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# **UEX CORPORATION**

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2013 ANNUAL REPORT



## Message to Shareholders

March 14, 2014

*It is my pleasure to be able to deliver to you my first Message to Shareholders as the President and CEO of our Company. I am excited to join UEX Corporation after several years in the uranium industry both as a senior manager of exploration for Cameco Corporation, as well as in the capacity of leading an AIM-listed junior uranium explorer. UEX has a great reputation within the uranium exploration and development sector, institutional brokers and analysts and with shareholders themselves, and I consider myself fortunate to be asked to join such an outstanding company with exceptional assets and with the ability to take advantage of future organic and external opportunities that currently reside in our industry. I look forward to reporting to you our ongoing successes over the coming years.*

*Before talking to you about our recent success and our Company's future, I would like to thank on behalf of the Board of Directors, the Management Team, and Shareholders, our recently retired President and CEO, Graham Thody for his long and distinguished service to the Company, whose guidance successfully steered UEX through some challenging times in the uranium sector. Graham retired from the CEO and President's role in mid-January but will continue to work with the Company as a Board Member and special advisor.*

*The past year has been one of unprecedented uncertainty for the entire nuclear sector, impacting all of its participants from utilities right down to uranium producers and explorers. From longer than expected delays in nuclear power plant restarts in Japan, which continued to drag on our commodity price, the end of the Highly Enriched Uranium agreement in December, along with the undeniable and unprecedented expansion of nuclear power, 2013 was an interesting year for the uranium industry, but one that we as a Company have weathered very favourably.*

*UEX has not been immune to the pressures impacting the industry; however, our shareholders are well positioned to take advantage of what I believe is an inevitable uranium price increase. Due to our established N.I. 43-101 uranium resources and our ten-year history as a "blue-chip" uranium junior, our share price has closely reflected past movements in the price of uranium.*

*While many uranium companies have pulled in their horns over the past few years awaiting better times, UEX continues to actively work towards increasing the future value of our assets.*

*UEX's portfolio of assets, located in the world's premiere uranium mining district, is indeed the envy of many of our competitors. UEX holds 49.1% of the Shea Creek Deposits, the second largest undeveloped uranium resource in the prolific Athabasca Basin, and owns 100% of the Raven and Horseshoe Deposits, the seventh largest undeveloped uranium resource in the Basin, located on the doorstep of two operating uranium mills.*

*In 2013, our Company, along with AREVA, invested a combined \$5.1 million in the search for new deposits on trend with our world-class Shea Creek deposits, identified new and highly prospective drill-ready targets for future exploration programs in addition to issuing a new and updated N.I. 43-101 resource that increased the already substantial existing resource base. I believe that significant potential exists to grow the size of the current deposits. The Company gained a new partner to restart exploration on the Black Lake Project and we also vested a 25% interest in the Beatty River Project.*

*Notwithstanding our past successes, it is our future that excites me and is the reason I was eager to join the Company. UEX is in the unique position of owning world-class uranium resources, actual pounds in the ground that underpin the Company's fundamental value as a uranium investment.*

*There is an unparalleled potential to grow our existing resource base through a combination of brownfields exploration and high-quality grassroots projects, a capacity unmatched by most junior uranium companies. I can attest to the quality of UEX's assets, as I was involved for several years with the identification and evaluation of uranium projects around the world for Cameco.*



*UEX is in an enviable position to increase shareholder value through excellent organic opportunities that reside within our robust project portfolio, and to evaluate and possibly capture new uranium investment opportunities, property acquisitions and corporate mergers at relatively attractive prices. I believe that my past experience and knowledge, much of which was gained with Cameco, can be brought to bear to achieve the goal of increasing shareholder value.*

*Many savvy investors are already aware of our significant strengths as a company, as well as the many challenges we have faced in our sector as of late, but through the efforts of the UEX management team, coupled with oversight from our seasoned board, I am confident that our future results will be noteworthy. I relish the challenge of helping move our Company into the coming nuclear renaissance and look forward to our future successes.*

*Roger Lemaitre*

*President & CEO*

# UEX CORPORATION

Management's Discussion and Analysis  
Year ended December 31, 2013  
(Expressed in Canadian dollars, unless otherwise noted)

## THE COMPANY

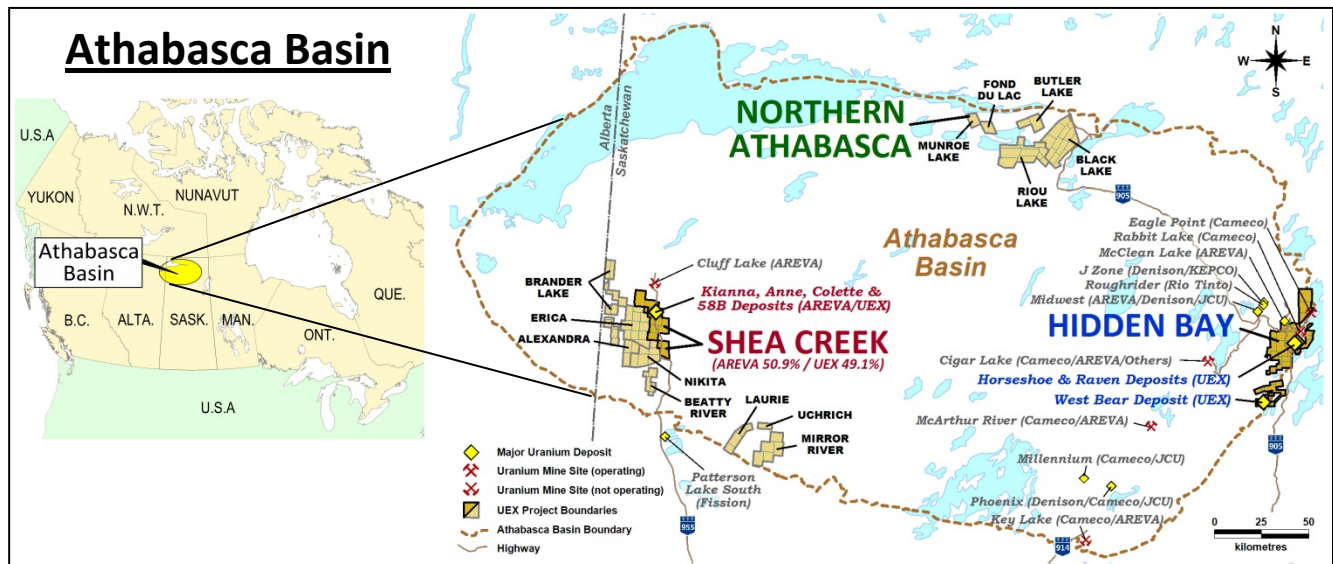
### Introduction

This Management's Discussion and Analysis ("MD&A") of UEX Corporation ("UEX" or the "Company") for the year ended December 31, 2013 is intended to provide a detailed analysis of the Company's business and compares its financial results with those of the previous year. This MD&A is dated March 14, 2014 and should be read in conjunction with the Company's audited annual financial statements and related notes for the years ended December 31, 2013 and 2012. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Other disclosure documents of the Company, including its Annual Information Form, filed with the applicable securities regulatory authorities in Canada are available at [www.sedar.com](http://www.sedar.com).

### Overview

UEX's fundamental goal is to remain one of the leading global uranium explorers to advance its portfolio of Athabasca Basin uranium deposits and discoveries through the development stage to the production stage. Since being listed on the Toronto Stock Exchange in 2002, UEX has pursued exploration on a diversified portfolio of prospective uranium projects in three areas within the Athabasca Basin in Saskatchewan. The Company is focusing its main efforts on two advanced projects, the 100%-owned Hidden Bay Project ("Hidden Bay") which includes the Horseshoe, Raven and West Bear deposits in the eastern Athabasca Basin, and the Kianna, Anne, Colette and 58B deposits within the 49.1%-owned Shea Creek Project ("Shea Creek") in the western Athabasca Basin.



UEX is involved in fifteen uranium projects in the Athabasca Basin, including five that are 100% owned and operated by UEX, one joint venture with AREVA Resources Canada Inc. ("AREVA") that is operated by UEX, eight projects joint-ventured with and operated by AREVA, and one project joint-ventured with AREVA and JCU (Canada) Exploration Company, Limited ("JCU"), which is operated by AREVA. AREVA is part of the AREVA

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group, one of the world's largest nuclear service providers. In 2013, AREVA and UEX agreed to combine the Shea Creek Project and the contiguous Douglas River Project ("Douglas River") as the known mineralization at the northern boundary of Shea Creek extends into the Douglas River property. The combined projects are now referred to as the Shea Creek Project.

The fifteen projects, totaling 261,040 hectares (645,044 acres), are located on the eastern, western and northern perimeters of the Athabasca Basin, the world's richest uranium district, which in 2013 accounted for approximately 15% of global primary uranium production. UEX's 100%-owned projects also include the Riou Lake Project ("Riou Lake") and the Northern Athabasca Projects. The Black Lake Project ("Black Lake") is owned 89.99% by UEX and the remainder by AREVA. UEX is the project operator. Black Lake was the site of a uranium discovery made by UEX during a drilling program in September 2004. UEX entered into an earn-in agreement with Uracon Resources Ltd. ("Uracon") on January 24, 2013 whereby Uracon can earn a 60% interest in the project (see "Black Lake Project"). UEX completed its earn-in to a 25% interest in the Beatty River Project ("Beatty River") with JCU by funding \$858,118 in exploration expenditures in prior periods and making a payment to JCU of \$3,441 in the first quarter of 2013. Beatty River is located in the western Athabasca Basin in northern Saskatchewan, 40 kilometres south of the Shea Creek uranium deposits and approximately 40 kilometres north of the recent Patterson Lake uranium discovery. At present, AREVA, the operator, holds a 50.7% interest, UEX holds a 25.0% interest and JCU holds a 24.3% interest in Beatty River (see "Beatty River Project").

The current technical report on the Hidden Bay property, entitled "Preliminary Assessment Technical Report on the Horseshoe and Raven Deposits, Hidden Bay Project, Saskatchewan, Canada" (the "Preliminary Assessment Technical Report", the "PA" or the "Hidden Bay Report") prepared by SRK Consulting (Canada) Inc. ("SRK Consulting") and G. Doerksen, P.Eng., L. Melis, P.Eng., M. Liskowich, P.Geo., B. Murphy, FSAIMM, K. Palmer, P.Geo. and Dino Pilotto, P.Eng., with an effective date of February 15, 2011 and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on February 23, 2011, details mineral resource estimates at a cut-off grade of 0.05% U<sub>3</sub>O<sub>8</sub> as follows:

Deposit		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)
<i>Horseshoe</i>	<b>Indicated</b>	5,119,700	0.203	22,895,000	<b>Inferred</b>	287,000	0.166	1,049,000
<i>Raven</i>		5,173,900	0.107	12,149,000		822,200	0.092	1,666,000
<i>West Bear</i>		78,900	0.908	1,579,000		-	-	-
<b>TOTAL</b>		<b>10,372,500</b>	<b>0.160</b>	<b>36,623,000</b>		<b>1,109,200</b>	<b>0.111</b>	<b>2,715,000</b>

The Preliminary Assessment Technical Report found the economics of mining the Horseshoe and Raven deposits to be positive and, based on a spot price of US\$60 per pound of U<sub>3</sub>O<sub>8</sub>, reported undiscounted earnings before interest and taxes ("EBIT") of \$246 million, a pre-tax net present value ("NPV") at a 5% discount rate of \$163 million and an internal rate of return ("IRR") of 42% (see "Hidden Bay Project").

The Preliminary Assessment Technical Report is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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Projects in the mining sector have experienced rising costs, including rising capital and operating costs, during the past few years. Rising capital and operating costs would, in the absence of other changes, negatively impact EBIT, NPV and IRR which have been calculated based upon estimated costs at the time the PA was prepared.

The Western Athabasca Projects (the "Projects"), which include the Kianna, Anne, Colette and 58B deposits located at Shea Creek, consist of eight joint ventures with UEX holding an approximate 49.1% interest and AREVA holding an approximate 50.9% interest. AREVA is the operator of the Projects, and UEX and AREVA are in the process of negotiating joint-venture agreements for the Projects.

In the second quarter of 2013, an agreement was signed with AREVA which grants UEX the option to increase its ownership interest in the Western Athabasca Projects, which includes the Shea Creek Project, by 0.9% to a maximum interest of 49.9% by spending \$18.0 million on exploration over the six-year period ending December 31, 2018. UEX is under no obligation to propose a budget in any year of the agreement. The ownership interest for the Projects shall be increased at the end of the year by the proportional amount of the additional exploration expenditures incurred in the year which are in addition to the annual budget amounts proposed by AREVA. UEX may propose an additional exploration budget of up to \$4.0 million in any single year without the prior approval of AREVA, who remains the project operator. To date UEX has earned an additional 0.097% (approximately 0.1%) ownership interest in the Projects which results in a corresponding increase in the Company's share of the N.I. 43-101 resources.

In April 2013, UEX received an updated N.I. 43-101 independent mineral resource estimate for Shea Creek prepared by James N. Gray, P.Geo., of Advantage Geoservices Limited which incorporates additional drilling results from the 2010, 2011 and 2012 drilling campaigns (see UEX news release dated April 17, 2013). This estimate includes resources from the Kianna, Anne, Colette and 58B deposits based on drilling information up to December 31, 2012. A technical report supporting the new mineral resource estimate was filed on SEDAR on May 31, 2013. Details of the mineral resource estimate at a cut-off grade of 0.30% U<sub>3</sub>O<sub>8</sub> are as follows:

Deposit		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)
<i>Kianna</i>	<b>Indicated</b>	1,034,500	1.526	34,805,000	<b>Inferred</b>	560,700	1.364	16,867,000
<i>Anne</i>		564,000	1.992	24,760,000		134,900	0.880	2,617,000
<i>Colette</i>		327,800	0.786	5,680,000		493,200	0.716	7,780,000
<i>58B</i>		141,600	0.774	2,417,000		83,400	0.505	928,000
<b>TOTAL <sup>(1)</sup></b>		<b>2,067,900</b>	<b>1.484</b>	<b>67,663,000</b>		<b>1,272,200</b>	<b>1.005</b>	<b>28,192,000</b>

(1) Certain amounts presented in the Shea Creek N.I. 43-101 report have been rounded for presentation purposes. This rounding may impact the footing of certain amounts included in the tables above.

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## Growth Strategy

The main growth strategies of UEX are:

- To continue the exploration and evaluation work required to delineate and develop economic uranium resources at Shea Creek;
- To advance the evaluation/development process at the Horseshoe, Raven and West Bear uranium deposits at the Hidden Bay Project to a production decision once uranium commodity prices have demonstrated a sustained recovery from current spot and long-term prices;
- To maintain, explore and advance to discovery its other uranium projects; and
- To pursue a diversified portfolio of uranium projects from early exploration through to development and production, which may include outright property acquisitions or other business combinations.

## THE INDUSTRY

### Uranium Industry Trends

A number of trends in the nuclear industry have the potential to affect UEX's business environment. The earthquake and tsunami that struck Japan in March of 2011 and their effect on the Fukushima nuclear plants (together referred to as the "Event") continues to impact the nuclear industry. The sale of excess fuel inventories by some Japanese utilities with reactors shut down due to the Event has contributed to the pressure on the spot price and long-term price of  $U_3O_8$  which continued into 2014. In 2013, the spot price of uranium fell to its lowest level since late 2005. Many companies in the uranium exploration and development industry experienced a corresponding reduction in the market value of their shares. The medium and long-term effect of the Event on UEX and the uranium industry continues to be observed and evaluated; however UEX, along with many industry insiders, believes that the fundamentals which underpin the uranium sector are sound and will continue to improve as more nuclear plants come on-line and many more move into the approval or construction phase.

At the beginning of 2013, the spot and long-term prices of  $U_3O_8$  were US\$42.75 per pound and US\$56.00 per pound respectively. Both quoted prices declined during 2013 and, as of the date of this document, The Ux Consulting Company, LLC ([www.uxc.com](http://www.uxc.com)) reports the spot price at US\$35.00 per pound of  $U_3O_8$  and the long-term price at US\$50.00 per pound of  $U_3O_8$ . With several recently announced project deferrals and temporary uranium mine closures, we are optimistic that the uranium commodity price has found its floor.

In the years following the Event, many countries had stepped back to re-evaluate the safety of nuclear power and have subsequently reaffirmed their commitment to clean energy. Electricity demands are rising rapidly worldwide, notably in the developing world where the majority of new reactor builds are underway. Over the past year, we have witnessed a greater number of nuclear power plants proposed, planned and under construction than prior to the Event in Japan. Currently there are 70 nuclear power plants under construction globally, a pace of growth that has not been matched since the early 1980s.

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The U.S. government has committed to fund up to half the cost of a five-year project to design and commercialize small modular reactors ("SMRs") for the United States. The technology has been used for naval propulsion since 1955 and is used today by several of the world's navies; however, to date it has not been commercialized for civilian electrical power generation. SMRs are typically about one-third the size of current nuclear power plants (180 megawatts of power versus 1,000 megawatts for many full-scale nuclear power plants) and could be contained entirely underground. By 2022, it is expected that SMRs will be manufactured in factories and moved to areas that, in the past, could not support a larger reactor installation, such as remote industrial sites or smaller towns. SMRs have the potential to significantly reduce the cost of nuclear power generation, provide scalability in that additional units could be added as required and also contribute to the reduction of greenhouse gases created from locations that are currently burning fossil fuels to generate electricity.

Global warming and clean energy concerns support increased interest in nuclear power. In view of the Event, several countries reviewed their existing and future plans related to nuclear energy, and Germany, with nine reactors accounting for less than 3% of world uranium demand, announced that it would plan to exit nuclear generation by 2022. However, significantly more reactors are under construction or being planned worldwide than are proposed to be decommissioned. China, India and Russia have 44 reactors in the construction stage and 107 reactors in the planning stage. Saudi Arabia has announced plans to construct 16 nuclear reactors by 2030.

At year end, all reactors in Japan remain off-line with the two reactors that were operating having been shut down for scheduled maintenance. The Japanese economy has been doubly hit by the global economic slowdown and the higher cost of replacement electricity generation from coal and liquefied natural gas. It has been reported that carbon dioxide intensity from Japan's electrical industry surged following the shutdown of its nuclear reactors, reaching levels estimated to be 39% greater than when the country's reactors were operating normally. It is also estimated that 100 million tonnes per year more carbon dioxide is being emitted than when reactors were operating, adding 8% to the country's annual emissions. Japan's Nuclear Regulation Authority announced the standards against which future restarts will be evaluated on June 18, 2013. Since this announcement, four Japanese utilities representing seventeen reactors have made applications to restart their facilities. With the initial six-month estimate to review these applications having recently passed, we are optimistic that we will see nuclear restarts in Japan in 2014.

Canada signed an agreement in 2013 allowing for the export of uranium to China which grants Canadian producers access to the fastest growing consumer of uranium in the world. China's State Council is accepting new applications for the construction of reactors, paving the way for a significant build out of third-generation nuclear reactors. On June 6, 2013, the Hongyanhe nuclear power plant in China began commercial operation. In addition, on September 27, 2013, the Canada-India Nuclear Cooperation Agreement came into effect which allows Canadian companies to export uranium, nuclear technology, and related services and equipment to India for peaceful uses at facilities under International Atomic Energy Agency (IAEA) safeguards.



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## Uranium Supply and Demand

Uranium supply sources include primary mine production and secondary sources. Principal primary producers of uranium include Cameco Corporation ("Cameco") and the AREVA group, both of which produce from deposits in the Athabasca Basin of northern Saskatchewan. In 2013, worldwide annual consumption was estimated at approximately 167 million pounds  $U_3O_8$ . World primary production in 2013 was estimated at approximately 156 million pounds  $U_3O_8$ . Historically, the shortfall between consumption and production has been covered by several secondary sources including excess inventories held by utilities, producers, other fuel cycle participants, reprocessed uranium and plutonium derived from used reactor fuel, and uranium supplied under the Highly Enriched Uranium (HEU) agreement which terminated December 2013.

It is currently estimated that, for 2014, the worldwide annual consumption will exceed global primary production by 10 million pounds  $U_3O_8$ . Uranium sourced from secondary supply will decline placing additional strain in primary production. The HEU agreement provided utilities with a stable and secure source of uranium. The termination of this agreement removes approximately 24 million pounds of  $U_3O_8$  from the market each year. Plans to increase primary uranium supply on several development projects worldwide have been impacted by the recent low uranium prices, leading to the delay or shelving of these projects and further reducing near to mid-term uranium supply levels. This accelerating gap between future primary supply and growth in demand will lead to uranium price increases in the short to medium term.

Demand for uranium is directly linked to the level of electricity generated by nuclear power plants. Currently, 434 reactors are operable in 31 countries worldwide. Nuclear electricity generation worldwide has been growing, since world nuclear generating capacity has continued to expand as more reactors are built than are closed, and existing reactors are being operated at higher capacity. Presently, there are 70 reactors under construction and by the year 2022 it has been recently estimated that there will be 90 net new operating reactors worldwide. UEX believes that the longer than expected delays for restarts of Japan's nuclear power plants have put downward pressure on the spot and long-term price for uranium; however, the Company also feels that the uranium supply and demand fundamentals leading to a recovery of the uranium commodity price remain sound.

## Long-Term Outlook

In the Company's view, the long-term uranium outlook remains positive as demand for electricity continues to grow. Nuclear energy, which is safe, clean, reliable and affordable, will remain an important part of the world's energy mix. New reactors will come on stream and many existing reactors, now off-line for inspection and upgrade, are expected to be re-commissioned. Demand for uranium is projected to increase at an estimated 4% annually over the next ten years. It is currently estimated that by 2023 worldwide annual uranium consumption will reach 240 million pounds  $U_3O_8$  and existing primary production will decline to 120 million pounds  $U_3O_8$ . Consequently, there will continue to be the need for new supply from primary sources during the next decade, as well as the need for higher uranium prices to incentivize this new supply. The long-term fundamentals that have driven the growth of the nuclear industry during the past few years remain compelling.

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## FINANCIAL UPDATE

### Selected Financial Information

The following is selected financial data from the audited financial statements of UEX for the last three completed fiscal years. The data should be read in conjunction with the audited financial statements for the years ended December 31, 2013, 2012 and 2011 and the notes thereto.

#### Summary of Annual Financial Results

	December 31, 2013	December 31, 2012	December 31, 2011
Interest income	\$ 202,074	\$ 221,465	\$ 108,911
Net loss for the year	(2,348,002)	(3,911,251)	(5,405,217)
Basic and diluted loss per share	(0.010)	(0.018)	(0.027)
Capitalized exploration and evaluation expenditures, net of impairment and fair value consideration received (if any)	4,670,032	4,325,063	9,086,919
Total assets	173,871,037	172,460,671	160,680,154

The following quarterly financial data is derived from the unaudited condensed interim financial statements of UEX as at (and for) the three-month periods ended on the dates indicated below.

#### Summary of Quarterly Financial Results (Unaudited)

	2013 Quarter 4	2013 Quarter 3	2013 Quarter 2	2013 Quarter 1
Interest income	\$ 42,073	\$ 59,221	\$ 38,559	\$ 62,221
Net loss for the period	(1,175,040)	(271,163)	(464,957)	(436,842)
Basic and diluted loss per share	(0.005)	(0.001)	(0.002)	(0.002)
Capitalized exploration and evaluation expenditures, net of impairment charges and fair value consideration received (if any)	1,104,791	2,101,877	995,539	467,825
Total assets	173,871,037	175,308,389	174,898,927	171,919,938

	2012 Quarter 4	2012 Quarter 3	2012 Quarter 2	2012 Quarter 1
Interest income	\$ 48,016	\$ 52,834	\$ 107,511	\$ 13,104
Net loss for the period	(2,412,604)	(356,474)	(636,549)	(505,624)
Basic and diluted loss per share	(0.011)	(0.002)	(0.003)	(0.002)
Capitalized exploration and evaluation expenditures, net of impairment charges and fair value consideration received (if any)	(496,359)	2,216,322	1,310,955	1,294,145
Total assets	172,460,671	175,444,858	175,141,957	175,242,789

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UEX's business is not affected by seasonality as the Company is able to perform exploration and evaluation work year round. Variations in capitalized exploration and evaluation expenditures from quarter to quarter and year to year are affected by the timing and size of the exploration and evaluation programs in the periods. Beginning in 2012 and continuing through 2013, in response to a decrease in uranium prices following the earthquake and tsunami that hit Japan's Fukushima nuclear power plant and the global economic slowdown that affected UEX's share price, certain discretionary exploration and evaluation expenditures were and continue to be deferred. This decrease in exploration and evaluation expenditures is reflected in the 2013 quarterly financial results. Variations in net loss are primarily affected by the number of options granted and/or vesting in the period and the associated inputs used in calculating share-based payment expense, by the timing of mineral property impairments that may have occurred during the period and the timing of the recognition of deferred taxes associated with the renunciation of tax benefits related to flow-through expenditures.

In the fourth quarter of 2012, the Company determined that the carrying value of the James Creek Project, one of the Western Athabasca Projects joint-ventured with AREVA, was impaired and a \$1,609,741 charge is reflected in the net loss for the fourth quarter of 2012. The determination for the James Creek impairment was due to the fact that AREVA, the project operator, did not propose a budget for 2013 and the seven James Creek claims lapsed. There were no mineral property impairment charges in 2013.

The Q4 2013 loss was increased by \$625,617 in deferred tax expense for the period as a result of the renunciation of the tax benefits associated with qualified exploration expenditures which were incurred with flow-through dollars, net of the reversal of the flow-through premium. The Q4 2012 loss was also increased by \$144,853 in deferred tax expense for the period due to the renunciation of the tax benefits associated with qualified exploration expenditures, which were incurred with flow-through dollars.

## Share Capital

The Company is authorized to issue an unlimited number of common shares without par value, of which 227,838,679 common shares were issued and outstanding as at December 31, 2013, and an unlimited number of preferred shares (no par value) issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares, none of which are issued and outstanding. At December 31, 2013, the Company had reserved a total of 16,821,000 common shares related to director, employee and consultant share purchase options. The share purchase options are exchangeable into common shares at exercise prices ranging from \$0.36 per share to \$1.45 per share.

In the third quarter of 2013, pursuant to a retirement agreement, 500,000 share purchase options with an exercise price of \$1.45 were voluntarily cancelled and also, on the same date, 685,000 share purchase options with an exercise price of \$1.34 were voluntarily cancelled. In addition, pursuant to this retirement agreement, 150,000 share purchase options with a weighted-average exercise price of \$0.60, which would have otherwise vested on June 5, 2014, vested on January 1, 2014. Also in the third quarter of 2013, 15,000 share purchase options were cancelled due to a termination.

As at March 14, 2014, there were 227,838,679 common shares issued and outstanding and 17,821,000 share purchase options outstanding for a total of 245,659,679 on a fully-diluted basis.

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## Results of Operations for the Year Ended December 31, 2013

For the year ended December 31, 2013, the Company reported a net loss of \$2,348,002 versus a net loss of \$3,911,251 for the year ended December 31, 2012. The net loss for the year ended December 31, 2013 was lower primarily due to a \$1,609,741 write-down of mineral properties recorded in 2012, with no similar impairment occurring in 2013, and a \$443,305 decrease in share-based compensation expense as the annual options grant occurred late in the fourth quarter of 2013 versus late in the second quarter of 2012. The lower net loss for the year was partly offset by a \$425,889 increase in deferred income tax expense.

In response to the decrease in the uranium commodity price, along with a corresponding decrease in the Company's share price, the Company further reduced its exploration and evaluation expenditures in 2013 as compared to 2012 and did not pay annual bonuses as had occurred in the previous year. This decision is not immediately evident in the \$7,906 net increase in salaries expense for the year, which includes an increased amount of geological salary costs of approximately \$58,000 expensed in the year due to a focus on corporate matters but capitalized to mineral properties in the previous year. In addition, the current year's salaries expense included a salary adjustment of approximately \$40,000 for the CEO reflecting an increase in time commitment to the Company following his retirement announcement. Salaries also included a full year of employee health benefits which had been incurred for only five months in the comparative year.

Interest income was \$202,074 for the year ended December 31, 2013 versus \$221,465 for the year ended December 31, 2012. The decrease in interest income was due to the effect of slightly lower short-term investment balances in the current year. In 2013, the Company had an average cash balance invested of approximately \$11.7 million versus \$13.3 million in the prior year.

Legal and audit fees decreased by \$17,678 during the year ended December 31, 2013 as compared to the previous year. This decrease is related to joint-venture compliance audit costs of approximately \$55,000 incurred in the comparative year that were not incurred in the current year, offset by an increase in legal costs associated with project evaluation, the retirement of the Company's CEO, amendments to the Western Athabasca Option agreement with AREVA, the Black Lake earn-in agreement with Uracon and the evaluation of work related to the advancement of Hidden Bay, all of which were not incurred in the prior year. The \$115,230 increase in office expenses was primarily due to project evaluation work in 2013 that was not conducted in 2012, increased office consulting costs for land claims administration associated with learning the new MARS claim management process for Saskatchewan mineral claims, and costs associated with identifying and evaluating potential strategic opportunities for the Company. Salaries expense increased by \$7,906 as compared to 2012 due primarily to an increased amount of geological salaried time focused on corporate matters during the year (approximately 45% expensed versus 10% in the comparative year) and a salary adjustment for the CEO as noted above. These increases were offset by annual bonuses paid in 2012 but not in the current year. Travel and promotional expenses for the year decreased by \$53,693 as compared to the previous year, due primarily to the scaling back of investor relations and promotional activities in the current year and the associated travel costs.

The vesting of share purchase options during the year ended December 31, 2013 resulted in total share-based compensation expense of \$667,309, of which \$157,082 was allocated to mineral property expenditures and the remaining \$510,227 was charged to operations. The vesting of share purchase options during the year ended December 31, 2012 resulted in total share-based compensation expense of \$1,346,364, of which \$392,832 was allocated to mineral property expenditures and \$953,532 was charged to operations. These differences in

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share-based compensation expense result primarily from the annual options grant occurring much later in 2013 versus 2012. Despite the decrease in share-based compensation expense, a slightly larger percentage of share-based compensation was expensed versus deferred to mineral properties in the current year due to geological staff spending more of their time on corporate matters rather than exploration projects, when compared to the year ended December 31, 2012.

In the current year, the Company received 300,000 Uracon shares as partial consideration for a farm-out agreement that UEX signed with Uracon for the Black Lake Project. The market value of these securities at December 31, 2013 was the same as their market value when they were received in February 2013. The Company has not disposed of any of these shares in the year and did not hold any marketable securities in the comparative year.

In the current year, the Company also received 150,000 Uracon share purchase warrants as partial consideration for the farm-out agreement with Uracon for the Black Lake Project. The fair value of the warrants, as determined using the Black-Scholes option-pricing model, has decreased by \$4,198 from the values determined when they were received, as a result of updated Black-Scholes valuation input assumptions. The Company did not hold any similar investments in the comparative year.

The deferred income tax expense for the year ended December 31, 2013 was \$311,296 compared to a deferred income tax recovery for the year ended December 31, 2012 of \$114,593. This tax expense differential of \$425,889 resulted from several factors including the much higher level of evaluation expenditures incurred in 2012 at Hidden Bay funded by non-flow-through dollars and the recovery of deferred tax in 2012 created by the write-down of an exploration property. The deferred income tax expense reflects the deferred income tax liability created by the renouncement of flow-through expenditures (net of the reversal of the flow-through premium), as well as the increase in non-capital losses carried forward due to the addition of the current year's operating losses.

The continuity of expenditures on UEX's uranium projects for the years ended December 31, 2013 and 2012 is as follows:

## December 31, 2013

<b>Project</b>	<b>Balance December 31 2012</b>	<b>Exploration and evaluation expenditures during the period</b>	<b>Fair value consideration received</b>	<b>Balance December 31 2013</b>
Hidden Bay	\$ 75,363,225	\$ 860,244	\$ -	\$ 76,223,469
Riou Lake	10,425,937	-	-	10,425,937
Western Athabasca	57,548,301	3,808,943	-	61,357,244
Black Lake	15,232,776	33,335	(35,931)	15,230,180
Beatty River	865,950	3,441	-	869,391
	\$ 159,436,189	\$ 4,705,963	\$ (35,931)	\$ 164,106,221

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## December 31, 2012

Project	Balance December 31 2011	Exploration and evaluation expenditures during the year	Impairment charge for the year	Balance December 31 2012
Hidden Bay	\$ 72,668,796	\$ 2,694,429	\$ -	\$ 75,363,225
Riou Lake	10,385,783	40,154	-	10,425,937
Western Athabasca	56,011,738	3,146,304	(1,609,741)	57,548,301
Black Lake	15,188,721	44,055	-	15,232,776
Beatty River	856,088	9,862	-	865,950
	\$ 155,111,126	\$ 5,934,804	\$ (1,609,741)	\$ 159,436,189

In 2013, exploration and evaluation expenditures at Hidden Bay of \$860,244 included evaluation expenditures of \$702,379 (2012 exploration and evaluation expenditures of \$2,694,429 included evaluation expenditures of \$1,299,781) primarily relating to component technical studies. Total evaluation expenditures of \$7,292,299 as at December 31, 2013 are included in the \$76,223,469 balance (the December 31, 2012 exploration and evaluation total of \$75,363,225 includes \$6,589,920 of evaluation expenditures) and represent costs associated with the continuing evaluation of and advancement of Hidden Bay. These costs include the West Bear Preliminary Feasibility Study (February 24, 2010), the Hidden Bay Preliminary Assessment Technical Report (February 23, 2011) and various component technical studies.

At December 31, 2013, total exploration and evaluation assets to date of \$61,357,244 for Western Athabasca includes evaluation expenditures of \$7,370,026 (the December 31, 2012 exploration and evaluation total of \$57,548,301 includes \$7,370,026 of evaluation expenditures) relating to the Shea Creek Project. There were no evaluation expenditures incurred in 2013 or 2012 that were related to this project as AREVA and UEX have focused on exploration activities. For further information regarding expenditures on the projects shown in the table above, please refer to "Exploration and Evaluation Activities". Also please refer to the "Critical Accounting Estimates, Valuation of mineral properties" section.

During the year ended December 31, 2013, the Company incurred exploration and evaluation expenditures totaling \$4,508,143 for all projects before non-cash share-based compensation and depreciation totaling \$197,820. In addition, \$35,931 of fair value consideration relating to the farm-out agreement with Uracon for Black Lake was recorded as a reduction in the carrying value of this project in the first quarter of 2013. Exploration and evaluation expenditures incurred for all projects during the year ended December 31, 2012 totaled \$5,503,491 before non-cash share-based compensation and depreciation totaling \$431,313. This \$995,348 reduction in expenditures before non-cash items during the year ended December 31, 2013 was primarily due to there being no exploration drilling at the Hidden Bay Project during the year, the completion of a small amount of evaluation work, and the smaller size of the regular joint-venture exploration budget for the Western Athabasca Projects of which UEX's 49% share was \$1.52 million in 2013 versus \$2.94 million in 2012. The expenditures to December 31, 2013 associated with the \$2.0 million supplemental budget for the Western Athabasca related to the earn-in option for the Western Athabasca Projects, of which UEX is responsible for funding 100%, did not fully replace the amounts spent in the comparative year. Previously planned exploration at Hidden Bay is being deferred in response to the current capital market conditions and the decrease in uranium commodity prices.

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The Company has an interest in several joint operations relating to the exploration and evaluation of various properties in the western and northern Athabasca Basin. These interests are governed by contractual arrangements but have not been organized into separate legal entities or vehicles. The joint arrangements that the Company is party to in some cases entitle the Company, or its joint venture partner, to a right of first refusal on the projects should one of the partners choose to sell their interest. The joint arrangements are governed by management committees which set the annual exploration budgets for these projects. Should the Company be unable to, or choose not to, fund its required contributions as outlined in the agreement, there is a risk that the Company's ownership interest could be diluted. As a result of decisions to fund exploration programs for the joint arrangements, the Company may choose to complete further equity issuances or fund these amounts through the Company's general working capital.

UEX is party to the following joint arrangements:

<b>Ownership interest Effective December 31, 2013 and March 14, 2014</b>	<b>Western Athabasca</b>	<b>Black Lake</b>	<b>Beatty River</b>
UEX Corporation	49.097 %	89.990 %	25.000 %
AREVA Resources Canada Inc.	50.903	10.010	50.702
JCU (Canada) Exploration Company, Limited	-	-	24.298
	100.000 %	100.000 %	100.000 %

## Results of Operations for the Three-Month Period Ended December 31, 2013

For the three-month period ended December 31, 2013 the Company reported a net loss before other comprehensive income of \$1,175,040 versus a net loss of \$2,412,604 for the three-month period ended December 31, 2012. The net loss for the three-month period ended December 31, 2013 was lower primarily due to a \$1,609,741 write-down of mineral properties recorded in Q4 2012, with no similar impairment occurring in 2013, and a \$102,975 decrease in salaries expense as no annual bonuses were paid in 2013. The lower net loss for the period was partly offset by a \$480,674 increase in deferred income tax expense.

In response to the decrease in the uranium commodity price, along with a corresponding decrease in the Company's share price, the Company further reduced its exploration and evaluation expenditures in 2013 as compared to 2012 and did not pay annual bonuses in the fourth quarter as had occurred in the previous year. The resulting decrease in salaries expense for the three-month period was partly offset by an increased amount of geological salary costs of approximately \$13,000 which were expensed in the current period and capitalized in the comparative period due to a focus on corporate matters, and a salary adjustment of approximately \$23,000 for the CEO reflecting an increase in time commitment to the Company following his retirement announcement.

Interest income was \$42,073 for the three-month period ended December 31, 2013 versus \$48,016 for the three-month period ended December 31, 2012. The decrease in interest income was due to the effect of lower short-term investment balances. In the fourth quarter of 2013, the Company had an average cash balance invested of approximately \$10.4 million versus \$13.3 million in the comparative period.

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Legal and audit fees decreased during the three-month period ended December 31, 2013 by \$23,347 as compared to the previous period. This decrease primarily related to a portion of the prior year's joint-venture compliance audit costs and amendments to the Western Athabasca Option agreement with AREVA which were incurred in the comparative period but were not incurred in the current period, partly offset by legal costs incurred in the current period associated with the retirement of the Company's CEO. The \$52,244 increase in office expenses was primarily due to project evaluation work in the current period that was not conducted in the comparative quarter, increased office consulting costs for land claims administration, and costs associated with identifying and evaluating potential strategic opportunities for the Company. Salaries expense decreased by \$102,975 as compared to 2012 due primarily to annual bonuses paid in the fourth quarter of 2012, with no bonuses paid in the current year. This decrease was offset by an increased amount of geological salaried time focused on corporate matters during the year (approximately 50% expensed versus 20% in the comparative period) and a salary adjustment for the CEO as noted above. Travel and promotional expenses for the three-month period ended December 31, 2013 decreased by \$31,519 as compared to the previous period due primarily to the scaling back of investor relations and promotional activities in the current period and the associated travel costs.

The vesting of share purchase options during the three-month period ended December 31, 2013 resulted in total share-based compensation expense of \$200,801, of which \$40,753 was allocated to mineral property expenditures and the remaining \$160,048 was charged to operations. The vesting of share purchase options during the three-month period ended December 31, 2012 resulted in total share-based compensation expense of \$218,728 of which \$54,955 was allocated to mineral property expenditures and \$163,773 was charged to operations. These differences in share-based compensation expense result primarily from the annual options grant occurring much later in the year as compared to 2012. Despite the decrease in share-based compensation expense, a slightly larger percentage of share-based compensation was expensed versus deferred to mineral properties in the current period due to geological staff allocating more of their time to corporate matters rather than to exploration projects.

In the first quarter of 2013, the Company received 300,000 Uracon shares as partial consideration for a farm-out agreement that UEX signed with Uracon for the Black Lake Project. The market value of these securities has increased by \$12,000 since September 30, 2013. The unrealized increase in market value is reflected in other comprehensive income in the current three-month period. The increase in the market value of these shares in the fourth quarter of 2013 returned these shares to the same market value they had, when they were received in February of 2013. The Company has not disposed of any of these shares in the period and did not hold any marketable securities in the comparative period. The tax impact of this unrealized gain resulted in the recognition of a deferred income tax expense of \$1,620 in other comprehensive income for the fourth quarter of 2013.

In the first quarter of 2013, the Company also received 150,000 Uracon share purchase warrants as partial consideration for the farm-out agreement with Uracon for the Black Lake Project. The fair value of the warrants, as determined using the Black-Scholes option-pricing model, has increased by \$628 since September 30, 2013, partially due to the increase in Uracon's share price, but also as a result of updated Black-Scholes valuation input assumptions. The Company did not hold any similar investments in the comparative period.

The deferred income tax expense for the three-month period ended December 31, 2013 was \$625,617 compared to a deferred income tax expense for the three-month period ended December 31, 2012 of \$144,853.



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This tax expense differential of \$480,764 resulted from several factors including the much higher level of evaluation expenditures incurred in the fourth quarter of 2012 at Hidden Bay funded by non-flow-through dollars and the recovery of deferred tax in Q4 2012 created by the write-down of a mineral property. The deferred income tax expense reflects the deferred income tax liability created by the renouncement of flow-through expenditures (net of the reversal of the flow-through premium), as well as the increase in non-capital losses carried forward due to the addition of the Q4 2013 operating losses.

## Financing Activities

On June 5, 2013 the Company completed a non-brokered private placement of 6,350,000 flow-through shares at a price of \$0.50 per share for gross proceeds of \$3,175,000 with issue costs of \$44,972 and a referral fee of \$60,000 paid from existing cash reserves. A flow-through premium related to the sale of the associated tax benefits was determined to be \$127,000 on issuance. Cameco did not exercise its pre-emptive right to participate in the offering and as a result, their ownership interest in UEX declined from approximately 22.58% to approximately 21.95% after the placement was completed.

### Use of Proceeds from the June 5, 2013 Flow-through Private Placement as at December 31, 2013

	<b>PROPOSED USE OF PROCEEDS <sup>(1)</sup></b>	<b>ACTUAL USE OF PROCEEDS</b>	
	Flow-through Private Placement	Use of Proceeds	Remaining to be Spent
<b>Western Athabasca Projects</b>			
Exploration and drilling	\$ 3,175,000	\$ 3,175,000	\$ -
<b>TOTAL</b>	<b>\$ 3,175,000</b>	<b>\$ 3,175,000</b>	<b>\$ -</b>

<sup>(1)</sup> Expenses of \$104,972 related to the offering were funded by the Company's existing working capital and not withheld from placement proceeds.

The proceeds from the June 5, 2013 placement were used to fund UEX's 49% share of the \$3.1 million Western Athabasca joint-venture exploration budget with AREVA as well as UEX's 100% share of the \$2.0 million supplemental exploration budget which relates to the additional earn-in agreement with AREVA for the Western Athabasca Projects which was signed in the first quarter of 2013. As at December 31, 2013, the Company has spent all of the \$3.175 million flow-through monies raised in the June 5, 2013 placement. The Company renounced the income tax benefit of this issue to its subscribers effective December 31, 2013, and did not incur any Part XII.6 tax related to this placement.

In 2012, the Company completed an underwritten bought deal public financing for 10,000,000 common shares at a price of \$0.80 per share for gross proceeds of \$8,000,000 on March 13, 2012. Cameco exercised its pre-emptive right to participate in the offering and purchased 3,208,902 shares for \$2,333,746, so as to maintain its ownership at approximately 22.58%, on the same terms as the offering except no cash commission was payable. In addition, the underwriter exercised its 10% over-allotment rights and Cameco exercised its associated pre-emptive right resulting in the Company receiving another \$1,033,375. Share issue costs include a cash commission of \$440,000 and other issuance costs of \$275,633.

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## Proceeds from Short Form Prospectus Offering of March 13, 2012

	Offering & Cameco Pre-emptive Distribution	10% Over- Allotment	Additional Cameco Pre-emptive Distribution	Total	Actual Net Proceeds	Difference
<b>Gross Proceeds</b>	\$10,333,746	\$ 800,000	\$ 233,375	\$11,367,121	\$11,367,121	\$ -
Fees payable to Underwriters	400,000	40,000	-	440,000	440,000	-
Expenses of Offering	200,000	-	-	200,000	275,633	75,633
<b>Net Proceeds</b>	<b>\$ 9,733,746</b>	<b>\$ 760,000</b>	<b>\$ 233,375</b>	<b>\$10,727,121</b>	<b>\$10,651,488</b>	<b>\$ 75,633</b>

## Use of Proceeds from Short Form Prospectus Offering as at December 31, 2013

	PROPOSED USE OF PROCEEDS <sup>(1)</sup>				ACTUAL USE OF PROCEEDS	
	Offering & Cameco Pre-emptive Distribution	10% Over- Allotment	Additional Cameco Pre-emptive Distribution	Total	Use of Proceeds	Difference / Remaining to be Spent
<b>Shea Creek Project</b>						
Exploration and drilling <sup>(i)</sup>	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 300,280	\$ -
Updated mineral resource estimate	100,000	-	-	100,000	100,000	-
<b>Hidden Bay Project</b>						
Exploration and drilling <sup>(ii)</sup>	1,750,000	-	-	1,750,000	56,676	-
Capital expenditures <sup>(iii)</sup>	200,000	-	-	200,000	109,270	-
Evaluation <sup>(2)</sup>	2,000,000	-	-	2,000,000	1,662,029	337,971
<b>Working capital &amp; general corporate expenses</b>	2,683,746	760,000	233,375	3,677,121	3,191,963	4,968,932
<b>TOTAL</b>	<b>\$ 9,733,746</b>	<b>\$ 760,000</b>	<b>\$ 233,375</b>	<b>\$10,727,121</b>	<b>\$ 5,420,218</b>	<b>\$ 5,306,903</b>

<sup>(1)</sup> In the Short Form Prospectus, amounts were presented in millions

<sup>(2)</sup> Referred to as "Development to December 31, 2012 with goal of advancing toward the pre-feasibility stage" in the Short Form Prospectus

When the short form prospectus was prepared and filed, the use of proceeds table included only funds related to the offering which, in addition to the \$8.8 million bought deal, included proceeds from shares to be issued to Cameco for having exercised their pre-emptive right to maintain their existing ownership percentage of the Company and proceeds related to the 10% over-allotment. At that time all conditions precedent related to the flow-through placement and the associated Cameco private placement had not been met. Upon completion of the flow-through, UEX had an obligation to fund \$3.0 million in qualified exploration costs. UEX has fully expended the \$3.0 million on qualified exploration costs and has renounced the tax benefit effective December 31, 2012. The flow-through placement was completed on March 14, 2012 and management has

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reallocated these flow-through amounts to be used to fund the 2012 drilling at Shea Creek. This eliminated the potential Part XII.6 tax that could have become payable due to the timing of the spending of the flow-through funds.

In the months following the Offering and the completion of the private placements, market conditions in the resource sector deteriorated significantly and the ability to raise capital became challenging and highly dilutive for most public companies. Management took the following steps to preserve capital in difficult and uncertain market conditions:

- (i) Shea Creek exploration of \$3.0 million for 2012 which was to be funded out of this placement was funded by the flow-through placement which was closed on March 14, 2012 (see second quarter 2013 MD&A) and the amount allocated for this purpose in the short form prospectus offering was transferred to working capital and general corporate expenses.
- (ii) Planned exploration expenditures of \$1.75 million at Hidden Bay were deferred with these amounts being allocated to working capital and general corporate expenses.
- (iii) Planned capital expenditures on the Hidden Bay Project, which included the acquisition of the Raven camp, were completed at less than anticipated cost and other non-critical expenditures were deferred with the remaining funds allocated to working capital and general corporate expenses.

Should market conditions improve and circumstances are such that undertaking these expenditures are in the best interest of UEX, funds may be reallocated to exploration from working capital.

On March 14, 2012, the Company completed a non-brokered private placement of 3,260,869 flow-through shares at a price of \$0.92 per share for gross proceeds of \$3,000,000 with issue costs of \$37,044 and no commission payable. A flow-through premium related to the sale of the associated tax benefits was determined to be \$97,826 on issuance (market price on date of subscription was \$0.89). Cameco exercised its pre-emptive right to participate in the offering and purchased 951,256 common shares at a non-flow-through price of \$0.84 per share offered by the Company, so as to maintain its ownership interest at approximately 22.58%. Effective December 31, 2012, the Company renounced flow-through expenditures relating to the flow-through funds raised in 2012 (\$3.0 million under the general rule) and did not incur Part XII.6 tax.

No share purchase options were exercised during the years ended December 31, 2013 or 2012.

## Liquidity and Capital Resources

As UEX has not begun production on any of its mineral properties, the Company does not generate cash from operations. As at December 31, 2013, the Company had current assets of \$9,608,052, including \$9,321,916 in cash and cash equivalents, compared to current assets as at December 31, 2012 that totaled \$12,852,916 and included \$12,580,134 in cash and cash equivalents. Working capital at December 31, 2013 was \$9,387,418 compared to working capital of \$12,342,017 at December 31, 2012. At December 31, 2013, the Company's cash balances were invested in highly liquid term deposits redeemable within 90 days or less. The Company had sufficient cash resources at December 31, 2013 to fund its approved 2014 budgets for exploration, evaluation and administrative costs, and anticipates a cash balance at December 31, 2014 of approximately \$5.0 million.

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Accounts payable and other liabilities at December 31, 2013 were \$220,634, which is lower than the December 31, 2012 balance of \$510,899. This difference is primarily comprised of a decrease in joint operation amounts owed to AREVA due to the timing of exploration work performed on the Shea Creek Project during the current period, which was substantially complete by the end of November 2013, as compared to the \$231,384 owed as at December 31, 2012 from exploration work that had continued into December 2012. Also, \$153,620 was owed to SRK Consulting for development work at December 31, 2012, with no comparable payable at December 31, 2013, as SRK's work was completed earlier in the current year.

The Company's net deferred income tax liability of \$13,376,478 at December 31, 2013 is comprised of a \$16,659,679 deferred income tax liability related to the tax effect of the difference between the carrying value of the Company's mineral properties and their tax values, offset by the Company's deferred income tax assets totaling \$3,283,201. At December 31, 2012, the Company's net deferred income tax liability was \$12,966,524 and was comprised of a \$15,801,130 deferred income tax liability related to the tax effect of the difference between the carrying value of the Company's mineral properties and their tax values, offset by the Company's deferred income tax assets totaling \$2,834,606. The deferred income tax liability increased from December 31, 2012 to December 31, 2013 primarily due to the renouncement of the tax benefit of certain exploration expenditures which were settled with flow-through dollars (\$3.175 million) and capitalized in mineral properties. This increase in liability was partly offset by the increase in the tax value of non-capital loss carryforwards from the comparative year due to the impact of the general and administrative losses from the current year, as well as capitalized exploration expenditures which were not funded with flow-through dollars and thus not renounced to shareholders, which together created a larger deferred income tax asset to offset against the deferred income tax liabilities.

## Commitments

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The Company has an obligation under an operating lease for its office premises until November 30, 2015 and an obligation related to a retirement consulting agreement. Future minimum lease payments as at December 31, 2013 are as follows:

	2014	2015	2016	2017	2018
Lease for office premises	\$ 60,566	\$ 56,743	\$ nil	\$ nil	\$ nil

Pursuant to a retirement agreement, the Company has entered into a consulting arrangement whereby the former Chief Executive Officer has agreed to provide management transition services for a two-year period commencing January 1, 2014, for a consulting fee of \$366,000. One half of this consulting fee was paid in January 2014, with the remainder to be paid in January 2015.

The Company has no other financial commitments or obligations beyond those required to fund its 2014 exploration budgets for the Western Athabasca of approximately \$982,000. The 2014 exploration program for the Western Athabasca commenced in early January 2014.

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A \$650,000 prepayment was received from Uracon in early 2014 and amounts to 100% of the currently budgeted 2014 winter exploration program at Black Lake. This program commenced in early January 2014. In the third quarter of 2013, UEX received from Uracon a prepayment of \$104,060 which represented the full budget amount for the 2013 exploration program at Black Lake. The unspent amount of \$79,006 as at December 31, 2013 was fully expended upon completion of the 2013 exploration program in January 2014.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

## Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and other liabilities. Interest income is recorded in the statement of operations and comprehensive loss. Cash and cash equivalents, as well as amounts receivable, are classified as loans and receivables, and accounts payable and other liabilities are classified as other financial liabilities and recorded at amortized cost using the effective interest rate method. In addition, any impairment of loans and receivables is deducted from amortized cost. Investments include warrants which have been classified as *Financial assets at fair value through profit or loss* ("FVTPL") and as such are stated at fair value with any changes in fair value recognized in profit or loss. The investments also include shares which have been classified as *Available-for-sale financial assets* and are carried at fair value with changes in fair value recognized in other comprehensive income with amounts accumulated in other comprehensive income recognized in profit or loss when they are sold.

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development programs on its mineral properties. The Company manages its capital structure, consisting of shareholders' equity, and makes adjustments to it, based on funds available to the Company, in order to support the exploration and development of its mineral properties. Historically, the Company has relied exclusively on the issuance of common shares for its capital requirements. Accounts payable and other liabilities are due within the current operating period.

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

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Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income. The Company is subject to interest rate risk on its cash and cash equivalents. The Company reduces this risk by investing its cash in highly liquid short-term interest-bearing investments that earn interest on a fixed rate basis.

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

Cash and cash equivalents are classified as loans and receivables and are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

Investments are recorded at fair value. The fair value change for the Uracon shares represents the change to the quoted price of these publicly traded securities from the date they were acquired. These shares and warrants are being held for long-term investment purposes. The fair value change for the share purchase warrants reflects changes to the Black-Scholes valuation input assumptions on acquisition compared to the December 31, 2013 revaluation date. The warrants have an exercise price of \$0.15 per share (which is currently above market share price), and have an expiry date of February 13, 2016.

The impacts of fair value changes are incidental to the Company as the assets impacted by these changes do not represent significant value in comparison with the core assets of the Company. The Company has not exercised any of the Uracon share purchase warrants that it holds.

The fair value of the Uracon shares, classified as Level 1, is based on the market price for these actively traded securities at February 13, 2013 on acquisition and at December 31, 2013, the financial statement fair value date.

The fair value of the warrants received from Uracon, classified as Level 3, has been determined using the Black-Scholes option-pricing model with the following weighted-average assumptions as at the dates indicated:

	<b>December 31 2013</b>	<b>February 13 2013<sup>(1)</sup></b>	<b>December 31 2012</b>
Number of warrants received – Uracon	150,000	150,000	-
Expected forfeiture rate	0.00%	0.00%	-
Weighted-average grant date fair values	\$ 0.06	\$ 0.06	-
Expected volatility	150.18%	127.26%	-
Risk-free interest rate	1.14%	1.22%	-
Expected life	2.19 years	3.00 years	-

<sup>(1)</sup> Date of acquisition

Market factors, such as fluctuations in the trading prices for the marketable securities as well as fluctuations in the risk-free interest rates offered by the Bank of Canada for short-term deposits, are updated each time the Uracon warrants are revalued. The Company expects that these valuation inputs are likely to change at every reporting period which will result in adjustments to the fair value of these warrants in future periods.

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The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation model:

Level 3 item	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warrants – Uracon	The fair value has been determined by using the Black-Scholes option pricing model.	Expected volatility for Uracon shares, derived from the shares' historical prices (weekly).	The estimated fair value for the warrants increases as the volatility increases.

## Related Party Transactions

The Company was involved in the following related party transactions for the three and twelve months ended December 31, 2013 and 2012:

Related party transactions include the following payments which were made to related parties other than key management personnel:

	Three months ended December 31		Year ended December 31	
	2013	2012	2013	2012
Other consultants <sup>(1)</sup>	\$ -	\$ 5,525	\$ 2,400	\$ 60,130
Other consultants share-based payments <sup>(3)</sup>	299	2,099	4,446	13,674
Panterra Geoservices Inc. <sup>(2)</sup>	6,300	8,750	42,950	29,750
Panterra Geoservices Inc. share-based payments <sup>(3)</sup>	11,607	7,801	28,020	54,722
	\$ 18,206	\$ 24,175	\$ 77,816	\$ 158,276

<sup>(1)</sup> Other consultants include close members of the family of R. Sierd Eriks, UEX's Vice-President of Exploration, who provide geological consulting services with specific services invoiced as provided.

<sup>(2)</sup> Panterra Geoservices Inc. is a company owned by David Rhys, a member of the management advisory board that provides geological consulting services to the Company. The management advisory board members are not paid a retainer or fee; specific services are invoiced as provided.

<sup>(3)</sup> Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 11(c) of the December 31, 2013 annual financial statements.

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Key management personnel compensation includes management and director compensation as follows:

	Three months ended		Year ended	
	December 31		December 31	
	2013	2012	2013	2012
Salaries and short-term employee benefits <sup>(4)</sup>	\$ 207,621	\$ 319,307	\$ 844,592	\$ 896,716
Share-based payments <sup>(3)</sup>	168,772	190,500	578,805	1,164,376
	\$ 376,393	\$ 509,807	\$1,423,397	\$2,061,092

<sup>(3)</sup> Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 11(c) of the December 31, 2013 annual financial statements.

<sup>(4)</sup> In the event of a change of control of the Company, certain senior management may elect to terminate their employment agreements and the Company shall pay termination benefits of two times their respective annual salaries at that time and all of their share purchase options will become immediately vested with all other employee benefits, if any, continuing for a period of two years.

## Accounting Policies

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

## Change in Accounting Policy

The following new or amended standards have been adopted in the financial statements for the year beginning January 1, 2013:

### IFRS 7 Financial Instruments: Disclosures: Amendments – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement. The application of these amendments may result in more disclosures being made with respect to offsetting financial assets and financial liabilities in the future.

### IFRS 13 Fair Value Measurement

The adoption of IFRS 13 by the Company has had no material impact on the financial results of the Company. The adoption of IFRS 13 did, however, result in some additional fair value disclosures including the valuation inputs and techniques used in determining fair value.



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## Joint Arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- (i) *Joint operation* – when the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- (ii) *Joint venture* – when the Company has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The Company has an interest in several joint operations relating to the exploration and evaluation of various properties in the western and northern Athabasca Basin. The financial statements include the Company's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis from the date that the joint arrangement commences until the date that the joint arrangement ceases. These interests are governed by contractual arrangements but have not been organized into separate legal entities or vehicles.

The Company does not have any joint arrangements that are classified under IFRS 11 as joint ventures. However, "joint operations" as defined by IFRS are nevertheless commonly referred to as "joint ventures" by UEX, its operating partners and the general mining industry, and use of the term "joint venture" by UEX in its disclosures for the purposes of describing its operating results is considered consistent with these statements.

The joint arrangements that the Company is party to in some cases entitle the Company to a right of first refusal on the projects should one of the partners choose to sell their interest. The joint arrangements are governed by a management committee which sets the annual exploration budgets for these projects. In certain cases, should the Company choose not to fund their minimum required contributions as outlined in the agreement, there is a risk that the Company's ownership interest could be diluted. As a result of decisions to fund exploration programs for the joint arrangements, the Company may choose to complete further equity issuances or fund these amounts through the Company's general working capital.

## Critical Accounting Estimates

The Company prepares its financial statements in accordance with IFRS, which require management to estimate various matters that are inherently uncertain as of the date of the financial statements. Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial statements. The Company's significant accounting policies are discussed in the financial statements. Critical estimates inherent in these accounting policies are discussed below.

## Valuation of mineral properties

The recovery of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete exploration and development of the properties, and on future profitable production or proceeds of disposition. The Company

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recognizes in income any costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Upon transfer of exploration and evaluation assets into development properties, all subsequent expenditures on the exploration, construction, installation or completion of infrastructure facilities is capitalized within development properties.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the exploration expenditures are not expected to be recovered, this amount is recorded as a write-down of interest in mineral properties in the statement of operations and comprehensive loss in the period.

The Company performed an evaluation of impairment indicators under *IFRS 6(20)* for its exploration and evaluation assets (mineral properties) as at December 31, 2013 and has concluded that there are no indicators of impairment. However, as at December 31, 2013, the market capitalization of the Company was below the carrying value of its net assets which are primarily represented by mineral properties. Accordingly, the Company has also reviewed the value attributed per pound in the ground of  $U_3O_8$  in recent arms-length transactions for the acquisition of uranium resources defined by National Instrument 43-101. As a result of this review management has concluded that the carrying value of the Company's net assets is supported.

## ***Environmental rehabilitation provision***

The Company recognizes the fair value of a liability for environmental rehabilitation in the period in which the Company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows. The Company has assessed each of its mineral projects and determined that no material environmental rehabilitations exist as the disturbance to date is minimal.

## ***Share-based payments***

The Company has a share option plan which is described in Note 11(c) of the financial statements for the year ended December 31, 2013. The fair value of all share-based awards is estimated using the Black-Scholes option-pricing model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payments reserve is recorded as an increase in share capital. The offset to the recorded cost is to share-based

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payments reserve. Consideration received on the exercise of share purchase options is recorded as share capital and the related share-based payments value in the reserve is transferred to share capital. Charges for share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

## Recent Accounting Announcements

The International Accounting Standards Board issued the following IFRSs with an effective date for year ends starting on or after January 1, 2015:

The International Accounting Standards Board has issued IFRS 9 *Financial Instruments* ("IFRS 9") to replace IAS 39 *Financial Instruments*, which is intended to reduce the complexity in the measurement and classification of financial instruments. The current version of IFRS 9 does not include a mandatory effective date but is available for early adoption. An effective date will be determined when all phases of the update to IFRS 9 are completed. The Company does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

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## EXPLORATION AND EVALUATION UPDATE

### Mineral Resource Estimates

Tables 1 and 2 show respective summaries of UEX's Indicated and Inferred mineral resource estimates by deposit.

**TABLE 1**  
**UEX Corporation – Indicated Mineral Resource Estimates <sup>(1) (2) (3)</sup>**

Deposit	Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	Total U <sub>3</sub> O <sub>8</sub> (lbs)	UEX's share U <sub>3</sub> O <sub>8</sub> (lbs)
Kianna <sup>(2)</sup>	1,034,500	1.526	34,805,000	17,088,211
Anne <sup>(2)</sup>	564,000	1.992	24,760,000	12,156,417
Colette <sup>(2)</sup>	327,800	0.786	5,680,000	2,788,710
58B <sup>(2)</sup>	141,600	0.774	2,417,000	1,186,674
<b>Shea Creek Totals <sup>(4) (5)</sup></b>	<b>2,067,900</b>	<b>1.484</b>	<b>67,663,000</b>	<b>33,220,503</b>
Horseshoe <sup>(3)</sup>	5,119,700	0.203	22,895,000	22,895,000
Raven <sup>(3)</sup>	5,173,900	0.107	12,149,000	12,149,000
West Bear <sup>(3)</sup>	78,900	0.908	1,579,000	1,579,000
<b>Hidden Bay Totals</b>	<b>10,372,500</b>	<b>0.160</b>	<b>36,623,000</b>	<b>36,623,000</b>
<b>TOTALS</b>	<b>12,440,400</b>	<b>0.380</b>	<b>104,286,000</b>	<b>69,843,503</b>

**TABLE 2**  
**UEX Corporation – Inferred Mineral Resource Estimates <sup>(1) (2) (3)</sup>**

Deposit	Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	Total U <sub>3</sub> O <sub>8</sub> (lbs)	UEX's share U <sub>3</sub> O <sub>8</sub> (lbs)
Kianna <sup>(2)</sup>	560,700	1.364	16,867,000	8,281,191
Anne <sup>(2)</sup>	134,900	0.880	2,617,000	1,284,868
Colette <sup>(2)</sup>	493,200	0.716	7,780,000	3,819,747
58B <sup>(2)</sup>	83,400	0.505	928,000	455,620
<b>Shea Creek Totals <sup>(4) (5)</sup></b>	<b>1,272,200</b>	<b>1.005</b>	<b>28,192,000</b>	<b>13,841,426</b>
Horseshoe <sup>(3)</sup>	287,000	0.166	1,049,000	1,049,000
Raven <sup>(3)</sup>	822,200	0.092	1,666,000	1,666,000
<b>Hidden Bay Totals</b>	<b>1,109,200</b>	<b>0.111</b>	<b>2,715,000</b>	<b>2,715,000</b>
<b>TOTALS</b>	<b>2,381,400</b>	<b>0.589</b>	<b>30,907,000</b>	<b>16,556,426</b>

**Notes:**

- (1) The mineral resource estimates follow the requirements of *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* and classifications follow CIM definition standards.
- (2) The Shea Creek mineral resources were estimated at a cut-off of 0.30% U<sub>3</sub>O<sub>8</sub>, and are documented in the Shea Creek Technical Report with an effective date of May 31, 2013 which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on May 31, 2013.
- (3) The Hidden Bay mineral resources were estimated at a cut-off of 0.05% U<sub>3</sub>O<sub>8</sub>, and are documented in the Hidden Bay Technical Report with an effective date of February 15, 2011 which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on February 23, 2011.
- (4) UEX's interest in the Western Athabasca Projects (inclusive of Shea Creek) has increased from 49.000% to 49.097% as at December 31, 2013.
- (5) Certain amounts presented in the Shea Creek N.I. 43-101 report have been rounded for presentation purposes. This rounding may impact the footing of certain amounts included in the tables above.

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## Exploration and Evaluation Activities

The following is a general discussion of UEX's recent exploration and evaluation activities. Mineral resources that are not mineral reserves do not have demonstrated economic viability. For more detailed information regarding UEX's exploration projects, please refer to UEX's current Annual Information Form, available at [www.sedar.com](http://www.sedar.com), or to UEX's website at [www.ux-corporation.com](http://www.ux-corporation.com).

### Western Athabasca Projects: Shea Creek

The Shea Creek Project ("Shea Creek") is one of the eight 49.1%-owned Western Athabasca Projects (the "Projects") joint-ventured with AREVA, the operator, which also include the Erica, Alexandra, Mirror River, Laurie, Nikita, Uchrich and Brander Lake projects. In 2013, AREVA and UEX agreed to combine the Shea Creek Project and the contiguous Douglas River Project ("Douglas River") as the known mineralization at the northern boundary of Shea Creek extends into the Douglas River property. The combined projects are now referred to as the Shea Creek Project.

Shea Creek is the flagship exploration property among the Western Athabasca Projects, consisting of fourteen claims totaling 27,343 hectares (67,566 acres) and is host to the following deposits:

- Kianna Deposit ("Kianna");
- Anne Deposit ("Anne");
- Colette Deposit ("Colette"); and
- 58B Deposit ("58B").

Shea Creek is located in northwest Saskatchewan, just south of AREVA's former Cluff Lake mine which produced over 62 million pounds of  $U_3O_8$  during its successful 22 years of operation. Shea Creek hosts the second largest undeveloped uranium resource in the Athabasca Basin. High-grade uranium is distributed along a three-kilometre long strike length at the north end of the 33-kilometre long Saskatoon Lake Conductor. The deposits at Shea Creek show three styles of mineralization: unconformity-hosted, basement-hosted and perched. Access is provided year-round by Provincial Highway 955 and by air.

In 2004, UEX entered into an agreement with AREVA to fund \$30 million of exploration costs in exchange for a 49% interest in the Western Athabasca Projects, which include Shea Creek. The Kianna Deposit was identified in 2006, and UEX successfully met its funding target and earned its 49% interest in 2007. The 58B Deposit was identified in 2010.

On April 4, 2013 an agreement was signed with AREVA which grants UEX the option to increase its ownership interest in the Western Athabasca Projects, which includes Shea Creek, by 0.9% to 49.9% through the expenditure by UEX of an aggregate of up to \$18.0 million (the "Additional Expenditures") on exploration over the six-year period ending December 31, 2018. UEX remains under no obligation to propose a budget in any year of the agreement. UEX's interest for the Projects shall be increased at the end of each calendar year by

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the proportional amount of the Additional Expenditures incurred in such year which are in addition to the pro-rata budget amounts proposed by AREVA. UEX may propose an additional exploration budget of up to \$4.0 million in any single year without the prior approval of AREVA, who remains the project operator. These Additional Expenditures would be supplementary to any annual budget proposed by AREVA. AREVA is required to propose a minimum annual budget (to be shared pro-rata) of not less than \$2.0 million for the Western Athabasca Projects, inclusive of Shea Creek, during the option period provided: that UEX proposes to spend at least \$2.0 million of Additional Expenditures in the same year; and, the average weekly spot price of  $U_3O_8$  for the most recent twelve months ended September 30 is not less than \$40 per pound of  $U_3O_8$ .

This agreement provides UEX with a multi-year opportunity to build upon our past successes with AREVA by continuing exploration intended to expand known Shea Creek resources while concurrently seeking new uranium deposits.

Expenditures of \$2.0 million relating to this new agreement were incurred in 2013 with exploration work completed in December 2013. This supplemental program focused on the Kianna East mineralized zones where UEX had considerable exploration success in 2012.

An annual program with a budget of \$3.1 million for 2013, of which UEX funded \$1.52 million, was carried out with field exploration south of the Anne Deposit and at Kianna North.

Cumulative expenditures at December 31, 2013 by UEX on exploration and evaluation at Shea Creek were \$43.6 million and \$7.4 million, respectively, with approximately 253,000 metres of drilling completed. Included in these exploration expenditures at December 31, 2013 is approximately \$423,000 in cumulative exploration expenditures incurred at the Douglas River Project, which has now been combined with Shea Creek.

## **Shea Creek Updated Mineral Resource Estimate**

In April 2013, UEX received an updated N.I. 43-101 independent mineral resource estimate incorporating additional drilling results from the 2010, 2011 and 2012 drilling campaigns (see UEX news release dated April 15, 2013). This estimate is supported by a technical report entitled "Technical Report on the Shea Creek property, northern Saskatchewan, with an updated mineral resource estimate", prepared for UEX Corporation by R.S. Eriks, P.Geo., J.N. Gray, P.Geo., D.A. Rhys, P.Geo. and S. Hasegawa, P.Geo. with an effective date of May 31, 2013 filed on SEDAR May 31, 2013. This updated mineral resource estimate contained therein was prepared under the direction of James N. Gray of Advantage Geoservices Limited and supersedes the previous N.I. 43-101 independent mineral resource estimate for the Kianna, Anne and Colette deposits which is supported by a technical report entitled "Technical Report on the Shea Creek Property, Saskatchewan, Canada, Including Mineral Resource Estimates for the Kianna, Anne and Colette Deposits" by K. Palmer, P.Geo. of Golder Associates Ltd. ("Golder") with an effective date of May 26, 2010 and filed on SEDAR on July 9, 2010.

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The updated uranium mineral resource estimate for the four Shea Creek deposits at a cut-off grade of 0.30%  $U_3O_8$  totals:

- 67.66 million pounds of  $U_3O_8$  in the Indicated mineral resource category comprising 2,067,900 tonnes grading 1.48%  $U_3O_8$  – an increase of 6% from the mineral resource estimate prepared for UEX by Golder in 2010; and
- 28.19 million pounds of  $U_3O_8$  in the Inferred mineral resource category comprising 1,272,200 tonnes grading 1.01%  $U_3O_8$  – an increase of 15% from the mineral resource estimate prepared for UEX by Golder in 2010.

This mineral resource estimate for Shea Creek incorporates resources from the Kianna, Anne, Colette and 58B deposits ("Kianna", "Anne", "Colette" and "58B", respectively) based on drilling information up to December 31, 2012 (see Figure 1 below). This estimate represents an update of the previous resource estimate prepared by Golder and reported in May of 2010.

The changes in the mineral resource since the 2010 estimate reflect substantial increases in the basement mineral resources of the Kianna Deposit and new mineral resources from the 58B Deposit. These resource increases are partially offset by mineral resource losses at Colette due to the restriction of mineralization in central and southern parts of that deposit based on new infill drilling. In addition, interpolation of anomalously high-grade samples was controlled not only by grade capping, as was done in 2010, but also through a process of restricted interpolation ranges applied to the very high end of the grade distribution. This change in approach was applied to all of the Shea Creek deposits. The small reduction in the Anne mineral resource estimate, where no drilling has occurred since the 2010 resource estimate, reflects the effect of this change in approach to the treatment of high-grade drill intervals throughout the deposits.

This mineral resource estimate confirms that Shea Creek is the second largest undeveloped uranium resource in the Athabasca Basin. It also ranks as the fourth largest uranium resource in the Basin, exceeded in size only by McArthur River, Cigar Lake and Millennium. Mineralization at Shea Creek is still largely open and has excellent potential to expand as drilling continues.

The 2013 mineral resource estimate identifies that much of the mineralization at Shea Creek is found over an approximately 1.4 kilometre strike length in southern parts of the Shea Creek deposit trend at the Kianna and Anne deposits (see Figure 2 below). Notably, at a 1.0% cut-off grade most of the resources are retained at much higher grades as shown below:

- Combined mineral resources at the Kianna and Anne deposits at a cut-off grade of 0.3%  $U_3O_8$  total 59.6 million pounds of  $U_3O_8$  in 1,598,500 tonnes grading 1.69%  $U_3O_8$  in the Indicated category and an additional 19.5 million pounds of  $U_3O_8$  in 695,600 tonnes grading 1.27%  $U_3O_8$  in the Inferred category; and
- Combined mineral resources at the Kianna and Anne deposits at a cut-off grade of 1.0%  $U_3O_8$  total 48.3 million pounds of  $U_3O_8$  in 698,300 tonnes grading 3.18%  $U_3O_8$  in the Indicated category and an additional 14.4 million pounds of  $U_3O_8$  in 252,800 tonnes grading 2.59%  $U_3O_8$  in the Inferred category.

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Mineral resource estimates at various cut-off grades are summarized in Table 3. Of note is that at significantly higher cut-off grades, the majority of the contained uranium is retained at substantially higher grades.

**TABLE 3**

**Shea Creek Mineral Resource Estimates, Tonnes and Grade at Various U<sub>3</sub>O<sub>8</sub> % Cut-off Grades**

These mineral resource estimates were completed in April 2013 (incorporating drilling information up to December 31, 2012) using CIM standards of estimation of mineral resources and reserves.

Category	Cut-off U <sub>3</sub> O <sub>8</sub> (%)	Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)
Indicated	0.1	3,227,300	1.018	72,458,000
	<b>0.3</b>	<b>2,067,900</b>	<b>1.484</b>	<b>67,663,000</b>
	0.5	1,464,800	1.935	62,492,000
	1.0	795,800	2.966	52,047,000
	1.5	521,300	3.883	44,625,000
Inferred	0.1	2,601,600	0.586	33,616,000
	<b>0.3</b>	<b>1,272,200</b>	<b>1.005</b>	<b>28,192,000</b>
	0.5	784,500	1.388	23,999,000
	1.0	340,100	2.310	17,323,000
	1.5	215,600	2.937	13,961,000

The majority of the estimated mineral resources are from the Kianna and Anne deposits, where a significant portion of the resources lie in impermeable basement rocks beneath the Athabasca unconformity. Breakdowns of the mineral resource estimates by deposit at cut-off grades of 0.3% U<sub>3</sub>O<sub>8</sub> and 1.0% U<sub>3</sub>O<sub>8</sub> are provided in Tables 4 and 5, respectively.

**TABLE 4**

**Breakdown of the Contribution of Each Deposit at Shea Creek to the Total Mineral Resource Estimate at a 0.3% U<sub>3</sub>O<sub>8</sub> Cut-off Grade**

Deposit		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)
Kianna	Indicated	1,034,500	1.526	34,805,000	Inferred	560,700	1.364	16,867,000
Anne		564,000	1.992	24,760,000		134,900	0.880	2,617,000
Colette		327,800	0.786	5,680,000		493,200	0.716	7,780,000
58B		141,600	0.774	2,417,000		83,400	0.505	928,000
<b>TOTALS</b> <sup>(1)</sup>		<b>2,067,900</b>	<b>1.484</b>	<b>67,663,000</b>		<b>1,272,200</b>	<b>1.005</b>	<b>28,192,000</b>

(1) Certain amounts presented in the Shea Creek N.I. 43-101 report have been rounded for presentation purposes. This rounding may impact the footing of certain amounts included in the tables above.



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**TABLE 5**  
**Breakdown of the Contribution of Each Deposit at Shea Creek to the Total Mineral Resource Estimate**  
**at a 1.0% U<sub>3</sub>O<sub>8</sub> Cut-off Grade**

Deposit		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)		Tonnes	Grade U <sub>3</sub> O <sub>8</sub> (%)	U <sub>3</sub> O <sub>8</sub> (lbs)
Kianna	<b>Indicated</b>	446,800	2.796	27,544,000	<b>Inferred</b>	233,700	2.530	13,036,000
Anne		242,500	3.890	20,795,000		19,100	3.308	1,392,000
Colette		70,700	1.684	2,624,000		85,800	1.508	2,852,000
58B		35,900	1.370	1,084,000		1,500	1.280	43,000
<b>TOTALS</b> <sup>(1)</sup>		<b>795,800</b>	<b>2.966</b>	<b>52,047,000</b>		<b>340,100</b>	<b>2.310</b>	<b>17,323,000</b>

(1) Certain amounts presented in the Shea Creek N.I. 43-101 report have been rounded for presentation purposes. This rounding may impact the footing of certain amounts included in the tables above.

## Comparison with the Previous Mineral Resource Estimate

The new mineral resource estimate reflects the following changes at each deposit since the 2010 estimate prepared by Golder:

**Kianna Deposit:** Discovery of new basement-hosted zones, including the Kianna East Zone, and drilling expansion of other zones has resulted in a substantial increase of 54% in the Indicated mineral resource at a 0.3% U<sub>3</sub>O<sub>8</sub> cut-off. The majority of the current mineral resource estimate at Kianna is now found in basement rocks. Areas of basement mineralization, particularly on the north side of Kianna and in the Kianna East Zone, are still open and are expected to be targeted by future drilling.

**Anne Deposit:** No new drilling was conducted at Anne since the 2010 mineral resource estimate. The small decline in the Anne mineral resource estimate reflects a change in approach to the treatment of high-grade drill intervals. In addition to capping high grades, a restriction was placed on interpolation distances for samples at the upper end of the grade distribution. Further geological interpretation and potential infill drilling, particularly in the Anne basement mineralization where the widely spaced drilling restricts the ability to interpret the continuity of higher grade mineralization, may be undertaken to address this interpretation. A review of this basement mineralization has identified additional areas for potential expansion.

**Colette Deposit:** Since the previous mineral resource estimate, infill and step-out drilling was conducted throughout the Colette area. While this drilling identified a thick unconformity-hosted pod in the north part of the Colette Deposit that now represents a significant portion of the current Colette mineral resource estimate, infill drilling in parts of the central and southern parts of the deposit failed to establish continuity of mineralization in some of the higher grade parts of the central Colette unconformity mineralization and also restricted distribution of some of

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the previously interpreted basement zones. Basement mineralization in the southern parts of Colette has potential for expansion, and continuations of the Shea Creek trend to the north of Colette are still open.

**58B Deposit:** This new deposit adds to the total Shea Creek mineral resource estimate. Basement mineralization has been tested only by widely spaced drill holes, and the mineralization remains open in several directions.

## Mineral Resource Estimation Details

The 2013 Shea Creek mineral resource estimate was prepared by James N. Gray, P.Geo., of Advantage Geoservices Limited, an independent Qualified Person as defined by N.I. 43-101. This estimate utilized results of 477 diamond drill holes and directional cuts (totaling 402,800 metres) which were drilled since 1992. Drill spacing across the deposits is variable, ranging between 5 metres to greater than 50 metres. On average, Indicated blocks are within 8 metres of a drill hole and Inferred blocks within 16 metres.

The mineralized wireframe models from the Kianna, Anne, Colette and 58B deposits bounding perched, unconformity and basement mineralization were prepared at a 0.05%  $U_3O_8$  cut-off and used to constrain the mineral resource estimate at each deposit area. Estimation was by ordinary kriging using Gemcom Software. The impact of anomalously high-grade samples was controlled through a process of grade capping as well as restriction placed on high-grade interpolation distances.

The mineral resource estimate primarily utilized uranium geochemical analyses from the Saskatchewan Research Council (SRC) Geoanalytical Laboratories in Saskatoon, Saskatchewan. The principal geochemical analytical methods used for uranium analysis on the Shea Creek samples are ICP-MS (Inductively Coupled Plasma Mass Spectroscopy) for samples with grades lower than 1,000 ppm U, and  $U_3O_8$  uranium assay by ICP-OES (Inductively Coupled Plasma Optical Emission Spectroscopy) for samples determined by ICP-MS to contain uranium concentrations higher than 1,000 ppm U. In addition to AREVA's internal quality controls, duplicate and independent check analyses were performed by UEX on sample suites representing approximately 5% of the mineralized assay database since mineralization was discovered in 1992.

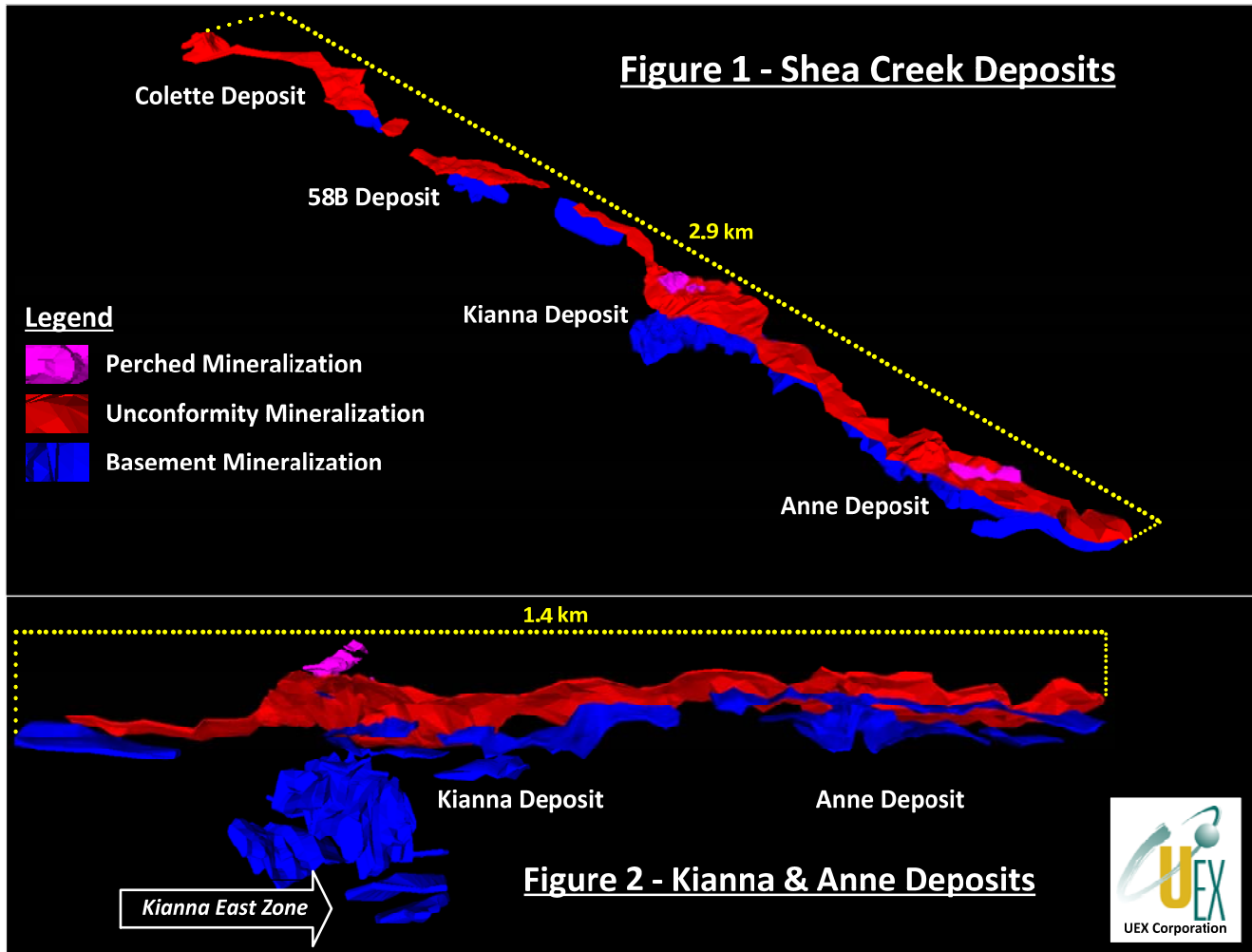
In cases where geochemical analyses were not available due to incomplete sampling or core recovery issues, downhole gamma probe data were used to calculate equivalent uranium grades obtained using a DHT27-STD gamma probe which collects continuous readings along the length of the drill hole. Probe results are calibrated using an algorithm calculated from the comparison of probe results against geochemical analyses in previous drill holes in the Shea Creek area.

A total of 674 dry bulk density samples, representing all rock types and mineralization styles from the Shea Creek deposits, form a comprehensive basis for the density component of the mineral resource estimate.

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**Figures 1 & 2  
Shea Creek Deposits**



## Western Athabasca Projects: 2014 Exploration Program – \$2.0 Million

The 2014 exploration program has an approved budget of \$2.0 million, for which UEX is responsible for its 49.097% share, or approximately \$982,000. This exploration program will be directed solely toward exploration of the Laurie, Mirror River and Erica Projects. Mobilization onto the Laurie Project area has been completed and drilling of approximately 2,000 metres began in late January of 2014. A ground geophysical program on the Erica Project is expected to commence in late March 2014. Drilling of approximately 2,000 metres at the Mirror River Project will commence upon the completion of the exploration drilling at Laurie.

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## Western Athabasca Projects: 2013 Exploration Program – \$3.1 Million

The 2013 exploration program had a budget of \$3.1 million, of which UEX funded its 49% share, or \$1.52 million. This exploration program consisted of a \$0.5-million geophysical program in the northern Colette and southern Anne areas which began in May and a \$2.6-million drilling program south of the Anne Deposit and along the Saskatoon Lake East Conductor ("SLEC") east of the Anne and Kianna Deposits that commenced in early June. In addition, one hole tested open portions of the northern part of the Kianna Deposit ("Kianna North").

The 2013 exploration program focused on the highly prospective Saskatoon Lake Conductor ("SLC") which continues to the south of Anne. The SLC represents a faulted graphitic unit beneath the overlying Athabasca sandstone and is spatially associated with the Colette, 58B, Kianna and Anne deposits all of which occur along and adjacent to this conductor over a three-kilometre strike length in the northern parts of Shea Creek. Outside of the immediate area of the deposits, the continuation of this conductor is sparsely tested by isolated, widely spaced drill holes. The few drill holes in this area include several mineralized intersections which have not been followed up, including drill hole SHE-2 drilled in 1992. This drill hole intersected a shallow-dipping brecciated fault zone just beneath the unconformity in association with the SLC and returned 0.342%  $U_3O_8$  over 0.4 metres in an area located approximately two kilometres southeast of the Anne Deposit.

The 2013 exploration program commenced in May with a geophysical Tensor Magnetotelluric ("MT") survey to further refine the position and potential areas of offset along northeast-trending faults crosscutting the SLC (see Figure 3). Steeply dipping faults of this orientation are associated with the significant mineralization at the Kianna and Anne deposits where they intersect the SLC. These structures can be inferred from the 2008 MT survey conducted on the northern parts of the property. A total of 50.4 line-kilometres were surveyed which extended the previous MT coverage for approximately six kilometres southeast of Anne and infilled two additional lines to the north. The geophysical survey was completed in mid-June and processing of the data as well as combining it with existing (2008) data has been completed. In conjunction with previous geophysical data, the survey was important for target generation relating to the 2013 drilling program at the southern limits of the 2008 data in order to allow refinement of the drill hole placements in this sparsely tested area.

### **Drilling Results – Anne South**

Drilling totaling 4,849.0 metres was carried out south of the Anne Deposit (see Figure 4) and was completed in late October. There are only four previous drill holes in this area, including drill hole SHE-24 which intersected mineralization grading 0.074%  $U_3O_8$  over 2.3 metres in the basement rocks approximately 20 metres below the unconformity. The drilling assessed untested gaps between existing drill holes, some of which are more than 800 metres apart, and also tested areas where initial drill holes intersected only the margins of the prospective corridor. This area is geologically similar to that associated with the Shea Creek deposits and previous holes here have also intersected anomalous radioactivity and favourable clay alteration.

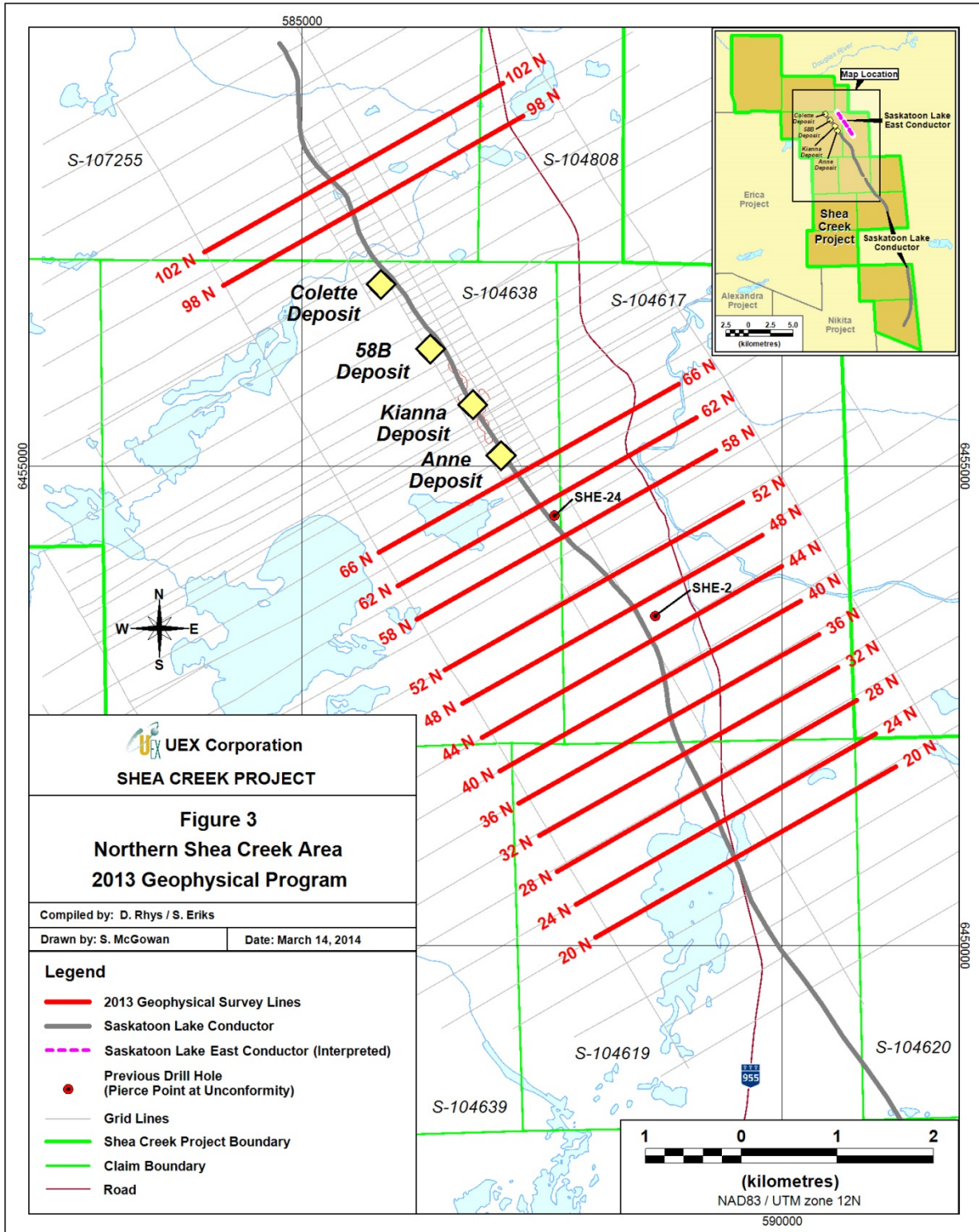
Two directional holes were completed using SHE-24 as a pilot hole. Holes SHE-24-1 and SHE-24-2 targeted the up-dip (northeast) and down-dip (southwest) extensions of mineralization in SHE-24 respectively. The holes both encountered favorable graphitic structural zones in the basement. Hole SHE-24-1 intersected minor mineralization of 0.05%  $eU_3O_8$  over 1.9 metres within weakly hematized conglomeratic sandstone, including 0.17%  $eU_3O_8$  over a narrow 0.2 metre interval just above the unconformity from 703.3 to 703.5 metres.

A new pilot hole, SHE-143, tested the SLC on line 62+00N (see Figure 4). The drill hole intersected a strongly graphitic structural zone from 800.0 to 804.2 metres containing abundant angular rubble with small sections of fault gouge.

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**Figure 3  
 Northern Shea Creek Area - 2013 Geophysical Program**

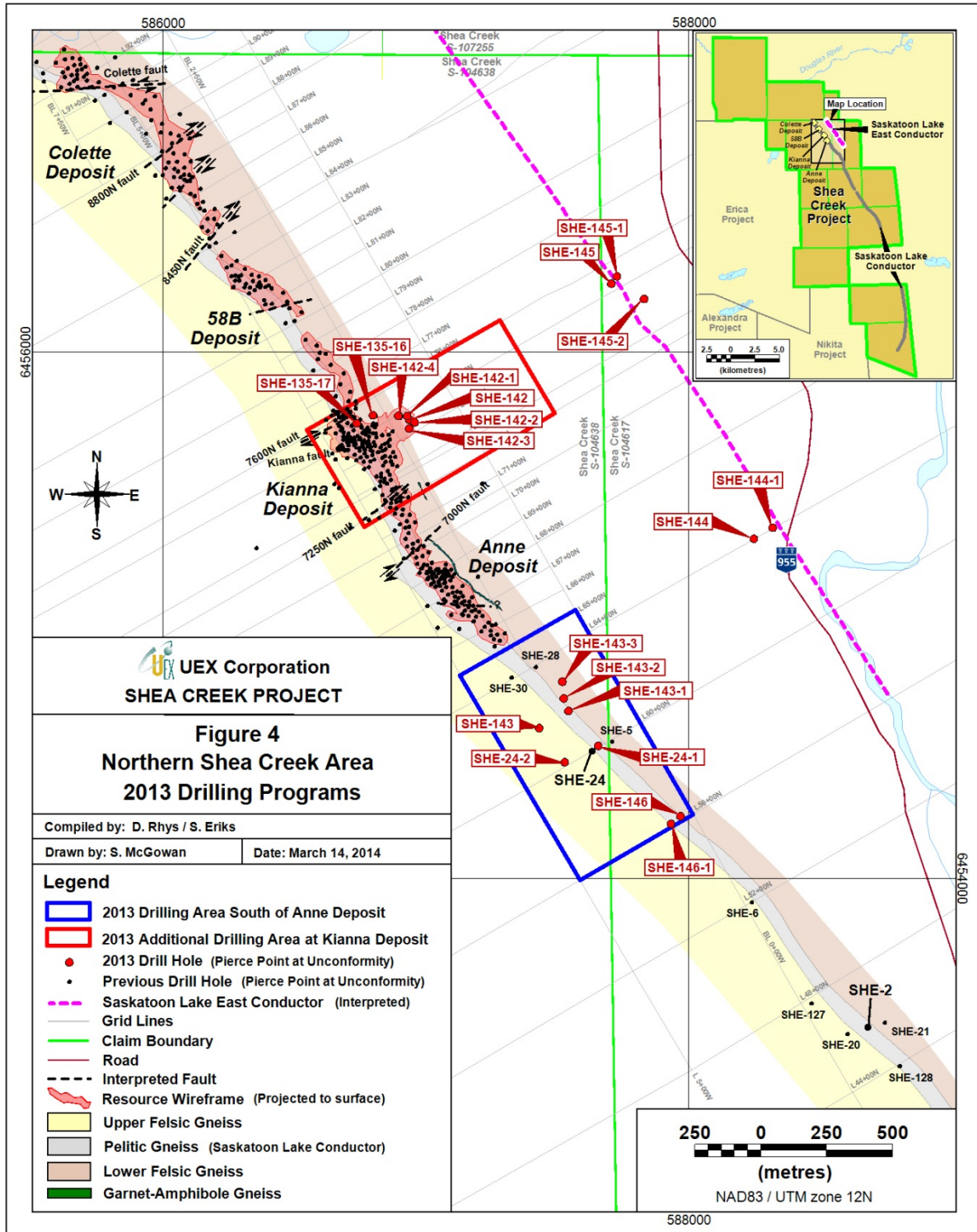




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**Figure 4**  
**Northern Shea Creek Area - 2013 Drilling Programs**



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Three directional holes, SHE-143-1, SHE-143-2 and SHE-143-3, were completed using the SHE-143 pilot hole.

Hole SHE-143-1 tested a significant elevation drop of the unconformity 200 metres southeast of historical drill holes SHE-28 and SHE-30. In addition, the hole tested the southeastern continuity of the lower graphitic-pelite package that hosts the Kianna East Zone mineralization. A graphitic reverse structure was intersected approximately 24 metres below the unconformity from 760.8 metres to 761.4 metres. A well-developed fault zone extends from 761.4 to 768.4 metres with trace to weak pitchblende mineralization locally with a grade of 0.143% eU<sub>3</sub>O<sub>8</sub> over 0.9 metres from 765.4 to 766.3 metres. A thick interval of aluminous rocks was intersected from 1,014.5 to 1,055.0 metres comprising dominantly graphitic/pyritic metapelite to 1,022.0 metres, grading into intercalated garnetite/pelite to the bottom of the interval. This aluminous interval is interpreted to be the lateral equivalent of the lower graphitic pelite associated with mineralization in the Kianna East area due to the similarities in lithology and stratigraphic position. In addition, this interpretation fits well with the geophysical hypothesis that the SLEC is the up-dip expression at the unconformity of this lower graphitic unit. The SLEC is located approximately one kilometre to the east of both the Kianna and Anne deposits (see Figure 4).

Hole SHE-143-2 was the second directional cut off of SHE-143 testing the unconformity 40 metres north-northeast of the unconformity pierce point in SHE-143-1. A wide interval of brecciated sandstone was encountered from 720.7 metres to the unconformity at 752.2 metres. Weak mineralization is present within this breccia just above the unconformity from 748.4 to 749.3 metres grading 0.211% eU<sub>3</sub>O<sub>8</sub> over 0.9 metres. A graphitic reverse structure was observed from 759.7 metres to 762.5 metres defined by strongly graphitic hardened gouge and rubble.

Hole SHE-143-3 was the third directional cut off of SHE-143 to test for basement mineralization north of hole SHE-143-2. A thick interval of breccia was intersected in the basal sandstone from 759.5 metres to the unconformity at 786.1 metres comprised of alternating intervals of angular, strongly silicified sandstone clasts coated with sandy-clay or cemented by quartz.

A new pilot hole, SHE-146, tested the SLC on line 56+00N, 600 metres southeast of the SHE-24 series holes (see Figure 4). Basement consisted primarily of fresh felsic gneiss with local metabasite encountered from 745.6 to 770.2 metres. The presence of the metabasite and absence of the aluminous package of pelitic rocks indicates that the intersection of the graphitic reverse structure with the unconformity is further to the west of the SHE-146 collar.

Hole SHE-146-1 was the first directional cut off of SHE-146, testing for the intersection of the aluminous package with the unconformity to the southwest of the SHE-146 collar location. Aluminous pelitic rocks were intersected in the basement from 714.2 to 751.8 metres that are dominantly graphitic at the base with up to 15% graphite locally as stringers and disseminated pyrite common. This graphitic/pyritic interval is likely the source of the ground-based EM anomalies in the area.

## ***Drilling Results – Saskatoon Lake East Conductor - East of Anne***

A total of 1,329.0 metres of drilling was completed east of the Anne Deposit (see Figure 4). A new pilot hole, SHE-144, tested a MT anomaly defining the SLEC on line 64+00N; approximately 1,100 metres east of the Anne Deposit (see Figure 4). A graphitic metapelite was intersected approximately 56 metres below the unconformity from 758.1 to 760.1 metres comprised of 5% to 7% graphite with common pyrite veins.

Hole SHE-144-1 was the first directional cut off of SHE-144 testing the intersection of graphitic metapelite with the unconformity at a point 80 metres northeast of the SHE-144 collar. A narrow interval of graphitic pelitic

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gneiss was intersected approximately 17 metres below the unconformity from 731.7 to 734.2 metres. The graphite content varies from trace to moderate and is typically disseminated along the foliation and in fractures. A second narrow unit of graphitic pelitic gneiss with trace to moderate pyrite content was encountered from 761.3 to 764.9 metres.

These drill holes confirmed the presence and location of the SLEC and, although no mineralization was intersected, established a new target area for parallel mineralization to the trend of deposits at Shea Creek.

## ***Drilling Results – Saskatoon Lake East Conductor - East of Kianna***

Drilling totaling 1,673.0 metres was carried out east of the Kianna Deposit (see Figure 4). A new pilot hole, SHE-145, tested the up-dip extension of the Kianna East graphitic horizon at the unconformity (SLEC) on line 75+00N, approximately one kilometre northeast of the Kianna main deposit. A graphitic pelitic gneiss with moderate graphite content and trace pyrite was intersected from 753.5 to 758.5 metres. This pelitic interval is interpreted to be the equivalent unit to the lower graphitic pelite that hosts the Kianna East mineralization.

The first cut from SHE-145, SHE-145-1, tested the intersection of graphitic pelitic unit encountered in SHE-145 with the unconformity at a point 40 metres northeast of the SHE-145 collar. Pelitic bands containing trace to weak disseminated graphite and pyrite are present between 761.8 and 762.3 metres.

A second directional cut, SHE-145-2, tested the intersection of graphitic pelitic unit with the unconformity in the area of an interpreted structural break in the MT geophysical data at a point 135 metres southeast of the SHE-145 collar. A pelitic interval with an intercalated massive, gritty zone was noted from 876.9 to 881.9 metres.

These drill holes further confirmed the presence and location of the SLEC. The occurrence of the Kianna East Zone along this graphitic unit suggests that hydrothermal activity associated with mineralization was active along this conductor, and future exploration will target prospective structural sites along its length.

## ***Drilling Results – Kianna North***

This area, also referred to as the GAMP Zone, includes a zone of mineralization which lies to the north of the main Kianna basement zone and was initially intersected in 2010. During that program, drill hole SHE-136-1 intersected 1.84% eU<sub>3</sub>O<sub>8</sub> over 16.6 metres approximately 50 metres to the north of the main Kianna basement zone. Subsequent drilling intercepts in the area include 1.28% eU<sub>3</sub>O<sub>8</sub> over 25.1 metres in hole SHE-130-4 drilled in 2011. This zone of mineralization, which was incorporated into the 2013 updated mineral resource estimate, is still open to the east. Additional mineralized intercepts, which lie outside of this resource, define further prospective targets for similar mineralization styles.

One new directional drill hole, SHE-135-17, expanded the eastern extension of basement-hosted mineralization in the Kianna North area (see Figure 5). Results from this drill hole include:

SHE-135-17\*:

(UC)	0.33%	eU <sub>3</sub> O <sub>8</sub> over 9.4 metres;
(B)	0.80%	eU <sub>3</sub> O <sub>8</sub> over 31.5 metres, <i>including</i> :
(B)	4.05%	eU <sub>3</sub> O <sub>8</sub> over 4.1 metres.

\* See UEX's news release dated November 27, 2013

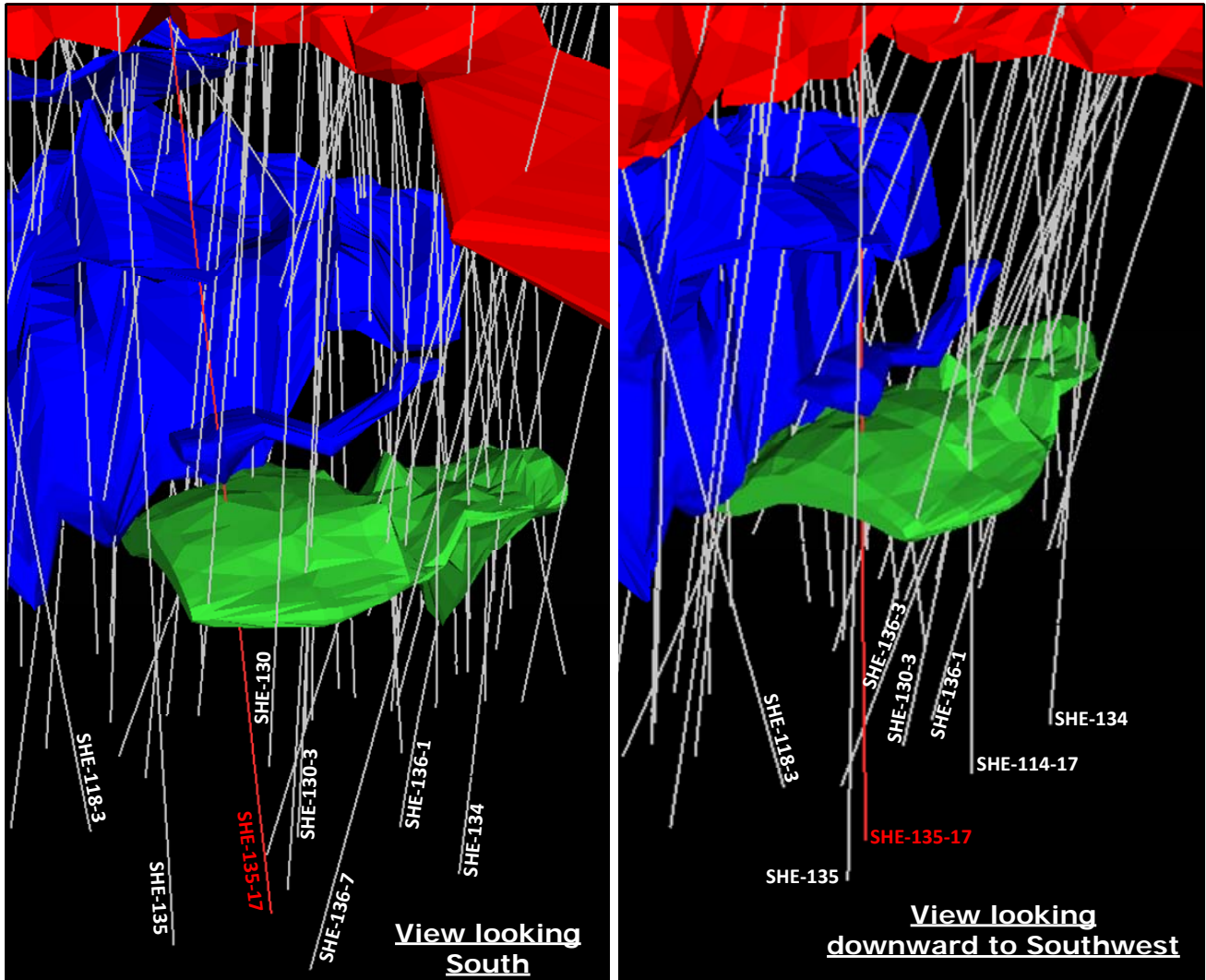
This area remains highly prospective for open northern and eastern extensions of basement mineralization, and for potential new zones where previous drill holes have intersected mineralization outside of the resource area.



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**Figure 5**  
**2013 Kianna North Drill Results: SHE-135-17 with Updated Wireframe Models**



■ Kianna North - GAMP Zone (2010-11 Discovery)

■ Unconformity Mineralization

■ Basement Mineralization

Note: Images of mineralized zones depicted above are based upon a minimum cut-off grade of 0.05% U<sub>3</sub>O<sub>8</sub> and show updated UEX wireframe models which include the 2013 drill results. Drill hole SHE-135-17 is not included in the 2013 Mineral Resource Estimate reported in the Shea Creek Technical Report.

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## Western Athabasca Projects: 2014 Supplemental Exploration Program

UEX has the option to propose a supplemental exploration program for the Western Athabasca Projects for 2014 which will allow up to \$4.0 million of Additional Expenditures at UEX's sole expense. The Company is under no obligation to propose a supplemental budget in any year. Currently the Company is evaluating market conditions before making a decision to propose a supplemental program and budget in 2014.

## Western Athabasca Projects: 2013 Supplemental Exploration Program – \$2.0 Million

In addition to the \$3.1-million exploration program, a \$2.0-million supplemental exploration program was completed on the Shea Creek Project funded by UEX under the option signed on April 4, 2013 which allows up to \$4.0 million of Additional Expenditures in any year of the agreement.

The 2013 supplemental drilling program consisted of 4,125.5 metres was designed to test open portions of the high-grade Kianna East mineralized zone (see Figure 4 for drilling area). Considerable exploration success was achieved in this area in 2012. The drilling program was completed in early November of 2013.

### Kianna East

Kianna East represents a shallow southwest-dipping zone of mineralization which lies approximately 80 to 110 metres below and east of the main Kianna basement zone and about 200 metres below the unconformity (see Figure 6). Given the orientation of the drill holes, the Kianna East intercepts lie at or close to true thickness. Significant previous results from drilling at Kianna East, which were incorporated into the 2013 updated mineral resource estimate include:

SHE-135-11*	3.59% eU <sub>3</sub> O <sub>8</sub> over	16.0 metres;
SHE-135-13*	3.70% eU <sub>3</sub> O <sub>8</sub> over	18.1 metres;
SHE-118-24**	1.55% eU <sub>3</sub> O <sub>8</sub> over	19.9 metres; and
SHE-135-12**	2.36% U <sub>3</sub> O <sub>8</sub> over	7.0 metres.

\* See UEX's news release dated October 15, 2012

\*\* See UEX's news release dated November 14, 2012

This high-grade zone occurs parallel to and along the top of a southwest-dipping graphitic unit which forms an electromagnetic (EM) anomaly to the east of, and parallel to, the Saskatoon Lake Conductor (see Figure 4 inset). The new zone is open to the northwest, southeast and up dip to the northeast.

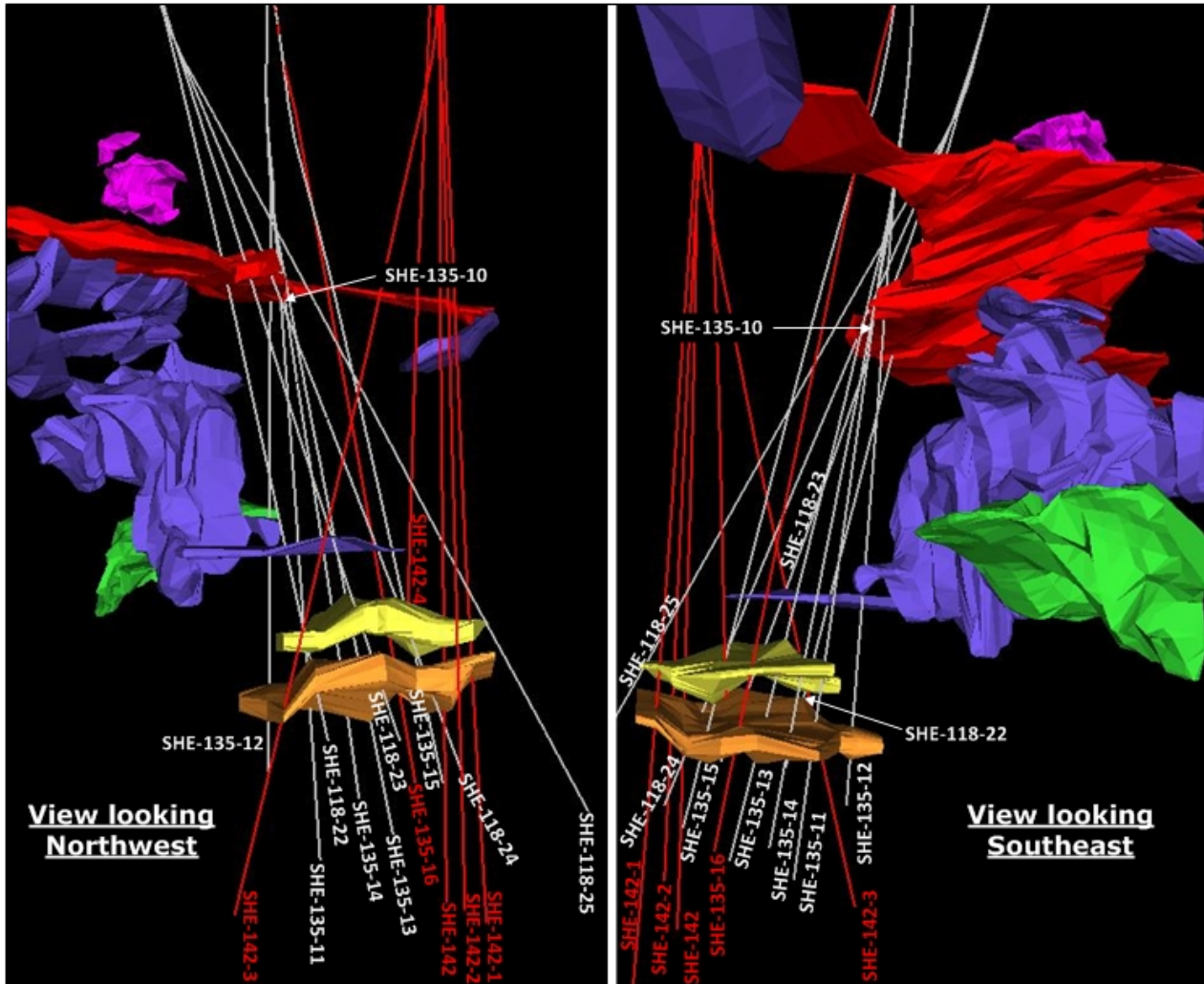
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**Figure 6**  
**2013 Kianna East Drill Results: SHE-135-16, SHE-142, and SHE-142-1 to SHE-142-4**  
**with Updated Wireframe Models**



- |   |  |
|---|--|
|  Perched Mineralization      |  Kianna North - GAMP Zone (2010-11 Discovery) |
|  Unconformity Mineralization |  Upper Kianna East Zone (2012 Discovery)      |
|  Basement Mineralization     |  Kianna East Zone (2012 Discovery)            |

Note: Images of mineralized zones depicted above are based upon a minimum cut-off grade of 0.05% U<sub>3</sub>O<sub>8</sub>. Drill holes SHE-135-16, SHE-142, SHE-142-1, SHE-142-2, SHE-142-3 and SHE-142-4 are not included in the 2013 Mineral Resource Estimate reported in the Shea Creek Technical Report.

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## ***Drilling Results – Kianna East***

One new pilot hole, SHE-142, and three directional drill holes, SHE-142-1, SHE-142-2 and SHE-142-3, were completed to test the up dip projection, the northern, eastern and southern extensions respectively of the previous drilling in Kianna East (see Figure 6). A fourth directional hole, SHE-142-4, was drilled to test the northwestern extension of the Kianna East mineralized zone. Due to strongly fractured and brecciated sandstone above the unconformity in SHE-142-4, the hole was lost before reaching the projected depth of the Kianna East mineralization. Several additional directional holes (SHE-142-4A, SHE-142-4B and SHE-142-4C) were attempted to intersect the Kianna East Zone, but were abandoned before the target depth due to stuck rods. Hole SHE-135-16, a directional cut from the SHE-135 pilot hole, successfully tested the intended target area of the SHE-142-4 series holes.

Highlights of the drill results with a grade-thickness product of greater than 1.0 and grades of greater than 0.4% eU<sub>3</sub>O<sub>8</sub> include:

### SHE-142\*:

- (B) 0.85% eU<sub>3</sub>O<sub>8</sub> over 22.3 metres, *including:*
- Upper Kianna East Zone (B) 5.93% eU<sub>3</sub>O<sub>8</sub> over 1.4 metres, and
- Kianna East Zone (B) 1.30% eU<sub>3</sub>O<sub>8</sub> over 6.9 metres;

### SHE-142-3\*\*:

- Kianna East Zone (B) 0.99% eU<sub>3</sub>O<sub>8</sub> over 5.3 metres, *including:*
- (B) 3.21% eU<sub>3</sub>O<sub>8</sub> over 1.5 metres; and

### SHE-135-16\*\*:

- Upper Kianna East Zone (B) 0.73% eU<sub>3</sub>O<sub>8</sub> over 1.9 metres, and
- Kianna East Zone (B) 0.48% eU<sub>3</sub>O<sub>8</sub> over 3.0 metres.

\* See UEX's news release dated August 6, 2013

\*\* See UEX's news release dated November 27, 2013

The mineralization in drill hole SHE-142 expands Kianna East mineralization approximately 15 metres to the east of drill hole SHE-118-24, which intersected 1.55% eU<sub>3</sub>O<sub>8</sub> over 19.9 metres, and maintains a substantial width. The position of the drill hole suggests that the zone still continues to the northeast of the previously reported drilling beyond the 2013 Shea Creek resource estimate and there may be potential for the thick, higher-grade areas seen in previous drilling to extend into this area.

Drill hole SHE-142-1 intersected a section of lower-grade mineralization grading 0.23% eU<sub>3</sub>O<sub>8</sub> over 1.6 metres approximately 35 metres north of mineralization in drill hole SHE-118-24. In addition, the hole intersected a fault zone with strongly tectonized and brecciated graphitic pelitic gneiss from 934.1 metres to 969.7 metres which shows strong clay alteration and dravite infilling between breccia fragments. This fault zone is present in all of the Kianna East drill holes and represents the controlling, shallow dipping structure to the mineralization which may project up eastward to the Athabasca unconformity where it represents an exploration target for additional areas of unconformity mineralization.

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Drill hole SHE-142-2 intersected several pitchblende veins from 842.9 to 843.3 metres with mineralization grading 0.31% eU<sub>3</sub>O<sub>8</sub> over 0.4 metres. No significant mineralization was encountered above a moderately graphitic, pelitic gneiss intersected from 922.6 to 949.5 metres.

In addition to the high grade Kianna East Zone mineralization intersected in hole SHE-142-3 grading 0.99% eU<sub>3</sub>O<sub>8</sub> over 5.3 metres from 961.2 to 966.5 metres, weak mineralization was encountered from 798.4 to 799.0 metres grading 0.63% eU<sub>3</sub>O<sub>8</sub> over 0.6 metres from 798.4 to 799.0 metres as disseminated pitchblende blebs associated with strong secondary hematite, trace limonite and moderate bleaching.

Hole SHE-142-4 was the fourth directional cut from SHE-142 testing the continuity of mineralization in Kianna East to the northwest. Significant breccia development was observed in the sandstone from 712.0 metres to the unconformity at 727.2 metres comprised of alternating zones of desilicified and silicified sandstone as well as solution-style and collapse-style brecciation below 716.0 metres depth. Weak mineralization consisting of disseminated pitchblende associated with dravite veinlets oriented parallel to foliation was encountered from 905.9 to 907.1 metres grading 0.243% eU<sub>3</sub>O<sub>8</sub> over 1.2 metres. The drill hole was lost at 939 metres before reaching the projected depth of the Kianna East mineralization due to stuck rods caused by falling in of desilicified sand from above the unconformity. Downhole probing could only be carried out a depth of 914.0 metres. The hole was restarted as SHE-142-4A.

Hole SHE-135-16, a directional cut from the SHE-135 pilot hole, tested the same target area as the SHE-142-4 series holes. Mineralization intersected in the hole grading 0.48% eU<sub>3</sub>O<sub>8</sub> over 3.0 metres from 979.9 to 982.9 metres consists of disseminated pitchblende within strongly graphitic and locally brecciated sections. Weak mineralization was also observed from 956.0 to 961.2 metres grading 0.16% eU<sub>3</sub>O<sub>8</sub> over 5.2 metres in a strongly argillized gneiss as disseminated pitchblende blebs associated with dravite alteration.

## Beatty River Project

Beatty River consists of seven claims totaling 6,688 hectares (16,526 acres) located in the western Athabasca Basin approximately 40 kilometres south of the Shea Creek deposits. UEX entered into an agreement dated June 15, 2004 with JCU wherein JCU granted UEX an option to acquire a 25% interest in Beatty River. Under the agreement, UEX would earn a 25% interest in Beatty River by funding \$865,000 in exploration expenditures by December 31, 2013. Expenditures under this agreement by UEX to December 31, 2012 amounted to \$858,118. In early 2013, UEX and JCU amended their agreement and UEX fulfilled its earn-in on the Beatty River Project by making a payment to JCU of \$3,441.

At present, AREVA, the operator, owns a 50.7% interest, UEX owns a 25.0% interest and JCU owns a 24.3% interest in Beatty River. No program has been proposed for 2014.



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## Hidden Bay Project

UEX operates its 100%-owned Hidden Bay Project ("Hidden Bay"), which consists of 41 claims totaling 57,024 hectares (140,909 acres) and is host to the following deposits:

- Horseshoe Deposit ("Horseshoe");
- Raven Deposit ("Raven"); and
- West Bear Deposit ("West Bear").

Hidden Bay was acquired from Cameco upon UEX's formation in 2002 establishing Cameco's initial equity position in UEX. Extensive drilling programs were conducted on the property in the following years, leading to the release of a mineral resource estimate for Horseshoe, Raven and West Bear in 2009.

Located in northeast Saskatchewan, the Hidden Bay property hosts the seventh largest undeveloped uranium resource in the Athabasca Basin. Resources at Horseshoe and Raven have been estimated following N.I. 43-101 guidelines. The current Preliminary Assessment Technical Report estimates these deposits contain 35.0 million pounds U<sub>3</sub>O<sub>8</sub> Indicated Mineral Resources and 2.7 million pounds U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resources at a cut-off grade of 0.05% U<sub>3</sub>O<sub>8</sub>. West Bear contains an additional 1.6 million pounds U<sub>3</sub>O<sub>8</sub> in the Indicated category at a cut-off grade of 0.05% U<sub>3</sub>O<sub>8</sub>. See the resource table on page 2 for additional information.

The Preliminary Assessment Technical Report found the economics of mining the Horseshoe and Raven deposits to be positive. The proximity of the Hidden Bay deposits to uranium milling facilities operated by Cameco and AREVA provide opportunities for potential toll milling arrangements. The principal hydroelectric transmission lines that service both of these mill facilities also pass 3 kilometres to the north of the deposits and could provide electricity to site. In 2012, the Company acquired the Raven camp which provides on-site accommodation. The PA recommends that the Hidden Bay Project be advanced to a preliminary feasibility level, and that this next phase of study also include UEX's West Bear Deposit. The PA utilized cut-off grades calculated on the basis of US\$60 per pound of U<sub>3</sub>O<sub>8</sub> and estimated that 16.6 million pounds of U<sub>3</sub>O<sub>8</sub> could be extracted over a seven-year mine life at this price per pound of U<sub>3</sub>O<sub>8</sub> (the "Base Case"). The Base Case estimated undiscounted earnings before interest and taxes ("EBIT") of \$246 million, a pre-tax net present value ("NPV") at a 5% discount rate of \$163 million and an internal rate of return ("IRR") of 42%.

The Preliminary Assessment Technical Report is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Projects in the mining sector have experienced rising costs, including rising capital and operating costs, during the past few years. Rising capital and operating costs would, in the absence of other changes, negatively impact EBIT, NPV and IRR which have been calculated based upon estimated costs at the time the PA was prepared.

Cumulative expenditures at December 31, 2013 by UEX on exploration and evaluation at Hidden Bay were \$59.9 million and \$6.8 million, respectively, with approximately 488,000 metres of drilling completed.

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## Hidden Bay Project: 2014 Exploration and Evaluation Programs

Brownfields exploration for Hidden Bay continues to be deferred until market conditions in the mining sector, and in particular in the uranium space, improve. Field barrel testing and monitoring programs will continue in 2014.

## Hidden Bay Project: 2013 Exploration and Evaluation Programs

UEX, having purchased the Raven exploration camp which will generate appreciable long-term cost savings, will continue to evaluate infrastructure requirements such as the connection of the camp to the nearby power grid.

UEX personnel have worked with various consultants on studies that have looked at ways of optimizing the future mining and processing of the resources at Raven and Horseshoe. UEX is conducting field tests on waste rock materials which require a longer time frame to complete. In support of this, a field barrel testing program was set up by UEX personnel in August 2013. The field barrel tests were initiated to provide data in support of the source term predictions for the Horseshoe Deposit and to further assess the reactivity of waste rock from the Raven Deposit. Management believes that as a result of undertaking these various studies it has improved its knowledge of the deposits, potential mining scenarios, and the alternatives available for future development. These studies provide the basis for future project evaluation and potential development. UEX plans to defer further evaluation and development, such as the preparation of a preliminary feasibility study, until there is a sustained recovery of spot and long-term uranium commodity prices to more appropriate levels.

## Black Lake Project

In early 2013, UEX entered into an agreement with Uracon Resources Ltd. ("Uracon") whereby Uracon can earn into the Black Lake Project (the "Project") in northern Saskatchewan, which is a joint venture with AREVA Resources Canada Inc. Currently, UEX holds an 89.99% interest and AREVA holds a 10.01% interest in the Project.

Uracon must fund a total of \$10.0 million of project expenditures over 10 years to earn their 60% interest in the Project from UEX, with no partial earn-in permitted. Uracon has committed to spend \$2.0 million on project expenditures by December 31, 2014, with a firm commitment to fund \$1.5 million even if a decision is made by Uracon not to proceed with the earn-in or the agreement is otherwise terminated. Should the agreement be terminated prior to \$1.5 million in project costs having been funded by Uracon, any shortfall is payable directly to UEX. During the remainder of the option period, minimum expenditures of \$1.0 million per year are to be funded by Uracon. UEX remains the project operator until such time as Uracon has earned its 60% interest in the Project and is entitled to a 10% management fee under the Black Lake joint-venture agreement.

Uracon has issued 300,000 shares and 150,000 share purchase warrants to UEX. The warrants are exercisable for three years at a price of \$0.15 for each warrant. Uracon has also granted to UEX a 1% NSR royalty from their ownership interest and upon UEX receiving a total of \$10.0 million in royalty payments, the NSR royalty will terminate.

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## **Black Lake Project: 2014 Exploration Program**

A winter 2014 diamond drilling program consisting of six holes totaling approximately 3,000 metres commenced in early February. The drilling program will test high priority targets identified utilizing a neural network for spatial analysis. Road clearing and mobilization was carried out in January 2014 in preparation for the winter 2014 drilling program.

In the first quarter of 2014, UEX received from Uracon a prepayment of \$650,000 and amounts to 100% of the currently budgeted 2014 winter drilling program at Black Lake, which together with the 2013 budget expenditures contributes toward Uracon's \$2.0 million exploration expenditure requirement by December 31, 2014.

## **Black Lake Project: 2013 Exploration Program**

The 2013 program involved planning and implementation of a drilling program to be carried out on the Black Lake property in the winter of 2014. A preliminary study utilizing a neural network for spatial analysis with the ultimate goal of generating drill targets for the 2014 drilling program was conducted on the Black Lake Project area. The study incorporated airborne geophysical surveys (EM, magnetics and gravity), ground geophysics (magnetics, gravity, EM and resistivity) and previous drilling results (including geochemical analysis, alteration, PIMA/Terraspec, normative clay, downhole probing, structures and lithology). Data analysis included a geophysical characterization of mineralization, lithologies and proximal alteration identifying parameters that correlate with uranium mineralization. The data layers of interest were incorporated into a single probability map using a Neural Net program (property scale and detail scale for the northern area). Targets were then generated and prioritized using the results of the Neural Net.

In the third quarter of 2013, UEX received from Uracon a prepayment of \$104,060 which represents the full budget amount for the 2013 exploration program at Black Lake. Planning and preparations as well as road clearing and mobilization were completed with this 2013 budget for the winter 2014 drilling program which began in early February of 2014.

## **Other Athabasca Projects**

UEX is deferring exploration programs at Riou Lake for the near-term until uranium market conditions improve. Eight claims within the Northern Athabasca Projects lapsed on February 5, 2013 and one claim lapsed on February 5, 2014; however, these claims had been written off in 2010 due to a lack of planned exploration activity at that time.



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## Qualified Person

The disclosure of technical information regarding UEX's properties in this MD&A has been reviewed and approved by R. Sierd Eriks, P.Geo., UEX's Vice-President of Exploration and Roger Lemaitre, P.Eng., P.Geo., UEX's President and CEO, who are Qualified Persons as defined by *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* and are non-independent of UEX.

## Geochemical Analysis

Geochemical analyses are carried out at the SRC Geoanalytical Laboratories in Saskatoon, Saskatchewan. The primary geochemical analytical methods used for uranium analysis are ICP-MS (Inductively Coupled Plasma Mass Spectroscopy) for samples with grades lower than 1,000 ppm U, and U<sub>3</sub>O<sub>8</sub> uranium assay by ICP-OES (Inductively Coupled Plasma Optical Emission Spectroscopy) for samples determined by ICP-MS to contain uranium concentrations higher than 1,000 ppm U.

## Equivalent Uranium Grades

Some of the uranium grades reported for Shea Creek in our MD&A are calculated from gamma probe logging. The probe results are reported as uranium equivalent (eU<sub>3</sub>O<sub>8</sub>). Equivalent grade results are obtained using a DHT27-STD gamma probe which collects continuous readings along the length of the drill hole. Probe results are calibrated using an algorithm calculated from the comparison of probe results against geochemical analyses in previous drill holes in the Shea Creek area. The reader is referred to UEX's news release of March 24, 2009 for further discussion of probe calibration and comparative treatment of geochemical and probe data.

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## **Risks and Uncertainties**

An investment in UEX common shares is considered speculative due to the nature of UEX's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below.

### ***It is not possible to determine if the exploration programs of UEX will result in profitable commercial mining operations***

The successful exploration and development of mineral properties is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by UEX in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of uranium or other mineralized materials in commercial quantities. While discovery of a uranium deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There is no assurance that the current exploration programs of UEX will result in profitable commercial uranium mining operations. UEX may abandon an exploration project because of poor results or because UEX feels that it cannot economically mine the mineralization.

### ***Joint ventures***

UEX participates in certain of its projects (such as the Western Athabasca and Black Lake projects) through joint ventures (referred to as "joint operations" in the financial statements) with third parties. UEX has other joint ventures and may enter into more in the future. There are risks associated with joint ventures, including:

- disagreement with a joint-venture partner about how to develop, operate or finance a project;
- a joint-venture partner not complying with a joint-venture agreement;
- possible litigation between joint-venture partners about joint-venture matters; and
- limited control over decisions related to a joint venture in which UEX does not have a controlling interest.

In particular, UEX is in the process of negotiating joint-venture agreements with AREVA on the Western Athabasca Projects and there is no assurance that the parties will be able to conclude a mutually satisfactory agreement.

### ***Reliance on other companies as operators***

Where another company is the operator and majority owner of a property in which UEX has an interest, UEX is and will be, to a certain extent, dependent on that company for the nature and timing of activities related to those properties and may be unable to direct or control such activities.

### ***Uranium price fluctuations could adversely affect UEX***

The market price of uranium is the most significant market risk for companies exploring for and producing uranium. The marketability of uranium is subject to numerous factors beyond the control of UEX. The price of uranium has recently experienced and may continue to experience volatile and significant price movements over short periods of time. Factors impacting price include demand for nuclear power, political and economic conditions in uranium producing and consuming countries, natural disasters such as those that struck Japan in

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March, 2011, reprocessing of spent fuel and the re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants and production levels and costs of production in countries such as Kazakhstan, Russia, Africa and Australia.

## ***Reliance on the economics of the Preliminary Assessment Technical Report***

The market price of U<sub>3</sub>O<sub>8</sub> has decreased since the date of the PA. The uranium industry has been adversely affected by the natural disasters that struck Japan on March 11, 2011 and the resulting damage to the Fukushima nuclear facility. These events resulted in many countries, which presently rely on nuclear power for a portion of their electrical generation, stating that they will review their commitment to this source of clean energy. These reviews resulted in downward pressure on the price of uranium and may have a significant effect on the country-by-country demand for uranium. The current long-term U<sub>3</sub>O<sub>8</sub> market price, as reported by Ux Consulting on February 24, 2014, is US\$50.00 /lb. Given that the PA presented three economic scenarios using prices ranging from US\$60 to US\$80 /lb of U<sub>3</sub>O<sub>8</sub>, the economic analysis which uses U<sub>3</sub>O<sub>8</sub> prices higher than the prevailing market price may no longer be accurate and readers of the PA are therefore cautioned when reading or relying on the PA.

## ***Competition for properties could adversely affect UEX***

The international uranium industry is highly competitive and significant competition exists for the limited supply of mineral lands available for acquisition. Many participants in the mining business include large, established companies with long operating histories. UEX may be at a disadvantage in acquiring new properties as many mining companies have greater financial resources and more technical staff. Accordingly, there can be no assurance that UEX will be able to compete successfully to acquire new properties or that any such acquired assets would yield reserves or result in commercial mining operations.

## ***Resource estimates are based on interpretation and assumptions***

Mineral resource estimates presented in this document and in UEX's filings with securities regulatory authorities, news releases and other public statements that may be made from time to time are based upon estimates. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that this mineralization could be extracted or processed profitably.

Mineral resource estimates for UEX's properties may require adjustments or downward revisions based upon further exploration or development work, actual production experience, or future changes in uranium price. In addition, the grade of mineralization ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

## ***Failure to obtain additional financing on a timely basis could cause UEX to reduce its interest in its properties***

The Company currently has sufficient financial resources to carry out its anticipated short-term planned exploration and development on all of its projects and to fund its short-term general administrative costs; however, there are no revenues from operations and no assurances that sufficient funding will be available to conduct further exploration and development of its projects or to fund exploration expenditures under the terms

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of any joint-venture or option agreements after that time. If the Company's exploration and development programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional funding could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Company's properties. It is intended that such funding will be obtained primarily from future equity issues. If additional funds are raised from the issuance of equity or equity-linked securities, the percentage ownership of the current shareholders of UEX will be reduced, and the newly issued securities may have rights, preferences or privileges senior to or equal to those of the existing holders of UEX's common shares. The ability of UEX to raise the additional capital and the cost of such capital will depend upon market conditions from time to time. There can be no assurances that such funds will be available at reasonable cost or at all.

## ***Competition from other energy sources and public acceptance of nuclear energy***

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrate and uranium conversion services. Furthermore, the growth of the uranium and nuclear power industry beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry.

## ***Dependence on key management employees***

UEX's development to date has depended, and in the future will continue to depend, on the efforts of key management employees. UEX will need additional financial, administrative, technical and operations staff to fill key positions as the business grows. If UEX cannot attract and train qualified people, the Company's growth could be restricted.

## ***Compliance with and changes to current environmental and other regulatory laws, regulations and permits governing operations and activities of uranium exploration companies, or more stringent interpretation, implementation, application or enforcement thereof, could have a material adverse impact on UEX***

Mining and refining operations and exploration activities, particularly uranium mining, refining and conversion in Canada, are subject to extensive regulation by provincial, municipal and federal governments. Such regulations relate to production, development, exploration, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mines decommissioning and reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing and constructing. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact UEX's decision to proceed with exploration or development or that such laws or regulations may result in UEX incurring significant costs to remediate or decommission properties which do not comply with applicable environmental standards at such time. UEX believes it is in substantial compliance with all material laws and regulations that currently apply to its operations. However, there can be no assurance that all permits which UEX may require for the conduct of uranium exploration operations will be obtainable or can be maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any uranium exploration project which UEX might

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undertake. World-wide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

## **Conflicts of interest**

Some of the directors of UEX are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. In particular, one of those consequences may be that corporate opportunities presented to a director of UEX may be offered to another company or companies with which the director is associated, and may not be presented or made available to UEX. The directors of UEX are required by law to act honestly and in good faith with a view to the best interests of UEX, to disclose any interest which they may have in any project or opportunity of UEX, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by procedures prescribed in the Company's by-laws and Code of Ethics and by the *Canada Business Corporations Act*.

## **Internal controls**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

## **Market price of shares**

Securities of mining companies have experienced substantial volatility in the past often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of UEX's securities is also likely to be significantly affected by short-term changes in uranium or other commodity prices, currency exchange fluctuation, or in its financial condition or results of operations as reflected in its periodic reports. Other factors unrelated to the performance of UEX that may have an effect on the price of the securities of UEX include the following: the extent of analytical coverage available to investors concerning the business of UEX may be limited if investment banks with research capabilities do not follow UEX's securities; lessening in trading volume and general market interest in UEX's securities may affect an investor's ability to trade significant numbers of securities of UEX; and the size of UEX's public float and its inclusion in market indices may limit the ability of some institutions to invest in UEX's securities. If an active market for the securities of UEX does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Corporation may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of UEX at any given point in time may not accurately reflect the long-term

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value of UEX. Securities class-action litigation has been brought against companies following periods of volatility in the market price of their securities. UEX may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting UEX's financial position***

The nature of the risks UEX faces in the conduct of its operations are such that liabilities could exceed policy limits in any insurance policy or could be excluded from coverage under an insurance policy. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting UEX's financial position.

## **Disclosure Controls and Procedures**

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related unaudited interim condensed financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the disclosure controls and procedures as required under applicable Canadian securities laws as at December 31, 2013. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed by the Company in its annual filings and other reports that it files or submits under applicable Canadian securities laws is recorded, processed, summarized and reported within the time period specified and that such information is accumulated and communicated to the Company's management, including the certifying officers, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that while the Company's certifying officers believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **Internal Controls over Financial Reporting**

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in these controls during the most recent interim period ending December 31, 2013 that had materially affected, or are reasonably likely to materially affect, such controls.

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In May of 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released an updated *Internal Control – Integrated Framework* which companies will be required to transition to for officer's certificates filed after December 15, 2014. Currently the Company applies the *COSO 2006 Internal Control over Financial Reporting – Guidance for Smaller Public Companies* which is based on the 1992 COSO Framework.

The Company is currently reviewing the new *COSO Internal Control – Integrated Framework (2013 Framework)* but has not yet determined what changes, if any, may be required to the Company's internal controls to be in compliance with the new COSO framework.

Based upon the *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* by *The Committee of Sponsoring Organization of the Treadway Commission (COSO)* framework, the Company's certifying officers have evaluated or caused to be evaluated under their supervision the effectiveness of the Company's internal controls over financial reporting. Based upon this assessment, management has concluded that as at December 31, 2013, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the preparation of the Company's financial statements in accordance with IFRS.

The internal controls over financial reporting were designed to ensure that testing and reliance could be achieved. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.



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## Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements appear in a number of different places in this MD&A and can be identified by words such as "estimates", "projects", "expects", "intends", "anticipates", "assumes", "believes", "plans", "strategy", "goal", "objective", "potential", "optimistic" or their negatives or other comparable words or statements that contain actions, events or results "may", "will", "could", "would", "might", or "should" occur, be taken or be achieved. Forward-looking information includes statements regarding the outlook for our future operations, plans and timing for the commencement or advancement of exploration activities on our properties, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of any legal proceedings, and other expectations, intention and plans that are not historical fact. Forward-looking information is based on certain factors and assumptions including expected economic conditions, uranium prices, results of operations, performance and business prospects and opportunities. UEX considers the factors and assumptions on which this forward-looking information is based to be reasonable at the time it was prepared, but cautions readers that these assumptions may ultimately prove to be incorrect. Forward-looking information by its nature necessarily involves risks, uncertainties and other factors including without limitation: that UEX's exploration activities may not result in profitable commercial mining operations; the risks associated with UEX's participation in joint ventures; reliance on other companies as operators; uranium price fluctuations; that actual capital and operating costs associated with the Hidden Bay project may significantly exceed those estimated in the Hidden Bay project technical report; the economic analysis contained in the current Hidden Bay project's technical report may not be realized; competition for properties; mineral resource estimates are based on interpretations and assumptions; that failure to obtain additional financing on a timely basis could cause UEX to reduce its interest in its properties; competition from other energy sources and public acceptance of nuclear energy; dependence on key management employees; compliance with and changes to environmental and other regulatory laws; conflicts of interest; accounting policies; internal controls; market price of UEX's shares; potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage; and other factors all as more particularly described herein under the heading "Risks and Uncertainties" and include unanticipated and unusual events. These and other factors could cause actual results to differ materially from future results expressed or implied by such forward-looking information. Many of these factors are beyond the control of UEX. Except as required by applicable securities law, UEX disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise. Consequently, all forward-looking information in this MD&A is qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by UEX will be realized. For the reasons set forth above, investors should not place undue reliance on forward-looking information.



Audited Financial Statements of

**UEX CORPORATION**

Years ended December 31, 2013 and 2012



**KPMG LLP**  
**Chartered Accountants**  
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Canada

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of UEX Corporation

We have audited the accompanying financial statements of UEX Corporation, which comprise the balance sheets as at December 31, 2013 and December 31, 2012, the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of UEX Corporation as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

March 14, 2014  
Vancouver, Canada

# UEX CORPORATION

## Balance Sheets

As at December 31, 2013 and 2012

	Notes	2013	2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 9,321,916	\$ 12,580,134
Amounts receivable	4	143,558	171,425
Prepaid expenses	5	142,578	101,357
		9,608,052	12,852,916
<b>Non-current assets</b>			
Equipment	6	125,031	171,566
Mineral properties	7	164,106,221	159,436,189
Investments	8, 14	31,733	-
<b>Total assets</b>		<b>\$ 173,871,037</b>	<b>\$ 172,460,671</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	9	\$ 220,634	\$ 510,899
<b>Non-current liabilities</b>			
Deferred tax liability	10	13,376,478	12,966,524
<b>Total liabilities</b>		<b>13,597,112</b>	<b>13,477,423</b>
<b>Shareholders' equity</b>			
Share capital	11	175,316,661	172,345,291
Share-based payments reserve	11(c)	4,585,900	5,088,191
Deficit		(19,628,636)	(18,450,234)
		160,273,925	158,983,248
<b>Total liabilities and shareholders' equity</b>		<b>\$ 173,871,037</b>	<b>\$ 172,460,671</b>
Nature and continuance of operations	1		
Commitments	7(iv), 7(v), 12		
Subsequent events	7(v), 9, 11(c), 12		

See accompanying notes to the financial statements.

Approved on behalf of the Board and authorized for issue on March 14, 2014.

*“signed”*

Roger M. Lemaitre

Director

*“signed”*

Emmet A. McGrath

Director

# UEX CORPORATION

Statements of Operations and Comprehensive Loss

Years ended December 31, 2013 and 2012

	Notes	2013	2012
<b>Revenue</b>			
Interest income		\$ 202,074	\$ 221,465
<b>Expenses</b>			
Bank charges and interest		4,295	4,270
Depreciation		13,589	14,775
Filing fees and stock exchange		123,015	124,474
Legal and audit		204,295	221,973
Loss on disposal of equipment		2,105	-
Maintenance		1,250	17,078
Office expenses	16	330,021	214,791
Rent		116,042	111,145
Salaries		817,654	809,748
Share-based compensation	11(c)	510,227	953,532
Travel and promotion		112,089	165,782
Unrealized loss on held-for-trading financial assets	7(v), 8, 14	4,198	-
Write-down of mineral properties	7(iv)	-	1,609,741
		2,238,780	4,247,309
<b>Loss before income taxes</b>		(2,036,706)	(4,025,844)
Deferred income tax recovery (expense)	10	(311,296)	114,593
<b>Net loss and comprehensive loss for the year</b>		\$ (2,348,002)	\$ (3,911,251)
<b>Basic and diluted loss per share</b>		\$ (0.010)	\$ (0.018)
<b>Basic and diluted weighted-average number of shares outstanding</b>		225,142,014	217,853,362

See accompanying notes to the financial statements.

# UEX CORPORATION

## Statements of Changes in Equity

Years ended December 31, 2013 and 2012

	Number of common shares	Share capital	Share-based payments reserve	Deficit	Total
<b>Balance, December 31, 2011</b>	203,067,652	\$ 157,826,395	\$ 8,008,322	\$ (18,805,478)	\$ 147,029,239
Net loss for the year				(3,911,251)	(3,911,251)
Issued pursuant to private placements	18,421,027	15,166,176			15,166,176
Share issuance costs		(752,677)			(752,677)
Value attributed to flow-through premium on issuance		(97,826)			(97,826)
Deferred income taxes on share issuance costs		203,223			203,223
Share-based payment transactions			1,346,364		1,346,364
Transfer to deficit on expiry and cancellation of share purchase options			(4,266,495)	4,266,495	-
<b>Balance, December 31, 2012</b>	221,488,679	172,345,291	5,088,191	(18,450,234)	158,983,248
Net loss for the year				(2,348,002)	(2,348,002)
Issued pursuant to private placements	6,350,000	3,175,000			3,175,000
Share issuance costs		(104,972)			(104,972)
Value attributed to flow-through premium on issuance		(127,000)			(127,000)
Deferred income taxes on share issuance costs		28,342			28,342
Share-based payment transactions			667,309		667,309
Transfer to deficit on expiry and cancellation of share purchase options			(1,169,600)	1,169,600	-
<b>Balance, December 31, 2013</b>	227,838,679	\$ 175,316,661	\$ 4,585,900	\$ (19,628,636)	\$ 160,273,925

See accompanying notes to the financial statements.

# UEX CORPORATION

## Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (2,348,002)	\$ (3,911,251)
Adjustments for:		
Depreciation	13,589	14,775
Deferred income tax expense (recovery)	311,296	(114,593)
Interest income	(202,074)	(221,465)
Loss on disposal of equipment	2,105	-
Share-based compensation	510,227	953,532
Unrealized fair value loss on held-for-trading financial assets	4,198	-
Write-down of mineral property	-	1,609,741
Changes in non-cash operating working capital		
Amounts receivable	7,447	1,502
Prepaid expenses	(41,221)	(32,522)
Accounts payable and other liabilities	74,547	3,076
	(1,667,888)	(1,697,205)
<b>Investing activities</b>		
Interest received	191,018	146,240
Investment in exploration and evaluation assets	(4,841,478)	(5,424,426)
Purchase of equipment	(9,898)	(124,634)
	(4,660,358)	(5,402,820)
<b>Financing activities</b>		
Proceeds from common shares issued	3,175,000	15,166,176
Share issuance costs	(104,972)	(752,677)
	3,070,028	14,413,499
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(3,258,218)</b>	<b>7,313,474</b>
Cash and cash equivalents, beginning of year	12,580,134	5,266,660
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,321,916</b>	<b>\$ 12,580,134</b>
<b>Supplementary information</b>		
<u>Non-cash transactions</u>		
Increase (decrease) in accounts payable and other liabilities relating to mineral property expenditures	\$ (364,812)	\$ 43,422
Increase in other liabilities due to flow-through premium	127,000	97,826
Decrease in other liabilities due to extinguishment of flow-through premium on renouncement	(127,000)	(97,826)
Decrease in amounts receivable relating to mineral property expenditures	31,476	35,643
Non-cash share-based compensation included in mineral property expenditures	157,082	392,832
Fair value of shares and warrants received as partial consideration for mineral property earn-in (reduction in carrying value of mineral properties)	(35,931)	-
Depreciation included in mineral property expenditures	40,739	38,481
<u>Advance payment received in period</u>		
Prepayment received for Black Lake exploration, net of 2013 disbursements, included in other liabilities (see Notes 7(v) and 9)	79,006	-

See accompanying notes to the financial statements.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 1. Nature and continuance of operations

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

The Company is currently engaged in the exploration and evaluation of its mineral properties located in the province of Saskatchewan. The Company's shares are listed on the Toronto Stock Exchange under the symbol UEX. The head office and principal address is located at 808 Nelson Street, Suite 1007, Vancouver, British Columbia, Canada V6Z 2H2. The Company's registered office is 595 Burrard Street, Suite 2600, Vancouver, British Columbia, Canada V7X 1L3.

The Company is exploring and evaluating its mineral properties and has not yet determined whether its mineral properties contain mineral resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral resources, the ability of the Company to obtain the necessary financing to complete explorations and development and upon future profitable production or proceeds from the disposition of its mineral properties.

The Company performed an evaluation of impairment indicators under *IFRS 6(20)* for its exploration and evaluation assets (mineral properties) as at December 31, 2013 and has concluded that there are no indicators of impairment. However, as at December 31, 2013, the market capitalization of the Company was below the carrying value of its net assets which are primarily represented by mineral properties. Accordingly, the Company has also reviewed the value attributed per pound in the ground of  $U_3O_8$  in recent arms-length transactions for the acquisition of uranium resources defined by National Instrument 43-101. As a result of this review the Company has concluded that the Company's net assets are not impaired.

The Company has sufficient financial resources for exploration, evaluation and administrative costs for at least twelve months from the end of the reporting period. The Company will require additional financing from time to time and, although it has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

## 2. Basis of preparation and significant accounting policies

### (a) Statement of compliance

These financial statements, including comparative figures have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements of UEX Corporation were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 14, 2014.

### (b) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. Transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (c) Use of estimates and judgments

The preparation of financial statements requires management to make accounting estimates and assumptions requiring judgment in applying the Company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual amounts may differ from such estimates. Information about judgment and estimates is contained in the notes to the financial statements, with the key areas summarized below.

Significant areas requiring the use of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to:

- (i) Ongoing review for the support of the carrying value of mineral properties, including: consideration of ongoing and anticipated expenditures on the mineral properties; evaluation of the success of exploration to date and other general factors such as commodity prices and outlook; evaluation of UEX's market capitalization compared to the net assets of the Company (which are primarily mineral properties); and comparison to recent arm's length transactions for similar assets in order to evaluate the appropriateness of the carrying value presented in the financial statements (see Note 1 *Nature and continuance of operations*, Note 2(j) *Mineral properties* and Note 7 *Mineral properties*).
- (ii) Review of asset carrying values and impairment assessments for the Company considering whether circumstances have occurred which have impacted the estimated useful life of the assets such as damage or obsolescence, as well as the timing of impairments and the determination of recoverable amounts (see Note 2(i) *Equipment* and Note 6 *Equipment*).
- (iii) Determination of deferred income tax assets relating to management's assessment of the probability that future taxable profit will be available to utilize deferred tax assets (see Note 10 *Income taxes*).
- (iv) Evaluating company-specific facts and circumstances to determine whether accruals or recognition of liabilities may be required with respect to asset retirement obligations or other circumstances (see Note 2(k) *Provisions*).
- (v) Interpretation of new accounting guidelines and assessing their potential impact on the Company's financial statements requires judgment with respect to company-specific facts and circumstances.

Significant areas requiring assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year relate to:

- (i) Estimates and/or assumptions used in determining the fair value of non-cash share-based compensation, including Black-Scholes inputs such as the expected forfeiture rate and the expected life of share-purchase options (see Note 11(c) *Share-based compensation*).
- (ii) Assumptions used to estimate the useful lives of property, plant and equipment for determining appropriate depreciation rates (see Note 2(i) *Equipment* and Note 6 *Equipment*).
- (iii) Estimates that would be used, should the recording of a rehabilitation provision or asset retirement obligation be required in the financial statements in the future. Estimates would relate to the expected inflation rate, estimated mine life and the discount rates applied (see Note 2(k) *Provisions*).



# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (d) Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- (i) *Joint operation* – when the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- (ii) *Joint venture* – when the Company has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The Company has an interest in several joint operations relating to the exploration and evaluation of various properties in the western and northern Athabasca Basin. The financial statements include the Company's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis from the date that the joint arrangement commences until the date that the joint arrangement ceases. These interests are governed by contractual arrangements but have not been organized into separate legal entities or vehicles.

The Company does not have any joint arrangements that are classified as joint ventures.

### (e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

### (f) Financial assets

The Company classifies its financial assets in the following categories:

- (i) Financial assets at fair value through profit or loss ("FVTPL");
- (ii) Held-to-maturity investments;
- (iii) Available-for-sale financial assets; and
- (iv) Loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

#### *Financial assets at FVTPL*

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated as FVTPL. A financial asset is classified as held for trading when it is purchased and incurred with the intention of generating profits in the near term, part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or a derivative that is not designated as a hedging instrument.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (f) Financial assets (continued)

#### *Financial assets at FVTPL (continued)*

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Financial assets at FVTPL include warrants (classified as held-for-trading) which are presented as non-current assets unless management intends to dispose of these assets within 12 months of the end of the reporting period.

#### *Held-to-maturity investments*

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held-to-maturity investments.

#### *Available-for-sale financial assets ("AFS")*

Short-term investments are classified as available-for-sale and are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in profit and loss. Management assesses the carrying value of AFS financial assets each period and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss. AFS assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's AFS assets include marketable securities that are not held for the purpose of trading.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current or non-current assets based on their maturity date and are measured initially at fair value and subsequently at amortized cost using the effective interest rate method. The Company has cash and cash equivalents, as well as trade and other amounts receivable classified as loans and receivables.

#### *De-recognition of financial assets*

A financial asset is de-recognized when the contractual right to the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

### (g) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or financial liabilities at amortized cost.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (g) Financial liabilities (continued)

#### *Financial liabilities*

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified accounts payable and other liabilities as other financial liabilities.

#### *De-recognition of financial liabilities*

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### (h) Impairment of non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

### (i) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

#### *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Depreciation is provided over the expected useful lives of the assets, using the following rates:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Exploration camp	Declining balance	5% - 30%
Exploration equipment	Declining balance	30%
Computer equipment	Declining balance	30% - 100%
Office furniture	Declining balance	20%
Leasehold improvements	Straight line	Lesser of term of lease or useful life

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 2. Basis of preparation and significant accounting policies (continued)

### (i) Equipment (continued)

#### *Depreciation (continued)*

Depreciation methods and expected useful lives are reviewed at each reporting date and adjusted as required. Commencing on January 1, 2014 the Company began depreciating all assets on a straight-line basis over their useful lives. In the current and comparative periods, certain asset categories identified above were depreciated on a declining-balance basis, which may result in an overestimation of their useful lives by not fully depreciating the assets, which can trigger a loss on disposal. Given the low value of the fixed assets that the Company holds, this change in useful life estimate does not have a material impact on the financial results of the Company.

<b>Asset</b>	<b>Basis</b>	<b>Useful Life</b>
Exploration camp	Straight line	5 - 20 years
Exploration equipment	Straight line	3 - 5 years
Computer equipment	Straight line	1 - 5 years
Office furniture	Straight line	3 - 5 years
Leasehold improvements	Straight line	Lesser of term of lease or 10 years

### (j) Mineral properties

#### *Exploration and evaluation assets*

All acquisition, exploration and development costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or the recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The underlying value of all properties is dependent on the existence and economic recovery of mineral resources in the future which includes acquiring the necessary permits and approvals. Management has not identified any exploration and evaluation assets to be classified as an intangible asset. Expenditures incurred before the Company has obtained the legal rights to explore a specific area are expensed as incurred.

The recovery of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete exploration and development of the properties, and on future profitable production or proceeds of disposition. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Upon transfer of exploration and evaluation assets into development properties, all subsequent expenditures on the exploration, construction, installation or completion of infrastructure facilities are capitalized within development properties.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the exploration expenditures are not expected to be recovered, this amount is recorded as a write-down of interest in mineral properties in the statement of operations and comprehensive loss in the period.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (j) Mineral properties (continued)

#### *Development properties*

When mineral reserves have been determined and the decision to proceed with development has been approved, exploration and evaluation assets are tested for impairment then reclassified as a component of property, plant and equipment. The expenditures related to development and construction are capitalized as construction-in-progress. Costs associated with the commissioning of new assets incurred in the period before they are operating in the manner intended by management, are capitalized. Development expenditures are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

#### *Reserve estimates*

The Company estimates its reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 (Standards for Disclosure of Mineral Projects). Reserves are used when performing impairment assessments on the Company's mineral properties once they have moved from Exploration and Evaluation to Development. There are numerous uncertainties inherent in the estimation of mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being revised.

### (k) Provisions

#### *General*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in profit or loss net of any reimbursement.

#### *Environmental rehabilitation provision*

The Company recognizes the fair value of a liability for environmental rehabilitation in the period in which the Company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows. The Company has assessed each of its mineral projects and determined that no material environmental rehabilitations exist as the disturbance to date is minimal.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (l) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred 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. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry-forwards, resource-related income tax pools and timing differences for other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (m) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the Company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount which is allocated to the sale of tax benefits is recorded as a liability and is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renunciation is recognized as a gain or loss in earnings. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

### (n) Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of direct issue costs and any tax effects. Common shares issued for consideration, other than cash, are valued at the quoted market price on the date the shares are issued.

### (o) Share-based payments

The Company has a share option plan which is described in Note 11(c). The fair value of all share-based awards is estimated using the Black-Scholes option-pricing model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 2. Basis of preparation and significant accounting policies (continued)

### (o) Share-based payments (continued)

None of the Company's awards call for settlement in cash or other assets. Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of share purchase options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

### (p) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury share method is used to calculate diluted earnings per share. Under the treasury share method, the weighted-average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds received on exercise of diluted share purchase options are used to repurchase outstanding shares at average market prices during the period.

### (q) Recent accounting announcements

The following new or amended standards have been adopted in these financial statements for the period beginning January 1, 2013.

#### (i) IFRS 7 – *Financial Instruments: Disclosures*: Amendments – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement. The application of these amendments did not have an impact on these financial statements.

#### (ii) IFRS 13 – *Fair Value Measurement*

The adoption of IFRS 13 by the Company has had no material impact on the financial results of the Company. The adoption of IFRS 13 did, however, result in some additional fair value disclosures including the valuation inputs and techniques used in determining fair value.

The International Accounting Standards Board has issued IFRS 9 *Financial Instruments* ("IFRS 9") to replace IAS 39 *Financial Instruments*, which is intended to reduce the complexity in the measurement and classification of financial instruments. The current version of IFRS 9 does not include a mandatory effective date but is available for early adoption. An effective date will be determined when all phases of the update to IFRS 9 are completed. The Company does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.



# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 3. Cash and cash equivalents

	December 31 2013	December 31 2012
Cash	\$ 429,610	\$ 310,019
Short-term deposits	8,892,306	12,270,115
	\$ 9,321,916	\$ 12,580,134

## 4. Amounts receivable

	December 31 2013	December 31 2012
Interest receivable	\$ 130,942	\$ 119,885
Other receivables	12,616	51,540
	\$ 143,558	\$ 171,425

Interest receivable reflects interest earned on short-term deposits. Other receivables include \$12,186 of Goods and Services Tax (GST) receivable as at December 31, 2013 (\$51,540 of Harmonized Sales Tax (HST) receivable as at December 31, 2012).

## 5. Prepaid expenses

	December 31 2013	December 31 2012
Advances to vendors	\$ 16,357	\$ 36,244
Mineral claim deposits	43,344	4,596
Prepaid expenses	82,877	60,517
	\$ 142,578	\$ 101,357

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 6. Equipment

	Exploration camp	Exploration equipment	Computing equipment	Furniture and fixtures	Total
<b>Cost</b>					
Balance at December 31, 2011	\$ -	\$ 312,625	\$ 239,770	\$ 17,891	\$ 570,286
Additions	99,327	759	18,281	6,267	124,634
Balance at December 31, 2012	99,327	313,384	258,051	24,158	694,920
Additions	-	-	5,036	4,862	9,898
Disposals	-	-	(25,203)	-	(25,203)
Balance at December 31, 2013	\$ 99,327	\$ 313,384	\$ 237,884	\$ 29,020	\$ 679,615
<b>Accumulated depreciation and impairment</b>					
Balance at December 31, 2011	\$ -	\$ 265,011	\$ 197,201	\$ 7,886	\$ 470,098
Depreciation charge for the year	14,899	14,399	21,331	2,627	53,256
Balance at December 31, 2012	14,899	279,410	218,532	10,513	523,354
Depreciation charge for the year	25,328	10,192	14,937	3,871	54,328
Disposals	-	-	(23,098)	-	(23,098)
Balance at December 31, 2013	\$ 40,227	\$ 289,602	\$ 210,371	\$ 14,384	\$ 554,584
<b>Net book value</b>					
Balance at December 31, 2011	\$ -	\$ 47,614	\$ 42,569	\$ 10,005	\$ 100,188
Balance at December 31, 2012	\$ 84,428	\$ 33,974	\$ 39,519	\$ 13,645	\$ 171,566
Balance at December 31, 2013	\$ 59,100	\$ 23,782	\$ 27,513	\$ 14,636	\$ 125,031

## 7. Mineral properties

Exploration and evaluation assets

	Hidden Bay (i)	Riou Lake (ii)	Western Athabasca (iv)	Black Lake (v)	Beatty River (vi)	Total
<b>Balance at December 31, 2011</b>	\$ 72,668,796	\$ 10,385,783	\$ 56,011,738	\$ 15,188,721	\$ 856,088	\$ 155,111,126
Additions	2,694,429	40,154	3,146,304	44,055	9,862	5,934,804
Impairment charge for the period	-	-	(1,609,741)	-	-	(1,609,741)
<b>Balance at December 31, 2012</b>	75,363,225	10,425,937	57,548,301	15,232,776	865,950	159,436,189
Additions	860,244	-	3,808,943	33,335	3,441	4,705,963
Fair value consideration (Note 7(v))	-	-	-	(35,931)	-	(35,931)
<b>Balance at December 31, 2013</b>	\$ 76,223,469	\$ 10,425,937	\$ 61,357,244	\$ 15,230,180	\$ 869,391	\$ 164,106,221

The Company's mineral property interests include both 100%-owned projects as well as joint operations in which the Company has less than 100% ownership. The joint operations are governed by contractual arrangements but have not been organized into separate legal entities or vehicles.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 7. Mineral properties (continued)

Exploration and evaluation assets (continued)

The joint arrangements that the Company is party to in some cases entitle the Company to a right of first refusal on the projects should one of the partners choose to sell their interest. The joint arrangements are governed by a management committee which sets the annual exploration budgets for these projects. Should the Company be unable to, or choose not to, fund its required contributions as outlined in the agreement, there is a risk that the Company's ownership interest could be diluted. As a result of decisions to fund exploration programs for the joint arrangements, the Company may choose to complete further equity issuances or fund these amounts through the Company's general working capital.

### 100%-owned projects

(i) Hidden Bay Project

The Company's 100%-owned Hidden Bay Project, including the Horseshoe, Raven and West Bear deposits, is located in the eastern Athabasca Basin of northern Saskatchewan, Canada. In 2013, total exploration and evaluation expenditures of \$860,244 at Hidden Bay included evaluation expenditures of \$702,379 (2012 - \$1,299,781) primarily relating to component technical studies. Total evaluation costs of \$7,292,299 are included in the \$76,223,469 balance as at December 31, 2013 (December 31, 2012 - \$6,589,920) representing costs associated with the continuing evaluation of and advancement of Hidden Bay, and include the West Bear Preliminary Feasibility Study (February 24, 2010) the Hidden Bay Preliminary Assessment Technical Report (February 23, 2011) and various component technical studies.

(ii) Riou Lake Project

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

(iii) Northern Athabasca Projects

The Company holds a 100% interest in the Northern Athabasca Projects located in the northern Athabasca Basin. The Company wrote off the deferred mineral property costs associated with its Northern Athabasca Projects in 2010 due to a lack of ongoing exploration activity. UEX continues to maintain mineral claims comprising the Jacques Point, Butler Lake, Munroe Lake and Fond du Lac projects.

### Joint operations

(iv) Western Athabasca Projects

The Western Athabasca Projects (the "Projects"), located in the western Athabasca Basin, which include the Kianna, Anne, Colette and 58B deposits located at the Shea Creek Project, are eight joint ventures with the Company holding an approximate 49.1% interest and AREVA Resources Canada Inc. ("AREVA") holding an approximate 50.9% interest as at December 31, 2013 and the Company holding a 49.0% interest and AREVA holding a 51.0% interest as at December 31, 2012. The Company is in the process of negotiating joint-venture agreements with AREVA. As at December 31, 2013, total exploration and evaluation assets to date for Western Athabasca include evaluation expenditures of \$7,370,026 (December 31, 2012 - \$7,370,026).

The Kianna, Anne, Colette and 58B deposits are subject to a royalty of US\$0.212 per pound of U<sub>3</sub>O<sub>8</sub> sold to a maximum royalty of US\$10,000,000.

In November 2013, a budget for 2014 of \$2.0 million, of which UEX is responsible for funding approximately \$982,000, was approved.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 7. Mineral properties (continued)

Exploration and evaluation assets (continued)

### Joint operations (continued)

#### (iv) Western Athabasca Projects (continued)

On April 10, 2013 an agreement was signed with AREVA which grants UEX the option to increase its ownership interest in the Western Athabasca Projects, which includes the Shea Creek Project, by 0.9% to a maximum interest of 49.9% by spending \$18.0 million on exploration over the six-year period ending December 31, 2018. UEX is under no obligation to propose a budget in any year of the agreement. The ownership interest for the Projects shall be increased at the end of the year by the proportional amount of the additional exploration expenditures incurred in the year which are in addition to the budget amounts proposed by AREVA. UEX may propose an additional exploration budget of up to \$4.0 million in any single year without the prior approval of AREVA, who remains the project operator. During 2013, UEX expended \$1,944,020 under this option agreement which increased its interest in the eight joint ventures by approximately 0.1%.

UEX and AREVA agreed to combine the Shea Creek Project and the contiguous Douglas River Project as the known mineralization at the northern boundary of Shea Creek extends into the Douglas River property. The combined projects are now referred to as the Shea Creek Project.

In 2012, a decision was made to allow seven James Creek mineral claims to lapse in 2013 and not to propose future exploration budgets at that time. As a result of these events, the Company wrote off \$1,609,741 of deferred exploration and evaluation assets in the 2012 fiscal year.

#### (v) Black Lake Project

The Black Lake Project ("Black Lake"), located in the northern Athabasca Basin, is a joint venture with the Company holding an 89.99% interest and AREVA holding a 10.01% interest as at December 31, 2013, and the Company holding an 89.97% interest and AREVA holding a 10.03% interest as at December 31, 2012.

On December 24, 2013, the Company placed a cash deposit of \$43,344 with the Saskatchewan Ministry of the Economy to maintain a mineral claim for Black Lake that would have otherwise lapsed in January 2014. This cash deposit maintains the claim in good standing for a period of one year to January 2015 and is refundable to the Company upon completion of exploration work equal to the amount of the deposit plus the annual work assessment required to maintain the claim.

In early 2013, UEX signed an agreement with Uracon Resources Ltd. ("Uracon") whereby Uracon can earn a 60% interest in Black Lake.

Uracon must fund a total of \$10.0 million of project expenditures over 10 years to earn their 60% interest in Black Lake from UEX, with no partial earn-in permitted. Uracon has committed to spend \$2.0 million on project expenditures by December 31, 2014, with a firm commitment to fund \$1.5 million even if a decision is made by Uracon not to proceed with the earn-in or the agreement is otherwise terminated. Should the agreement be terminated prior to \$1.5 million in project costs having been funded by Uracon, any shortfall is payable directly to UEX. During the remainder of the option period, minimum expenditures of \$1.0 million per year are to be funded by Uracon. UEX remains the project operator until such time as Uracon has earned its 60% interest in Black Lake and is entitled to a 10% management fee under the Black Lake joint venture agreement. Uracon issued 300,000 shares and 150,000 share purchase warrants to UEX. The warrants are exercisable for three years at a price of \$0.15 for each warrant. Uracon has also granted to UEX a 1% NSR royalty from their ownership interest and upon UEX receiving a total of \$10.0 million in royalty payments, the NSR royalty will terminate.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 7. Mineral properties (continued)

Exploration and evaluation assets (continued)

### Joint operations (continued)

#### (v) Black Lake Project (continued)

The opening value upon receipt was determined to be \$27,000 for the Uracon shares and \$8,931 for the Uracon warrants. The combined amount of \$35,931 has been recorded as a reduction in the carrying value of the Black Lake Project. In the third quarter of 2013, UEX received from Uracon a prepayment of \$104,060 which represented the full budget amount for the 2013 exploration program at Black Lake. As of December 31, 2013, \$79,006 of the 2013 program budget remained unspent and will be incurred in early 2014.

In January 2014, UEX received a prepayment of \$650,000 from Uracon which amounts to 100% of the currently budgeted 2014 winter exploration programs at Black Lake.

#### (vi) Beatty River Project

The Company acquired a 25% interest in the Beatty River Project, which is located in the western Athabasca Basin, from JCU (Canada) Exploration Company, Limited ("JCU") by funding \$858,118 in exploration expenditures and by making a payment to JCU of \$3,441.

UEX is party to the following joint arrangements:

<b>Ownership interest Effective December 31, 2013</b>	<b>Western<sup>(1)</sup> Athabasca</b>	<b>Black<sup>(2)</sup> Lake</b>	<b>Beatty<sup>(3)</sup> River</b>
UEX Corporation	49.097 %	89.990 %	25.000 %
AREVA Resources Canada Inc.	50.903	10.010	50.702
JCU (Canada) Exploration Co. Ltd.	-	-	24.298
Total	100.000 %	100.000 %	100.000 %

<b>Ownership interest Effective December 31, 2012</b>	<b>Western<sup>(1)</sup> Athabasca</b>	<b>Black<sup>(2)</sup> Lake</b>	<b>Beatty<sup>(3)</sup> River</b>
UEX Corporation	49.000 %	89.970 %	- %
AREVA Resources Canada Inc.	51.000	10.030	50.702
JCU (Canada) Exploration Co. Ltd.	-	-	49.298
Total	100.000 %	100.000 %	100.000 %

<sup>(1)</sup> Subsequent to year end, UEX notified AREVA that their ownership interest in the Western Athabasca projects had been diluted from 51.00% to 50.903% as a result of \$1,944,020 in exploration expenditures having been incurred which were 100% funded by UEX under the terms of the optional six-year \$18 million, 0.9% additional earn-in agreement.

<sup>(2)</sup> Subsequent to year end, UEX notified AREVA that their ownership interest in Black Lake had been diluted from 10.030% to 10.010% as a result of their decision to not participate in the 2013 programs (see Note 7(v) *Black Lake Project*). In 2013, UEX entered into an agreement with Uracon Resources Ltd. ("Uracon") whereby the Company will transfer to Uracon a 60% interest in the Black Lake Project upon completion of their funding of \$10 million in exploration expenditures on UEX's behalf.

<sup>(3)</sup> UEX completed its earn-in on the Beatty River Project in 2013 and holds a 25% interest in the project (see Note 7(vi) *Beatty River Project*).

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 8. Investments

The Company holds 300,000 share and 150,000 warrant certificates of Uracon which were received in early 2013 as partial consideration for the signing of an agreement which allows Uracon to earn a 60% interest in the Black Lake project (see Note 7(v)). These shares and warrants are being held for long-term investment purposes. The investments include warrants which have been classified as *Financial assets at fair value through profit or loss* ("FVTPL") and as such are stated at fair value with any changes in fair value recognized in profit or loss. The investments also include shares which have been classified as *Available-for-sale financial assets* and are carried at fair value. Changes in fair value are recognized in other comprehensive income with amounts in accumulated other comprehensive income recognized in profit and loss when they are sold.

	December 31 2013	December 31 2012
Common shares held – Uracon (TSX.V: URC) (see Note 14)	\$ 27,000	\$ -
Warrants held – Uracon (see Note 14)	4,733	-
	\$ 31,733	\$ -

The fair value of the Uracon shares is based on the market price for these actively traded securities.

The fair value of the warrants received from Uracon was determined using the Black-Scholes option-pricing model with the following weighted-average assumptions as at the dates indicated:

	December 31 2013	February 13 2013 <sup>(1)</sup>	December 31 2012
Number of warrants received – Uracon	150,000	150,000	-
Expected forfeiture rate	0.00%	0.00%	-
Weighted-average grant / valuation date fair values	\$ 0.06	\$ 0.06	-
Expected volatility	150.18%	127.26%	-
Risk-free interest rate	1.14%	1.22%	-
Expected life	2.19 years	3.00 years	-

<sup>(1)</sup> Date of acquisition

## 9. Accounts payable and other liabilities

	December 31 2013	December 31 2012
Trade payables	\$ 50,936	\$ 444,652
Other liabilities	90,692	66,247
Uracon – Black Lake prepayment for 2013 program	79,006	-
	\$ 220,634	\$ 510,899

The prepayment received from Uracon represented the full budgeted amount of \$104,060 for the 2013 exploration program at Black Lake. The unspent amount of \$79,006 as at December 31, 2013 was fully expended upon completion of the 2013 exploration program in January 2014.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 10. Income taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2013 and December 31, 2012 are presented below:

	December 31 2013	December 31 2012
<b>Deferred tax assets</b>		
Losses carried forward	\$ 2,937,669	\$ 2,432,582
Charitable donations	8,438	8,438
Equipment	162,609	147,372
Share issuance costs	173,918	246,214
Investments	567	-
	3,283,201	2,834,606
<b>Deferred tax liabilities</b>		
Mineral properties	16,659,679	15,801,130
<b>Net deferred tax liabilities</b>	<b>\$ 13,376,478</b>	<b>\$ 12,966,524</b>

At December 31, 2013, the Company has non-capital losses available for income tax purposes totaling approximately \$10,880,257 (2012 - \$9,009,561) which may be carried forward to reduce future years' taxable income. These losses, if not utilized will begin expiring in 2028, with the current period's non-capital losses expiring in 2033.

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2013 and 2012 is as follows:

	Year ended December 31	
	2013	2012
Loss before income taxes	\$ (2,036,706)	\$ (4,025,844)
Statutory rates	27%	27%
Income tax recovery at statutory rates	549,911	1,086,978
Non-deductible expenses and permanent differences	(130,957)	(260,212)
Exploration expenditures renounced net of flow-through premium	(730,250)	(712,173)
<b>Deferred income tax recovery (expense)</b>	<b>\$ (311,296)</b>	<b>\$ 114,593</b>

## 11. Share capital

### (a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of (no par value) preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 11. Share capital (continued)

### (b) Issued and outstanding – common shares

	Number of shares	Value
<b>Balance, December 31, 2012</b>	221,488,679	\$ 172,345,291
Issued pursuant to private placement in 2013	6,350,000	3,175,000
Share issuance costs		(104,972)
Value attributed to flow-through premium on issuance		(127,000)
Deferred income taxes on share issuance costs		28,342
<b>Balance, December 31, 2013</b>	227,838,679	\$ 175,316,661

On March 13, 2012, the Company completed an underwritten bought deal public financing for 10,000,000 common shares at a price of \$0.80 per share for gross proceeds of \$8,000,000. Cameco exercised its pre-emptive right to participate in the offering and purchased 2,917,183 shares for \$2,333,746 (thereby maintaining its ownership at approximately 22.58%) on the same terms as the offering, except no cash commission was payable. In addition, the underwriter exercised its 10% over-allotment rights and Cameco exercised its associated pre-emptive right resulting in the Company issuing 1,291,719 shares and receiving another \$1,033,375. Share issue costs include a cash commission of \$440,000 and other issuance costs of \$275,633.

On March 14, 2012, the Company completed a non-brokered private placement of 3,260,869 flow-through shares at a price of \$0.92 per share for gross proceeds of \$3,000,000 with issue costs of \$37,044 and no commission payable. A flow-through premium related to the sale of the associated tax benefits was determined to be \$97,826 on issuance. Cameco exercised its pre-emptive right to participate in the offering and purchased 951,256 common shares at a non-flow-through price of \$0.84 per share offered by the Company, so as to maintain its ownership interest at approximately 22.58%.

On June 5, 2013, the Company completed a non-brokered private placement of 6,350,000 flow-through shares at a price of \$0.50 per share for gross proceeds of \$3,175,000 with issue costs of \$44,972 and a referral fee of \$60,000. A flow-through premium related to the sale of the associated tax benefits was determined to be \$127,000, and a related \$28,342 deferred income tax was recorded in share capital. Cameco did not exercise its pre-emptive right to participate in the offering and as a result, their ownership interest in UEX declined from approximately 22.58% to approximately 21.95%.

### (c) Share-based compensation

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



# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 11. Share capital (continued)

### (c) Share-based compensation (continued)

A summary of the status of the Company's share-based compensation plan as at December 31, 2013 and December 31, 2012 and changes during the years ended on these dates is presented below:

	Number of share purchase options	Weighted-average exercise price
<b>Outstanding, December 31, 2011</b>	19,060,700	\$ 1.24
Granted	2,460,000	0.60
Expired	(5,334,700)	1.45
<b>Outstanding, December 31, 2012</b>	16,186,000	1.08
Granted	2,285,000	0.36
Cancelled	(1,200,000)	1.38
Expired	(450,000)	0.80
<b>Outstanding, December 31, 2013</b>	16,821,000	\$ 0.97

On July 26, 2013, pursuant to a retirement agreement, 500,000 share purchase options with an exercise price of \$1.45 were voluntarily cancelled and also, on the same date, 685,000 share purchase options with an exercise price of \$1.34 were voluntarily cancelled. In addition, pursuant to this retirement agreement, 150,000 share purchase options with a weighted-average exercise price of \$0.60, which would have otherwise vested on June 5, 2014, will vest on January 1, 2014. On August 16, 2013, 15,000 share purchase options were cancelled due to a termination.

In the year ended December 31, 2013, \$961,852 was transferred from the share-based payments reserve to deficit relating to the cancellation of 1,200,000 share-purchase options and \$207,748 was transferred from the share-based payments reserve to deficit relating to the expiry of 450,000 share purchase options. In the year ended December 31, 2012, \$4,266,495 was transferred from the share-based payments reserve to deficit relating to the voluntary surrender of 775,000 share purchase options and the expiry of 180,000 share purchase options.

The share-based payments reserve values of \$4,585,900 as at December 31, 2013 and \$5,088,191 as at December 31, 2012 on the balance sheet reflect the expensed and capitalized fair value of vested share purchase options. If all options that are vested were exercised, the entire balance of the share-based payments reserve would be transferred to share capital.

On January 15, 2014, the Company granted 1,000,000 share purchase options to a new senior officer pursuant to the Company's share option plan. The share purchase options were issued at an exercise price of \$0.41 and expire on January 15, 2019.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 11. Share capital (continued)

### (c) Share-based compensation (continued)

As at December 31, 2013, the Company had a total of 16,821,000 share purchase options outstanding related to director, employee and consultant share purchase options, the details of which are as follows:

Range of exercise prices	Outstanding			Exercisable	
	Number of share purchase options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Number of share purchase options	Weighted-average exercise price
\$ 0.36 - 0.86	5,215,000	\$ 0.52	5.70	2,871,668	\$ 0.57
0.87 - 1.16	5,701,000	0.99	6.01	5,701,000	0.99
1.17 - 1.45	5,905,000	1.34	5.21	5,905,000	1.34
	16,821,000	\$ 0.97	5.63	14,477,668	\$ 1.05

The estimated fair value expense of all share purchase options vested during the year ended December 31, 2013 is \$667,309 (2012 - \$1,346,364). The amount included in mineral properties for the year ended December 31, 2013 is \$157,082 (2012 - \$392,832) and the remaining \$510,227 (2012 - \$953,532) was expensed. The unamortized balance of share-based compensation expense for share purchase options that were not vested at December 31, 2013 is \$340,101 (2012 - \$562,820).

The fair value of the options granted each year was determined using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	December 31 2013	December 31 2012
Number of options granted	2,285,000	2,460,000
Expected forfeiture rate	0.47%	0.55%
Weighted-average grant date fair values	\$ 0.36	\$ 0.60
Expected volatility	69.03%	79.48%
Risk-free interest rate	1.51%	1.12%
Expected life	4.25 years	4.02 years

### (d) Flow-through shares

The Company has financed a portion of its exploration programs through the use of flow-through share issuances. Income tax deductions relating to these expenditures are claimable by the investors and not by the Company.

As at December 31, 2013, the Company had spent, on qualified expenditures, all of the \$3.175 million flow-through monies raised in the June 5, 2013 placement (see Note 11(b)). The Company renounced the income tax benefit of this issue to its subscribers effective December 31, 2013.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 12. Commitments

The Company has an obligation under an operating lease for its office premises and an obligation related to a retirement consulting agreement. The future minimum payments are as follows:

	<b>December 31 2013</b>
2014	\$ 243,566
2015	239,743
2016	-
2017	-
2018	-

Pursuant to a retirement agreement, the Company has entered into a consulting arrangement whereby the former Chief Executive Officer has agreed to provide management transition services for a two-year period commencing January 1, 2014 for a consulting fee of \$366,000. One half of this consulting fee was paid in January 2014, with the remainder to be paid in January 2015.

Other commitments in respect of the Company's mineral properties are disclosed in Note 7 and Note 11(d).

## 13. Management of capital

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

All of the Company's cash and cash equivalents are available for exploration and evaluation programs and administrative operations. The Company has not changed its approach to capital management during the current period, and is not subject to any external capital restrictions.

## 14. Management of financial risk

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 13. Accounts payable and other liabilities are due within the current operating period.

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

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 14. Management of financial risk (continued)

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income. The Company is subject to interest rate risk on its cash and cash equivalents. The Company reduces this risk by investing its cash in highly liquid short-term interest-bearing investments that earn interest on a fixed rate basis.

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

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

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

Cash and cash equivalents are classified as loans and receivables and are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

The following table summarizes those assets and liabilities carried at fair value:

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares – Uracon (TSX-V: URC)	\$ 27,000	\$ -	\$ -	\$ 27,000
Warrants – Uracon <sup>(1)</sup>	-	-	4,733	4,733
	\$ 27,000	\$ -	\$ 4,733	\$ 31,733

<sup>(1)</sup> Black-Scholes inputs for the Uracon warrant valuation are disclosed in Note 8 – Investments.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 14. Management of financial risk (continued)

The following table shows a reconciliation from the beginning balances to ending balances for Level 1 fair value measurements for investments:

	Number of Shares	Change in Fair Value (OCI)	Fair Value
<b>Balance, December 31, 2012</b>	-		\$ -
Shares received as partial consideration for the Black Lake Project earn-in on February 13, 2013 (see Note 7(v))	300,000		27,000
Unrealized gain (loss) on change in fair value of financial assets at FVTPL (shares) – year ended December 31, 2013		-	-
<b>Balance, December 31, 2013</b>	300,000		\$ 27,000

The Company's policy is to recognize transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer. There have been no transfers out of Level 3 in the period.

The following table shows a reconciliation from the beginning balances to ending balances for Level 3 fair value measurements:

	Number of Warrants	Change in Fair Value (Expense)	Fair Value <sup>(1)</sup>
<b>Balance, December 31, 2012</b>	-		\$ -
Warrants received as partial consideration for the Black Lake Project earn-in on February 13, 2013 (see Note 7(v))	150,000		8,931
Unrealized gain (loss) on change in fair value of held-for-trading financial assets (warrants) – year ended December 31, 2013		(4,198)	(4,198)
<b>Balance, December 31, 2013</b>	150,000		\$ 4,733

<sup>(1)</sup> See Note 8 for Black-Scholes assumptions.

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation model:

Level 3 item	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warrants – Uracon	The fair value has been determined by using the Black-Scholes option pricing model.	Expected volatility for Uracon shares, derived from the shares' historical prices (weekly).	The estimated fair value for the warrants increases as the volatility increases.

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

## 15. Segmented information

The Company conducts its business as a single operating segment, being the mining and mineral exploration business in Canada. All mineral properties and equipment are located in Canada.

## 16. Office expenses

	Year ended December 31	
	2013	2012
Insurance	\$ 49,090	\$ 48,632
Office supplies and consulting	267,211	153,272
Telephone	13,720	12,887
	\$ 330,021	\$ 214,791

## 17. Related party transactions

The value of all transactions relating to key management personnel, close members of the family of persons that are key management personnel and entities over which they have control or significant influence are as follows:

### (a) Related party transactions

Related party transactions include the following payments which were made to related parties other than key management personnel:

	Year ended December 31	
	2013	2012
Other consultants <sup>(1)</sup>	\$ 2,400	\$ 60,130
Other consultants share-based payments <sup>(3)</sup>	4,446	13,674
Panterra Geoservices Inc. <sup>(2)</sup>	42,950	29,750
Panterra Geoservices Inc. share-based payments <sup>(3)</sup>	28,020	54,722
	\$ 77,816	\$ 158,276

<sup>(1)</sup> Other consultants include close members of the family of R. Sierd Eriks, UEX's Vice-President of Exploration, who provide geological consulting services with specific services invoiced as provided.

<sup>(2)</sup> Panterra Geoservices Inc. is a company owned by David Rhys, a member of the management advisory board that provides geological consulting services to the Company. The management advisory board members are not paid a retainer or fee; specific services are invoiced as provided.

<sup>(3)</sup> Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 11(c).

# UEX CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2013 and 2012

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## 17. Related party transactions (continued)

### (b) Key management personnel compensation

Key management personnel compensation includes management and director compensation as follows:

	Year ended December 31	
	2013	2012
Salaries and short-term employee benefits <sup>(4)</sup>	\$ 844,592	\$ 896,716
Share-based payments <sup>(3)</sup>	578,805	1,164,376
	\$ 1,423,397	\$ 2,061,092

<sup>(3)</sup> Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 11(c).

<sup>(4)</sup> In the event of a change of control of the Company, certain senior management may elect to terminate their employment agreements and the Company shall pay termination benefits of up to two times their respective annual salaries at that time and all of their share purchase options will become immediately vested with all other employee benefits, if any, continuing for a period of up to two years.



## Corporate Information

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### Head Office

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Website: [www.uex-corporation.com](http://www.uex-corporation.com)

### Solicitors

**Blake, Cassels & Graydon LLP**

Suite 2600 - 3 Bentall Centre  
P.O. Box 49314  
595 Burrard Street  
Vancouver, British Columbia V7X 1L3

### Auditors

**KPMG LLP**

777 Dunsmuir Street  
Vancouver, British Columbia V7Y 1Q3

### Transfer Agency

**Computershare Investor Services Inc.**

3<sup>rd</sup> Floor, 510 Burrard Street  
Vancouver, British Columbia V6C 3B9

### Directors and Officers

**Mark P. Eaton**

*Director, Chairman of the Board*

**Roger M. Lemaitre**

*President, Chief Executive Officer and Director*

**Graham C. Thody**

*Director*

**Colin C. Macdonald**

*Director*

**Suraj P. Ahuja**

*Director*

**Emmet A. McGrath**

*Director*

**R. Sierd Eriks**

*Vice-President, Exploration*

**Nan Lee**

*Vice-President, Project Development*

**Ed Boney**

*Chief Financial Officer and Corporate Secretary*