - $55,853), and is still required to pay US$234,000 and issue 702,000 shares. In 2008, Trigon reduced its interest in the Marysvale property by 22%. Amended payment and share issuance obligations are as follows:

Date	Payment	Issuance of shares
July 5, 2008	US$ 78,000 (paid)	234,000 (issued)
July 5, 2009	US$ 78,000	234,000
July 5, 2010	US$ 78,000	234,000
July 5, 2011	US$ 78,000	234,000

The Company was required to incur exploration expenditures of US$600,000 by May 15, 2009, which has already been incurred. The Company is also required to incur exploration expenditures of US$1,500,000 on a cumulative basis by May 15, 2011, of which CDN$1,129,265 has been spent on eligible expenditures. The Company also staked additional claims.

b) Henry Mountain property

The Company acquired certain claims and three state leases in the Henry Mountains of south-eastern Utah in 2007 by issuing 1,000,000 common shares valued at $570,000. The property is subject to a production royalty of 2%.

c) Wray Mesa property

The Company acquired certain claims in the La Sal Uranium district of south-eastern Utah in 2007 by issuing 400,000 common shares valued at $220,000. During fiscal 2007 the Company reimbursed the vendors $128,000 (US$109,780) for staking costs and $104,000 (US$89,820) for land maintenance costs. During 2007, the Company expanded the Wray Mesa property by claim staking and acquiring an additional Utah state lease.

d) Diamond properties

The diamond properties previously consisted of Ram, IC & Tim, Alliance, Weiland, Viking and Beowulf and certain other claims.

During 2007, the Company sold all of its diamond properties to DSP in exchange for $25,000 and 6,400,000 common shares of DSP valued at $1,888,000. The sale of the diamond properties and related assets originally resulted in a loss on disposal of mineral properties of $2,814,940 and a loss on disposal of equipment of $129,600. Since the original shares did not achieve an average share price equal to or greater than $0.50 for the 30 days leading up to July 26, 2008, the Company received an additional 3,600,000 common shares of DSP in 2008 having a value of $396,000, which was recorded as a gain on disposal of mineral properties in fiscal 2008.

During 2008, the Company received $32,960 as a refund of security deposits, which was recorded as a gain on disposal of mineral properties and wrote off $138,191 of accounts payable previously accrued against the properties.

7. MINERAL PROPERTIES (cont'd…)

e) Other properties

Other properties consist of the Hauber Project, located in Crook County, Wyoming and the Red Canyon project located in southeast Utah's White Canyon Uranium District.

On August 1, 2008, the Company provided notice that it was withdrawing from the Hauber Project LLC agreement due to declines in uranium prices. The Company is contractually required to fulfil its remaining obligation under the agreement by paying the General Partner US$201,108 for its share of outstanding work commitments. Total costs for the Hauber Project of $483,382 were written off in 2008.

In 2008, the Company issued 350,000 common shares valued at $80,500 to complete the acquisition of the Red Canyon project with some reductions to the properties acquired. The Red Canyon project is subject to 2% net value royalty on the state leases and between zero and 8% on the mining claims. Under the acquisition agreement, there are no future spending obligations on the Red Canyon project.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Share Issuances

- On September 3, 2008, the Company issued 234,000 common shares valued at $66,690 as consideration towards the acquisition of the Marysvale Property.
- On September 22, 2008, the Company issued 350,000 common shares valued at $80,500 as consideration towards the acquisition of the Red Canyon Property.
- On February 12, 2007, the Company issued 3,725,500 units at $0.80 per unit pursuant to a private placement for gross proceeds of $2,980,400. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share for $1.00 per share until August 8, 2008. The Company paid $149,792 and issued 234,050 agent unit options valued at $104,433 in connection with the financing. Each agent unit option entitled the holder to purchase one common share at $0.90 for one year.
- On March 21, 2007, the Company issued 200,000 common shares valued at $154,000 as consideration towards the acquisition of the Wray Mesa property.
- On May 14, 2007, the Company issued 300,000 common shares at $1.00 per common share pursuant to a non-brokered private placement for gross proceeds of $300,000.
- On July 3, 2007, the Company issued 300,000 common shares valued at $180,000 as consideration towards the acquisition of the Marysvale property.
- On July 26, 2007, the Company issued 500,000 common shares valued at $220,000 as consideration towards the acquisition of the Henry Mountains property.
- On August 8, 2007, the Company issued 5,096,000 common shares at $0.50 per common shares pursuant to a non-brokered private placement for gross proceeds of $2,548,000. The Company paid agents $188,920 and issued 472,300 agent unit options valued at $96,793 in connection with the financing. Each unit and each agent unit option consisted of one common share and one-half of one non-transferable warrant with each whole warrant entitling the holder to purchase one common share at $0.65 per share until August 8, 2009.
- On October 3, 2007, the Company issued 200,000 common shares valued at $66,000 in order to complete the Wray Mesa property acquisition.
- On October 15, 2007, the Company issued 137,500 common shares valued at $46,750 as consideration towards the acquisition of the Green Lizard property.
- On October 23, 2007, the Company issued 22,745 common shares valued at $7,278 as consideration for a finder's fee for the Hauber property acquisition.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
Unlimited common shares					
Common shares issued					
Balance as at December 31, 2006	48,487,456	$	11,846,334	$	1,013,654
Private placements	9,121,500		5,828,400		-
Exercise of warrants	2,211,830		1,108,549		-
Exercise of stock options	745,993		211,199		-
Exercise of agents' unit options	161,363		35,500		-
Issued for mineral properties	1,360,245		674,028		-
Share issue costs	-		(225,839)		-
Agents' fees and options	-		(611,748)		201,226
Stock-based compensation	-		-		487,973
Contributed surplus transferred on exercise of options, and agents' unit options	-		113,455		(113,455)
Future income tax on exploration costs renounced to shareholders	-		(404,300)		-
Balance as at December 31, 2007	62,088,387		18,575,578		1,589,398
Exercise of warrants	25,000		16,250		-
Exercise of stock options	150,000		33,000		-
Exercise of agents' unit options	175,000		38,500		-
Issued for mineral properties	584,000		147,190		-
Stock-based compensation	-		-		59,534
Contributed surplus transferred on exercise of options, and agents' unit options	-		48,744		(48,744)
Balance as at December 31, 2008	63,022,387	$	18,859,262	$	1,600,188

9. STOCK OPTIONS AND WARRANTS

Stock options

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at December 31, 2008, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Shares	Exercise Price	Expiry Date
300,000	$ 0.55	December 3, 2009
50,000	1.00	December 15, 2009
230,000	1.05	January 9, 2010
350,000	0.55	January 17, 2010
500,000	0.34	November 6, 2011
200,000	0.20	December 15, 2011
250,000	1.05	January 9, 2012
600,000	0.29	August 28, 2013 *
2,480,000	$ 0.52	

* 266,667 have vested, 166,666 vest on February 28, 2009, and 166,667 vest on August 28, 2009.

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	3,270,993	$ 0.49
Granted	992,500	0.84
Exercised	(745,993)	0.28
Expired	(225,000)	0.96
Outstanding at December 31, 2007	3,292,500	0.61
Granted	600,000	0.29
Exercised	(150,000)	0.22
Expired	(1,262,500)	0.68
Outstanding at December 31, 2008	2,480,000	$ 0.52
Number of options currently exercisable	2,146,667	$ 0.56

9. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock-based compensation

During the year ended December 31, 2008, the Company granted 600,000 (2007 – 992,500) options to directors, senior officers, employees and consultants of the Company. Vesting periods ranged from the date of grant to 2 years. The fair value of the options, as determined by the Black-Scholes option pricing model, was $134,794 (2007 – $487,973) or $0.22 (2007 - $0.49) per option. Stock based compensation expense was $59,534 (2007 - $487,973), which was credited to contributed surplus on the balance sheet.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2008	2007
Risk-free interest rate	3.02%	3.99%
Expected life of options	5 years	3.5 years
Annualized volatility	104.40 %	136.00 %
Dividend rate	0%	0%

Warrants

As at December 31, 2008, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Shares	Exercise Price	Expiry Date
2,523,000	$ 0.65	August 8, 2009
2,523,000	$ 0.65	

The following weighted average assumptions were used for the Black-Scholes valuation of warrants and agents' unit options issued during the year:

	2008	2007
Risk-free interest rate	-	4.48%
Expected life of options	-	1.7 years
Annualized volatility	-	123 %
Dividend rate	-	0%

9. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrant transactions are summarized as follows:

	Number of Shares		Weighted Average Exercise Price
Outstanding at December 31, 2006	5,012,203	$	0.36
Granted	4,491,430		0.79
Exercised	(2,211,830)		0.50
Expired	-		-
Outstanding at December 31, 2007	7,291,803	$	0.58
Granted	-		-
Exercised	(25,000)		0.65
Expired	(4,743,803)		0.54
Outstanding at December 31, 2008	2,523,000	$	0.65

Agents' unit options

As at December 31, 2008, the Company had agents' unit options outstanding, enabling the holders to acquire the following number of units:

Number of units	Exercise Price	Expiry Date
472,300	$ 0.50	August 8, 2009
472,300	$ 0.50	

Agents' unit option transactions are summarized as follows:

	Number of Shares		Weighted Average Exercise Price
Outstanding at December 31, 2006	1,002,433	$	0.27
Granted	706,350		0.63
Exercised	(161,363)		0.22
Expired/cancelled	-		-
Outstanding at December 31, 2007	1,547,420	$	0.44
Granted	-		-
Exercised	(175,000)		0.22
Expired/cancelled	(900,120)		0.46
Outstanding at December 31, 2008	472,300	$	0.50

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Company entered into the following transactions with related parties:

a) Paid or accrued laboratory and mineral analysis costs, included in deferred exploration costs, of $ nil (2007 - $23,866) to a corporation controlled by former directors of the Company.

b) Paid or accrued wages, which are capitalized to mineral property planning costs, of $ nil (2007 - $172,436) to former directors of the Company.

c) Paid or accrued planning and data costs, which are capitalized to mineral property, of $2,428 (2007 - $42,500) to a corporation controlled by a former director of the Company.

d) Paid or accrued accounting fees, included in professional fees, of $ nil (2007 - $23,700) to a former officer of the Company.

e) Paid or accrued consulting fees of $51,957 (2007 - $ nil) to a director and a company controlled by a director.

f) Paid or accrued administration fees of $15,002 (2007 - $ nil) to directors of the Company.

Included in accounts payable as at December 31, 2008 is $14,139 (2007 - $22,537) due to directors, officers and corporations controlled by directors.

The Company was reimbursed $240,000 (2007 – $ nil) by ICP, a related company, of which $31,192 was receivable at year end for services provided and expenses incurred under an Administrative and Exploration Services Agreement dated May 1, 2008.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended December 31, 2008 were as follows:

a) issued 584,000 common shares valued at $147,190 as consideration for mineral properties;
b) received 3,600,000 shares of DSP valued at $396,000;
c) recorded a fair value transfer of $48,744 in respect of options and agents' unit options exercised;
d) recovered mineral property costs of $7,337 through accounts receivable;
e) recorded a loss on return of equipment included in administration expense of $3,499 in conjunction with $10,143 of forgiveness of accounts payable; and
f) incurred mineral property expenditures of $208,790 through accounts payable.

The significant non-cash transactions for the year ended December 31, 2007 were as follows:

a) issued 1,360,245 common shares valued at $674,028 as consideration for mineral properties;
b) incurred mineral property expenditures of $82,543 through accounts payable;
c) issued 706,350 agents' unit options valued at $201,226;
d) received 6,400,000 shares of Diamondex valued at $1,888,000 as partial consideration for the sale of mineral properties; and
e) recorded a fair value transfer of $113,455 in respect of options and agents' unit option exercised.

12. COMMITMENTS

The Company has disclosed commitments related to its properties in Note 7. The Company has entered into an operating lease agreement for premises, with annual lease commitments as follows:

2009	$	66,680	USD
2010		68,550	USD
2011 (July expiry)		40,600	USD
	$	175,830	USD

13. INCOME TAXES

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

		2008		2007
Loss before income taxes	$	(1,043,235)	$	(5,574,824)
Expected income tax recovery	$	(323,403)	$	(1,902,130)
Items not deductible for income tax purposes		696,079		1,459,682
Items deductible for income tax purposes		(880,875)		(307,910)
Effect of foreign tax rate		(23,182)		-
Unrecognized benefit of operating loss carry forward and change in rates		531,381		346,058
Future income tax recovery	$	-	$	(404,300)

The significant components of the Company's future income tax assets (liabilities) are as follows:

		2008		2007
Future income tax assets (liabilities)				
Non-capital loss carryforwards	$	1,261,000	$	769,000
Equipment		27,000		19,000
Share issuance costs		174,000		337,000
Mineral properties		1,095,000		858,000
Marketable securities		(251,000)		(26,000)
Capital loss carryforwards		-		12,000
		2,306,000		1,969,000
Valuation allowance		(2,306,000)		(1,969,000)
Net future income tax asset	$	-	$	-

The Company has non-capital losses of $4,557,000 available to offset against taxable income in future years, which if unutilized will expire through to 2028.

During the year ended December 31, 2007, the Company renounced exploration expenditures relating to flow through shares, resulting in a future income tax liability and a charge against capital stock. This liability has been offset by future income taxes resulting in a future income tax recovery of $404,300. No renunciations were made for the year ended December 31, 2008.

14. SEGMENTED INFORMATION

The Company has one reportable business segment, the acquisition and exploration of mineral properties. Geographical information is as follows:

	December 31, 2008			December 31, 2007		
	Canada	USA	Total	Canada	USA	Total
Equipment	$ 86,654	$ 103,203	$ 189,857	$ 127,659	$ 75,503	$ 203,162
Mineral Properties	-	6,111,052	6,111,052	-	5,876,813	5,876,813
	$ 86,654	$ 6,214,255	$ 6,300,909	$ 127,659	$ 5,952,316	$ 6,079,975

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments
The Company has designated its cash and marketable securities as held-for-trading, measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments. The fair values of marketable securities are approximately equal to their carrying value as those marketable securities have been adjusted to their fair value when it is estimable.

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

Credit risk
The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of savings accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada and up to $250,000 in the United States. After January 1, 2010, the federal deposit insurance goes back down to $100,000 per account in the United States. Financial instruments included in receivables consist of goods and services tax due from the Federal Government of Canada, drilling deposits due from government agencies, and receivables from related and unrelated companies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for receivables by standard credit checks. The Company’s credit risk has not changed significantly from the prior year.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Liquidity risk
The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Company's approach to managing liquidity risk is to ensure that it strives to have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash balance of $320,500 (2007 - $1,794,756) to settle current liabilities of $400,660 (2007 - $651,571). The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. At this time, the Company has enough cash to pay all of its current liabilities. Under the current market conditions, both liquidity and funding risk have been assessed as high.

Financial Market risk

(a) Interest rate risk
The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar, however most major transactions are in US dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices, specifically uranium and potash. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market prices for uranium and potash. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, and stability of exchange rates can all cause significant fluctuations in commodity prices.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:
(a) To safeguard its ability to continue as a going concern;
(b) Continue the development and exploration of its mineral properties; and
(c) Maintain a capital structure which optimizes the cost of capital at acceptable risk.

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, and options. The Company had no bank indebtedness at year-end. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company must rely on capital markets to support continued growth. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. The Company does not pay dividends. The Company is reducing expenditures to conserve cash.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2008.