

UREX ENERGY CORP.  
Form 10-Q  
August 16, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

[(Mark One)]

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

For the quarterly period ended **June 30, 2010**

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**

**MUSTANG GEOTHERMAL CORP.**

(Exact name of registrant as specified in its charter)

UREX ENERGY CORP.

(If there is a name change, the Former Name of registrant)

**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 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

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

Yes      No

**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:

**204,425,600 common shares issued and outstanding as of June 30, 2010**

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

It is the opinion of management that the interim financial statements for the quarter ended June 30, 2010, include all adjustments necessary in order to ensure that the interim financial statements are not misleading.

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

**MUSTANG GEOTHERMAL CORP**

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

**BALANCE SHEETS**

|                        | June 30,<br>2010<br>(Unaudited) | March 31,<br>2010 |
|------------------------|---------------------------------|-------------------|
| <b>ASSETS</b>          |                                 |                   |
| <b>Current Assets</b>  |                                 |                   |
| Cash                   | \$ 72,478                       | \$ 73,721         |
| Assets held for sale   | -                               | -                 |
| Total current assets   | 72,478                          | 73,721            |
| Geothermal Leases      | 975,000                         | 1,000,000         |
| Property and equipment | 697                             | 929               |
| Total Assets           | \$ 1,048,175                    | \$ 1,074,650      |

**LIABILITIES AND STOCKHOLDERS'  
DEFICIT**

|  |            |            |
|--|------------|------------|
| <b>Current Liabilities</b>               |            |            |
| Accounts payable and accrued liabilities | \$ 406,067 | \$ 339,718 |
| Due to related party                     | 22,500     | 22,500     |
| Note payable to related party            | 305,550    | 305,500    |
| Total current liabilities                | 734,117    | 667,768    |
| Long term debt                           | 100,000    | 100,000    |
| Total liabilities                        | 834,117    | 767,768    |

|  |              |              |
|--|--------------|--------------|
| Stockholders' Equity (Deficit)                       |              |              |
| Common stock, \$0.001 par value                      |              |              |
| 300,000,000 shares authorized                        |              |              |
| 204,425,600 shares issued and outstanding            | 204,426      | 204,426      |
| Additional paid-in capital                           | 9,317,574    | 9,317,574    |
| Deficit accumulated during the exploration stage     | (9,307,942)  | (9,215,118)  |
| Total stockholders' equity (deficit )                | 214,058      | 306,882      |
|  |              |              |
| Total Liabilities and Stockholders' Equity (Deficit) | \$ 1,048,175 | \$ 1,074,650 |

See accompanying notes to the financial statements.

**MUSTANG GEOTHERMAL CORP**

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

**STATEMENTS OF OPERATIONS**

For the three months ended June 30, 2010 and 2009 and

For the period from February 6, 2002 (Date of Inception) to June 30, 2010

|                                |    | For the three | For the three | For the Period from |
|--------------------------------|----|---------------|---------------|---------------------|
|                                |    | months ended  | months ended  | February 6, 2002    |
|                                |    | June 30, 2010 | June 30, 2009 | (inception) to      |
|                                |    | June 30, 2010 | June 30, 2009 | June 30, 2010       |
| REVENUES                       | \$ | -             | \$            | -                   |
| OPERATING EXPENSES             |    |               |               |                     |
| Depreciation                   |    | 232           | 232           | 2,090               |
| Depreciation geothermal leases |    | 25,000        | -             | 25,000              |
| Management fees                |    | 30,000        | 30,000        | 495,000             |
| Professional fees              |    | 5,500         | 6,000         | 377,816             |
| Consulting fees                |    | -             | 40,000        | 588,170             |
| Exploration costs              |    | -             | -             | 177,654             |
| Interest on loans              |    | 5,073         | 9,983         | 102,924             |
| Investor relation fees         |    | -             | 50,000        | 415,097             |
| Travel                         |    | 20,216        | 6,205         | 66,938              |
| General and administrative     |    | 6,803         | 5,669         | 192,491             |
| Recovery of expenses           |    | -             | (4,402)       | (5,575)             |
| Impairment of intangible asset |    | -             | -             | 5,735,753           |
| Total operating expenses       |    | 92,824        | 143,687       | 8,173,358           |

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|   |             |                |                |
|---|-------------|----------------|----------------|
| Operating loss  | (92,824)    | (143,687)      | (8,173,358)    |
| <b>OTHER INCOME</b>   |             |                |                |
| Interest income   | -           | -              | 10,126         |
| Total other income  | -           | -              | 10,126         |
| Net loss from continuing operations                               | \$ (92,824) | \$ (143,687)   | \$ (8,163,232) |
| <b>DISCONTINUED OPERATIONS</b>                                    |             |                |                |
| Gain (Loss) from disposal of subsidiary                           | -           | (1,711,837)    | (1,144,710)    |
| NET INCOME (LOSS)   | \$ (92,824) | \$ (1,855,524) | \$ (9,307,942) |
| <br>  |             |                |                |
| Weighted average common shares<br>outstanding - Basic and diluted | 204,425,600 | 104,425,600    |                |
| <br>  |             |                |                |
| Net loss per share basic and diluted                              | \$ (0.00)   | \$ (0.01)      |                |
| See accompanying notes to the financial statements.               |             |                |                |



MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

For the three months ended June 30, 2010 and 2009, and

For the period from February 6, 2002 (Date of Inception) to June 30, 2010

|  | For the three<br>months ended | For the three<br>months ended | For the Period from<br>February 6, 2002<br>(inception) to |
|--|-------------------------------|-------------------------------|---|
|  | June 30, 2010                 | June 30, 2009                 | June 30, 2010   |
| Adjustments to reconcile net income to net cash    |                               |                               |   |
| Net income (loss)                                  | \$ (92,824)                   | \$ (1,855,524)                | \$ (9,307,942)  |
| Depreciation and amortization                      | 232                           | 232                           | 5,985   |
| Depreciation Geothermal leases                     | 25,000                        |                               | 25,000  |
| Shares issued for services                         | -                             | -                             | 380,000   |
| Deferred consulting fees                           | -                             | 40,000                        | -   |
| Shares issued for assets                           | -                             | -                             | 1,000,000   |
| Loss on sale of discontinued operations            | -                             | 1,696,779                     | 1,217,510   |
| Decrease in assets held for sale                   | -                             | 1,390                         |   |
| Decrease in liabilities held for sale              | -                             | (26,600)                      |   |
| Changes in current assets and current liabilities: |                               |                               |   |
| Accounts receivable                                | -                             | -                             | -   |
| Prepaid expense                                    | -                             | -                             | -   |
| Accounts payable                                   | 66,348                        | 43,078                        | 406,067   |
| Net cash used in operating activities              | (1,244)                       | (100,645)                     | (6,273,380)   |
| Cash Flows From Investing Activities               |                               |                               |   |
| Purchase of fixed assets                           | -                             | -                             | (2,788)   |
| Option agreement                                   | -                             | -                             | (2,500)   |
| Net cash used in investing activities              | -                             | -                             | (5,288)   |
| Cash Flows From Financing Activities:              |                               |                               |   |

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|   |         |         |             |
|---|---------|---------|-------------|
| Proceeds from the issuance of common stock          | -       | -       | 2,542,000   |
| Proceeds from line of credit                        | -       | 16      | -           |
| Proceeds from (repayment of) notes payable          | -       | 102,367 | 405,550     |
| Proceeds from (repayment of) line of credit         | -       | -       | -           |
| Notes payable to related party                      | -       | -       | 22,500      |
| Net cash provided by (used in) financing activities | -       | 102,383 | 2,970,050   |
| Effect of Exchange Rate Changes on Cash             | -       | -       | -           |
| Cash held in trust                                  | -       | -       | (1,665,773) |
| Cash released from trust during current period      | -       | -       | 1,665,773   |
|   | -       | -       | -           |
| Increase in cash and cash equivalents               | (1,244) | 1,738   | 72,478      |
| Net cash flows from discontinued operations         | -       | -       | 450,529     |

|   |    |        |    |       |    |         |
|---|----|--------|----|-------|----|---------|
| Cash and Cash Equivalents, Beginning of Period      |    | 73,721 |    | 1,975 |    | -       |
| Cash and Cash Equivalents, End of Period            | \$ | 72,478 | \$ | 3,713 | \$ | 72,478  |
| Net Income from discontinued operations             | \$ | -      | \$ | -     | \$ | 544,371 |
| See accompanying notes to the financial statements. |    |        |    |       |    |         |

**MUSTANG GEOTHERMAL CORP**

Formerly UREX ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2010

Note 1

Interim Reporting

While the information presented in the accompanying interim three months 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, 2010 annual 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, 2010 annual financial statements.

Operating results for the three months ended June 30, 2010 are not necessarily indicative of the results that can be expected for the year ended March 31, 2011.

Note 2

Nature and Continuance of Operations

Mustange Geothermal Corp., formerly 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.

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The Company was conducting a drilling project in Mendoza, Argentina, by its former wholly-owned subsidiary, United Energy Metals, Inc. ( UEM ). Effective January 31, 2010, the Company entered into an Agreement with UrAmerica Ltd. and sold its subsidiary for \$500,000 cash payment. UrAmerica Ltd had assumed responsibility for the outstanding UEM debts.

The Company entered into an agreement with Enco Explorations Inc. on March 18, 2010 to purchase certain Geothermal Leases in exchange for 100,000,000 shares of the Company s common stock, which was valued at \$0.01 on the transaction date.

Effective July 22, 2010, the Financial Industry Regulatory Authority, Inc. or FINRA, approved the Company s name change from Urex Energy Corp to Mustang Geothermal Corp. and a reverse stock split of 200 to 1.

Note 3

### Going Concern

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated a deficit of \$9,307,942 since inception and, has yet to achieve profitable operations and further losses are anticipated in the development of its business, which raises substantial doubt about the Company's ability to continue as a going concern. At June 30, 2010, the Company had a working capital deficiency of \$661,639. 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

**MUSTANG GEOTHERMAL CORP**

Formerly UREX ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2010

Note 3

Going Concern (Cont d)

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 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 as of June 30, 2010.

Note 4

Subsequent Event

On July 22, 2010, Financial Industry Regulatory Authority (FINRA) approved a 200 to 1 reverse stock split of the Company's common stock, and a name change to Mustang Geothermal Corp.



**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*, *predicts*, *potential* 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 Mustang Geothermal Corp., formerly 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. On February 10, 2010 reports that it has completed the sale of its Argentine subsidiary, United Energy Metals SA (UEM), to Patagonia Resources Ltd.



As a part of an on-going reorganization of the Company's business activity, the decision to diversify into the geothermal energy field is aligned with the Company's long-term strategy to add shareholder value.

The Company held a stockholders meeting on April 1, 2010 with a majority of stockholders voting to approve a name change for the Company and a 200 to 1 reverse stock split. Urex Energy Corp became Mustang Geothermal Corp on July 22, 2010 upon regulatory approval from the Financial Industry Regulatory Authority (FINRA).

*Our Current Business*

Since inception, we have been primarily engaged in the acquisition and exploration of uranium mining geothermal properties, but have not yet realized any revenues from our planned operations. Currently, we have one uranium prospects, the La Jara Mesa Property located in Cibola County, New Mexico and three federal geothermal leases located in the State of Nevada.

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 agreement entered into between International Mineral Resources and United Energy Metals S.A. to our company.

On February 10, 2010 we completed the sale of our Argentine subsidiary, United Energy Metals SA (UEM), to UrAmerica Ltd. The Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Argentine subsidiary, United Energy Metals SA (UEM), which was reported in a news release dated December 1, 2009. The agreement provides for a US \$500,000 cash payment to Urex with UrAmerica assuming a maximum liability of US \$275,000 for the outstanding UEM debts. The Company intended to use the proceeds of the sale to pay down debt.

On March 18, 2010, the Company completed the purchase of three geothermal leases totaling 5462 acres located in the State of Nevada from Enco Explorations Inc. of Reno, Nevada. The Company issued 100,000,000 common shares to Enco Explorations Inc. valued at \$0.01 for an aggregate market price of \$1,000,000.

As a part of an on-going reorganization of the Company's business activity, the decision to diversify into the geothermal energy field is aligned with the Company's long-term strategy to add shareholder value.

The Company is currently focusing its exploration and development efforts on its geothermal leases with the object of discovering geothermal electrical power resources.

*Plan of Operations And Cash Requirements*

Financing for necessary to undertake the initial evaluation of the Company's geothermal leases and maintenance of La Jara Mesa property will cost \$390,000 as set forth below:

La Jara Mesa Extension: Proposed Exploration Expenditures (\$USD)

|                                   |    |       |
|-----------------------------------|----|-------|
| Consulting and Technical Services | \$ | 5,000 |
|-----------------------------------|----|-------|

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|                |           |               |
|----------------|-----------|---------------|
| Property Costs | \$        | 25,000        |
| <b>TOTAL</b>   | <b>\$</b> | <b>30,000</b> |

Black Rock and Monte Neva (\$USD)

|                                   |           |                |
|-----------------------------------|-----------|----------------|
| Salaries & Wages                  | \$        | 15,000         |
| Consulting and Technical Services | \$        | 180,000        |
| Surface work                      | \$        | 50,000         |
| Environmental                     | \$        | 10,000         |
| Property Costs                    | \$        | 20,000         |
| Administrative & General          | \$        | 15,000         |
| Machinery expense                 | \$        | 70,000         |
| <b>TOTAL</b>                      | <b>\$</b> | <b>360,000</b> |

We anticipate incurring the following costs during the next twelve month period: \$420,000 on professional fees; \$13,000 on salaries and wages; \$30,000 on travel costs; \$50,000 on promotional expenses; \$50,000 on other administrative expenses; and an additional \$1,200,000 in surface work and drilling. As a result, we anticipate that we will incur approximately \$390,000 in operating expenses during the next twelve month period.

As indicated above, our estimated working capital requirements and projected operating expenses for the next twelve month period total \$390,000. Our current working capital will likely be sufficient to cover our estimated capital requirements during the next twelve month period, however, we may be required to raise additional funds through the issuance of equity securities or through debt financing. There can be no assurance that we will be successful in raising the required capital or that actual cash requirements will not exceed our estimates. We intend to fulfil any additional cash requirement through the sale of our equity securities.

Given that we are an exploration stage company and have not generated revenues to date, our cash flow projections are subject to numerous contingencies and risk factors beyond our control, including exploration and development risks, competition from well-funded competitors, and our ability to manage growth. We can offer no assurance that our expenses will not exceed our projections. If our expenses exceed estimates, we will require additional monies during the next twelve months to execute our business plan.

There are no assurances that we will be able to obtain further funds required for our continued operation. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease the operation of our business.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could 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.

*Exploration and Development Costs*

Our proposed work program this d recommended within the proposed budget of \$390,000:

1. The most prospective ground at Black Rock lies outside the current lease. The two outlined target zones must be acquired via the BLM public option process. Additional recommended work on this project is contingent upon these target areas being successfully acquired.
2. It would be prudent to also to attempt to consolidate the Monte Neva Lease Group, especially west of Duck Creek.
3. Envisaged work programs on the two properties would be similar in nature for each: broader coverage of the shallow-temperature gradient surveys, additional re-processing of existing data (magnetic, gravity, GETECH, and especially for the audio-magnetotelluric data), ground magnetic and vlf surveys to help detail map structure. The seismic method has also been used to good effect to help map pregnant geothermal structures at depth. Favorable results would be followed-up by the drilling of deeper, but still relatively shallow wells for the purposes of temperature test readings.
4. The geothermal wells portion of the recommended work for the Properties is contingent on the results of the preceding data reprocessing and new geophysical surveys.

During the next twelve month period, we plan to put all exploration activities into our geothermal properties in Nevada with the New Mexico uranium property on hold. Given the current difficult financial and economic environment the Company is considering alternatives to conventional financing due to limited availability of financing at desirable terms.

## **RESULTS OF OPERATIONS**

You should read the following discussion of our financial condition and results of operations together with the unaudited interim financial statements and the notes to the unaudited interim 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.

### **For the three month periods ended June 30, 2010 and June 30, 2009**

We did not generate any revenues for the three months ended June 30, 2010 and June 30, 2009. 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 June 30, 2010 were \$92,824 compared to \$143,687 for the three months ended June 30, 2009. 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 June 30, 2010 were \$30,000 compared to \$30,000 for the three months ended June 30, 2009. Professional fees for the three months ended June 30, 2010 were \$5,500 compared to \$6,000 for the three months ended June 30, 2009. There were no exploration costs for the three months ended June 30, 2010 and June 30, 2009. Interest on loans for the three months ended June 30, 2010 was \$5,073 compared to \$9,983 for the three months ended June 30, 2009. Investor relations fees for the three months ended June 30, 2010 were \$0 as compared to \$50,000 for the three months ended June 30, 2009. General and administrative expenses for the three months ended June 30, 2010 were \$6,803 as compared to \$5,669 for the three months ended June 30, 2009. The overall increase in operating expenses for the three months ended June 30, 2010



compared to the three months ended June 30, 2009 was primarily due to decreased corporate expenses and transactions.

Our net loss for the three months period ended June 30, 2010 was \$92,824 as compared to \$1,855,524 for the three month period ended June 30, 2009. This is primarily due to the loss from operations of our discontinued division. The weighted average number of shares outstanding was 204,425,600 at June 30, 2010 as compared to 104,425,600 at June 30, 2009.

### **Sale of Subsidiary**

On August 4, 2009 the Company completed an agreement for the sale of its Argentine subsidiary, United Energy Metals SA ( UEM ) to SGI Partners, LLC of Carlsbad, CA ( SGI ).

The agreement provided for a US\$500,000 dollar cash payment with the Company retaining a 2% net smelter royalty ( NSR ). The royalty was subject to a buy down provision that allowed SGI at anytime to reduce the royalty by 1% NSR by making US\$2 million dollar payment. SGI will assume responsibility for the outstanding UEM debts.

On November 27, 2009 the Company terminated a Share Purchase Agreement for the sale of its Argentine subsidiary, UEM to SGI Partners, LLC of Carlsbad, CA due non-performance.

Subsequently on December 1, 2009, the Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Company's Argentine subsidiary, United Energy Metals SA (UEM). The agreement provides for a US\$500,000 dollar cash payment to the Company with UrAmerica assuming a maximum liability of US\$275,000 for the outstanding UEM debts.

On February 9, 2010 the Company completed the sale of its Argentine subsidiary, UEM, to Patagonia Resources Ltd., a corporation domiciled in the British Virgin Islands. UrAmerica Ltd., U.K., transferred the acquisition rights of UEM to Patagonia Resources Ltd.

The Company intended to use the proceeds of the sale to pay down debt and to focus on developing its properties.

The sale was accounted for as a discontinued operation under GAAP, which requires the income statement and cash flow information be reformatted to separate the divested business from the Company's continuing operations.

The following amounts represent United Energy Metals' operations and had been segregated from continuing operations and reported as discontinued operations as of March 31, 2010 and 2009.



The following is a summary of assets and liabilities of United Energy Metals' discontinued operations as of March 31, 2010 and March 31, 2009.

#### LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2010, we had a working capital deficit of \$661,639. Our total liabilities, consisting of current liabilities, as of June 30, 2010 were \$734,117, as compared to total liabilities, consisting of current liabilities, of \$667,768 as of March 31, 2010. The increase in our total liabilities was primarily due to increases in accounts payable and accrued liabilities, and notes payable. Our total assets as of June 30, 2010 were \$1,048,175, consisting of \$72,478 in current assets, \$975,000 for our geothermal leases and \$697 in net fixed assets, as compared to total assets, consisting entirely of \$73,721 in current assets, \$1,000,000 in geothermal leases and \$929 in net fixed assets as of March 31, 2010. The decrease in our total assets was primarily due to amortization of the geothermal leases.

#### *Cash Flow Used in Operating Activities*

Operating activities used cash of \$1,244 for the three month period ended June 30, 2010, compared to using \$100,645 for the three month period ended June 30, 2009. The decrease in cash used during the three month period ended June 30, 2009 was commensurate with an increase in our loss on sale of our discontinued operations.

*Cash Flow Used in Investing Activities*

There were no cash flows from investing activities for the three month period ended June 30, 2010 and June 30, 2009, respectively.

*Cash Flow Provided by Financing Activities*

Financing activities generated cash of \$0 for the three months period ended June 30, 2010 as compared to generating cash of \$102,383 for the three months period ended June 30, 2009. The cash generated from financing activities was from the issuance of notes payable and line of credit.

*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, 2010, 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. Due to the sale of the subsidiary, the financial statements have been modified to include only that of Mustang Geothermal Corp., formerly Urex Energy Corp. All the intercompany accounts and transactions of United Energy Metals have been included in the loss due to sale of assets.

#### *Exploration Stage Company*

The Company is an exploration stage company, and follows the guideline of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 915 Development State Entities. 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 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.



### *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 or liquidation. The Company uses ASC Topic 820 as guideline to determining the fair value of a financial asset when the market for that asset is not active.

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.

### *Basic and Diluted Loss Per Share*

The Company reports basic loss per share in accordance with ASC Topic 260 Earnings Per Share. Basic loss per share is based upon the weighted average number of common shares outstanding. Diluted loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

### *Income Taxes*

The Company follows the guideline under ASC Topic 740 Income Taxes. Accounting for Income Taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Since the Company is in the exploration stage and has had continuous losses, no deferred tax asset or income taxes have been recorded in the financial statements.

### *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.

*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.

*Stock-based Compensation*

The Company follows the guideline under ASC Topic 718 Compensation-Stock Compensation for all stock based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. Stock compensation expenses are to be recorded using the fair value method.

**NEW ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.

In March 2010, the FASB issued Accounting Standard Update No. 2010-11 Derivatives and Hedging (Topic 815). ASU No. 2010-11 update provides amendments to subtopic 815-15, Derivatives and hedging. The amendments clarify about the scope exception in paragraph 815-10-15-11 and section 815-15-25 as applicable to the embedded credit derivatives. The ASU is effective on the first day of the first fiscal quarter beginning after June 15, 2010. Therefore, for a calendar-year-end entity, the ASU becomes effective on July 1, 2010. Early application is permitted at the beginning of the first fiscal quarter beginning after March 5, 2010

In April 2010, the FASB issued Accounting Standard Update No. 2010-12. Income Taxes (Topic 740). ASU No.2010-12 amends FASB Accounting Standard Codification subtopic 740-10 Income Taxes to include paragraph 740-10-S99-4. On March 30, 2010 The President signed the Health Care & Education Affordable Care Act reconciliation bill that amends its previous Act signed on March 23, 2010. FASB Codification topic 740, Income Taxes, requires the measurement of current and deferred tax liabilities and assets to be based on provisions of enacted tax law. The effects of future changes in tax laws are not anticipated. Therefore, the different enactment dates of the Act and reconciliation measure may affect registrants with a period-end that falls between March 23, 2010 (enactment date of the Act), and March 30, 2010 (enactment date of the reconciliation measure). However, the announcement



states that the SEC would not object if such registrants were to account for the enactment of both the Act and the reconciliation measure in a period ending on or after March 23, 2010, but notes that the SEC staff does not believe that it would be appropriate for registrants to analogize to this view in any other fact patterns.

In April 2010, the FASB issued Accounting Standard Update No. 2010-13 Stock Compensation (Topic 718). ASU No.2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of

the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted.

In April 2010, the FASB issued Accounting Standards Update No.2010-14, Accounting for Extractive Activities – Oil & Gas (Topic 932). ASU No. 2010-14 amends FASB accounting Standard paragraph 932-10-S99-1 due to SEC release no. 33-8995 [FR 78], Modernization of Oil and Gas Reporting and provides update as to amendments to SEC Regulation S-X, Rule 4-10.

In April 2010, the FASB issued Accounting Standard Update No. 2010-15. Financial Services-Insurance (Topic 944) ASU No.2010-15 gives direction on how investments through separate accounts affect an insurer's consolidation analysis of those investments. Under the ASU: an insurance entity should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation, unless the separate account interests are held for the benefit of a related party policy holder as defined in the Variable Interest Entities Subsections of Subtopic 810-10 and those Subsections require the consideration of related parties. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption is permitted. The amendments in this Update should be applied retrospectively to all prior periods upon the date of adoption.

In April 2010, the FASB issued Accounting Standard Update No. 2010-17. Revenue Recognition-Milestone Method (Topic 605) ASU No.2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. An entity often recognizes these milestone payments as revenue in their entirety upon achieving a specific result from the research or development efforts. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The ASU is effective for fiscal years and interim periods within those fiscal years beginning on or after June 15, 2010. Early application is permitted. Entities can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted.

In April 2010, the FASB issued Accounting Standard Update No. 2010-18. Receivables (Topic 310). ASU No.2010-18 provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition. Paragraph 310-30-15-6 allows acquired assets with common risk characteristics to be accounted for in the aggregated as a pool. Upon establishment of the pool, the pool becomes the unit of accounting. When loans are accounted for as a pool, the purchase discount is not allocated to individual loans; thus all of the loans in the pool accrete at a single pool rate (based on cash flow projections for the pool). Under subtopic 310-30, the impairment analysis also is performed on the pool as a whole as opposed to each individual loan. Paragraphs 310-40-15-4 through 15-12 establish the criteria for evaluating whether a loan modification should be classified as a troubled debt restructuring. Specifically paragraph 310-40-15-5 states that a restructuring of a debt constitutes a troubled debt restructuring for purposes of this subtopic if the creditor for economic or legal reasons related to the debtor's financial

difficulties grants a concession to the debtor that it would not otherwise consider. The ASU is effective for modification of loans accounted for within pools under subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted.

**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 June 30, 2010, 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 June 30, 2010 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 \$92,824 for the three month period ended June 30, 2010, and cumulative net losses of \$9,307,942 from inception to June 30, 2010. As of June 30, 2010 we had a working capital deficit of \$661,639. 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 June 30, 2010, we have incurred aggregate net losses of approximately \$9,307,942. Our net loss from operations for the three months period ended June 30, 2010 was \$92,824. 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 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 America, including Nevada, California, and New Mexico. For example, our operating results and financial condition may be adversely affected by government 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 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<br>Number | Description  |
|-------------------|--|
| <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
- 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. Dergerstrom, 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
- 10.11 Share Purchase Agreement with SGI Partners, LLC dated August 4, 2009 incorporated by reference on Form 8-K filed on August 7, 2009
- 10.12 Share Purchase Agreement with Patagonia dated February 9, 2010 incorporated by reference from our Quarterly Report on Form 10-Q filed herewith
- 10.13 Purchase Agreement with Enco Exploration Inc., dated March 23, 2010
- (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

Date: August 16, 2010