UEX CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

KPMG LLP
Chartered Accountants
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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**.**

KPMG LLP

Chartered Accountants

March 14, 2014
Vancouver, Canada

UEX CORPORATION
Balance Sheets

As at December 31, 2013 and 2012

	Notes	2013	2012
Assets			
Current assets			
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
Non-current assets			
Equipment	6	125,031	171,566
Mineral properties	7	164,106,221	159,436,189
Investments	8, 14	31,733	-
Total assets		$ 173,871,037	$ 172,460,671
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and other liabilities	9	$ 220,634	$ 510,899
Non-current liabilities			
Deferred tax liability	10	13,376,478	12,966,524
Total liabilities		13,597,112	13,477,423
Shareholders' equity			
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
Total liabilities and shareholders' equity		$ 173,871,037	$ 172,460,671

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" Director
Roger M. Lemaitre

"signed" Director
Emmet A. McGrath

UEX CORPORATION

Statements of Operations and Comprehensive Loss

Years ended December 31, 2013 and 2012

	Notes	2013	2012
Revenue			
Interest income		$ 202,074	$ 221,465
Expenses			
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
Loss before income taxes		(2,036,706)	(4,025,844)
Deferred income tax recovery (expense)	10	(311,296)	114,593
Net loss and comprehensive loss for the year		$ (2,348,002)	$ (3,911,251)
Basic and diluted loss per share		$ (0.010)	$ (0.018)
Basic and diluted weighted-average number of shares outstanding		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
Balance, December 31, 2011	*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	-
Balance, December 31, 2012	*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	-
Balance, December 31, 2013	*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
Cash provided by (used for):		
Operating activities		
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)
Investing activities		
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)
Financing activities		
Proceeds from common shares issued	3,175,000	15,166,176
Share issuance costs	(104,972)	(752,677)
	3,070,028	14,413,499
Increase (decrease) in cash and cash equivalents during the year	(3,258,218)	7,313,474
Cash and cash equivalents, beginning of year	12,580,134	5,266,660
Cash and cash equivalents, end of year	$ 9,321,916	$ 12,580,134
Supplementary information		
Non-cash transactions		
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
Advance payment received in period		
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.

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.

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*).

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 indentified 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.

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.

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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:

Asset	Basis	Rate
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

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.

Asset	Basis	Useful Life
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.

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.

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 renouncement 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.

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.

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

6. Equipment

	Exploration camp	Exploration equipment	Computing equipment	Furniture and fixtures	Total
Cost					
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
Accumulated depreciation and impairment					
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
Net book value					
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
Balance at December 31, 2011	$ 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)
Balance at December 31, 2012	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)
Balance at December 31, 2013	$ 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.

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_3O_8 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.

7. Mineral properties (continued)

Exploration and evaluation assets (continued)

<u>Joint operations</u> (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 Uracan Resources Ltd. (“Uracan”) whereby Uracan can earn a 60% interest in Black Lake.

Uracan 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. Uracan 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 Uracan 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 Uracan, 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 Uracan. UEX remains the project operator until such time as Uracan has earned its 60% interest in Black Lake and is entitled to a 10% management fee under the Black Lake joint venture agreement. Uracan 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. Uracan 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.

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 Uracan shares and $8,931 for the Uracan 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 Uracan 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 Uracan 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 Basic, 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:

Ownership interest Effective December 31, 2013	**Western Athabasca** (1)	**Black Lake** (2)	**Beatty River** (3)
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 %

Ownership interest Effective December 31, 2012	**Western Athabasca** (1)	**Black Lake** (2)	**Beatty River** (3)
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 %

(1) 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.

(2) 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 Uracan Resources Ltd. ("Uracan") whereby the Company will transfer to Uracan a 60% interest in the Black Lake Project upon completion of their funding of $10 million in exploration expenditures on UEX's behalf.

(3) 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*).

8. Investments

The Company holds 300,000 share and 150,000 warrant certificates of Uracan which were received in early 2013 as partial consideration for the signing of an agreement which allows Uracan 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 – Uracan (TSX.V: URC) (see Note 14)	$ 27,000	$ -
Warrants held – Uracan (see Note 14)	4,733	-
	$ 31,733	$ -

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

The fair value of the warrants received from Uracan 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 [1]**	**December 31 2012**
Number of warrants received – Uracan	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	-

(1) 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
Uracan – Black Lake prepayment for 2013 program	79,006	-
	$ 220,634	$ 510,899

The prepayment received from Uracan 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.

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
Deferred tax assets		
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
Deferred tax liabilities		
Mineral properties	16,659,679	15,801,130
Net deferred tax liabilities	$ 13,376,478	$ 12,966,524

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)
Deferred income tax recovery (expense)	$ (311,296)	$ 114,593

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.

11. Share capital (continued)

(b) Issued and outstanding – common shares

	Number of shares	Value
Balance, December 31, 2012	*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
Balance, December 31, 2013	*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.

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
Outstanding, December 31, 2011	19,060,700	$ 1.24
Granted	2,460,000	0.60
Expired	(5,334,700)	1.45
Outstanding, December 31, 2012	16,186,000	1.08
Granted	2,285,000	0.36
Cancelled	(1,200,000)	1.38
Expired	(450,000)	0.80
Outstanding, December 31, 2013	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.

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:

	Outstanding			Exercisable	
Range of exercise prices	**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.

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:

	December 31 2013
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.

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:

Investments	Level 1	Level 2	Level 3	Total
Shares – Uracan (TSX-V: URC)	$ 27,000	$ -	$ -	$ 27,000
Warrants – Uracan [(1)]	-	-	4,733	4,733
	$ 27,000	$ -	$ 4,733	$ 31,733

[(1)] Black-Scholes inputs for the Uracan warrant valuation are disclosed in Note 8 – Investments.

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
Balance, December 31, 2012	-		$ -
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		-	-
Balance, December 31, 2013	*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(1)
Balance, December 31, 2012	-		$ -
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)
Balance, December 31, 2013	*150,000*		$ 4,733

(1) 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 – Uracan	The fair value has been determined by using the Black-Scholes option pricing model.	Expected volatility for Uracan shares, derived from the shares' historical prices (weekly).	The estimated fair value for the warrants increases as the volatility increases.

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 (1)	$ 2,400	$ 60,130
Other consultants share-based payments (3)	4,446	13,674
Panterra Geoservices Inc.(2)	42,950	29,750
Panterra Geoservices Inc. share-based payments (3)	28,020	54,722
	$ 77,816	$ 158,276

(1) 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.

(2) 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.

(3) 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).

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 [4]	$ 844,592	$ 896,716
Share-based payments [3]	578,805	1,164,376
	$ 1,423,397	$ 2,061,092

(3) 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).

(4) 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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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