UEX CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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, 2012 and 2011, the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada
March 19, 2013

UEX CORPORATION
Balance Sheets

As at December 31, 2012 and 2011

	Notes	2012	2011
Assets			
Current assets			
Cash and cash equivalents	3	$ 12,580,134	$ 5,266,660
Amounts receivable	4	171,425	133,345
Prepaid expenses	5	101,357	68,835
		12,852,916	5,468,840
Non-current assets			
Equipment	6	171,566	100,188
Mineral properties	7	159,436,189	155,111,126
Total assets		$ 172,460,671	$ 160,680,154
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and other liabilities	8	$ 510,899	$ 464,401
Non-current liabilities			
Deferred tax liability	9	12,966,524	13,186,514
Total liabilities		13,477,423	13,650,915
Shareholders' equity			
Share capital	10	172,345,291	157,826,395
Share-based payments reserve	10 (c)	5,088,191	8,008,322
Deficit		(18,450,234)	(18,805,478)
		158,983,248	147,029,239
Total liabilities and shareholders' equity		$ 172,460,671	$ 160,680,154

Nature and continuance of operations	1
Commitments	7(iv), 7(vi), 10(d), 11
Subsequent events	7(v), 7(vi), 18

See accompanying notes to the financial statements.

Approved on behalf of the Board and authorized for issue on March 19, 2013.

"signed"		***"signed"***	
Graham C. Thody	Director	*Emmet A. McGrath*	Director

UEX CORPORATION
Statements of Operations and Comprehensive Loss

Years ended December 31, 2012 and 2011

	Notes	2012	2011
Revenue			
Interest income		$ 221,465	$ 108,911
		221,465	108,911
Expenses			
Bank charges and interest		4,270	3,521
Depreciation		14,775	11,548
Filing fees and stock exchange		124,474	150,304
Legal and audit		221,973	189,064
Loss on disposal of equipment		-	10,893
Maintenance		17,078	-
Office expenses	15	214,791	274,070
Rent		111,145	113,734
Salaries, termination and placement fees		809,748	736,822
Share-based compensation	10 (c)	953,532	1,344,038
Travel and promotion		165,782	119,776
Write-down of mineral properties	7 (iii), 7(iv)	1,609,741	1,883,767
		4,247,309	4,837,537
Loss before income taxes		(4,025,844)	(4,728,626)
Deferred income tax recovery (expense)	9	114,593	(676,591)
Net loss and comprehensive loss for the year		$ (3,911,251)	$ (5,405,217)
Basic and diluted loss per share		$ (0.018)	$ (0.027)
Basic and diluted weighted-average number of shares outstanding		217,853,362	203,057,364

See accompanying notes to the financial statements.

UEX CORPORATION
Statements of Changes in Equity

Years ended December 31, 2012 and 2011

	Number of common shares	Share capital	Share-based payments reserve	Deficit	Total
Balance, December 31, 2010	*202,862,652*	$ 157,477,185	$ 7,641,422	$ (14,758,017)	$ 150,360,590
Net loss for the year				(5,405,217)	(5,405,217)
Share purchase options exercised	*205,000*	192,350			192,350
Transfer to share capital on exercise of share purchase options		156,860	(156,860)		-
Share-based payment transactions			1,881,516		1,881,516
Transfer to deficit on expiry and cancellation of share purchase options			(1,357,756)	1,357,756	-
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

See accompanying notes to the financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used for):		
Operating activities		
Net loss for the year	$ (3,911,251)	$ (5,405,217)
Adjustments for:		
Depreciation	14,775	11,548
Deferred income tax expense (recovery)	(114,593)	676,591
Interest income	(221,465)	(108,911)
Loss on disposal of equipment	-	10,893
Part XII.6 taxes	-	(32,398)
Share-based compensation	953,532	1,344,038
Write-down of mineral property	1,609,741	1,883,767
Changes in non-cash operating working capital		
Amounts receivable	1,502	10,608
Prepaid expenses	(32,522)	103,493
Accounts payable and other liabilities	3,076	2,082
	(1,697,205)	(1,503,506)
Investing activities		
Interest received	146,240	125,687
Investment in exploration and evaluation assets	(5,424,426)	(10,309,798)
Purchase of equipment	(124,634)	(38,780)
Proceeds on sale of equipment	-	1,875
	(5,402,820)	(10,221,016)
Financing activities		
Common shares issued, net of share issuance costs	14,413,499	-
Exercise of share purchase options	-	192,350
	14,413,499	192,350
Increase (decrease) in cash and cash equivalents during the year	7,313,474	(11,532,172)
Cash and cash equivalents, beginning of year	5,266,660	16,798,832
Cash and cash equivalents, end of year	$ 12,580,134	$ 5,266,660
Supplementary information		
Non-cash transactions		
Increase in accounts payable and other liabilities relating to mineral property expenditures	$ 43,422	$ 129,101
Increase in other liabilities due to flow-through premium recognized on March 14, 2012 flow-through share placement (no flow-through shares issued in 2011)	97,826	-
Decrease in other liabilities due to extinguishment of flow-through premium on renouncement (2012 renouncement relates to 2012 flow-through share issuance; 2011 renouncement relates to 2010 flow-through share issuance)	(97,826)	(806,428)
Decrease (increase) in amounts receivable relating to mineral property expenditures	35,643	(51,666)
Non-cash share-based compensation included in mineral property expenditures	392,832	537,478
Depreciation included in mineral properties	38,481	45,975

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.

As at December 31, 2012, the market capitalization of UEX Corporation was below the carrying value of the Company's net assets which are primarily represented by mineral properties. The Company has reviewed recent arms-length transactions for the acquisition of uranium resources defined by National Instrument 43-101 and has concluded that the carrying value of the Company's net assets is supported.

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. 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 19, 2013.

(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. 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(l) *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(k) *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 9 *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(m) *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 10(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(k) *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(m) *Provisions*).

2. Significant accounting policies (continued)

(d) Comparative figures

Certain comparative amounts in the financial statements have been reclassified to conform to the current year's presentation (see Note 17 *Comparative figures*).

(e) Change in accounting policy

The Company has early adopted IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, as well as the amendments to IAS 27 *Separate Financial Statements* (as amended in 2011) and IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), with a date of initial application of January 1, 2012. The main purpose of early adoption was to allow disclosure of accounting policies for joint arrangements (IFRS 11) in the annual financial statements which would not require amendment in the Company's accounting policies for the March 31, 2013 financial statements. As a result of the decision to early adopt IFRS 11, the following standards were adopted concurrently: IFRS 10; IFRS 12; IAS 27; and IAS 28.

IFRS 10 *Consolidated Financial Statements*

The adoption of this standard had no impact on the financial statements of the Company as there are no subsidiaries or investments in separate entities.

IFRS 11 *Joint Arrangements*

Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets, and obligations for the liabilities, of the arrangements. When making this determination, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. The adoption of this standard had no impact on the financial statements of the Company because the application of IFRS 11 resulted in the same accounting treatment for the Company's joint operations (previously referred to as jointly controlled assets). The Company does not have any joint arrangements that are classified as joint ventures. Note 2(f) *Joint arrangements* reflects this early adoption.

IFRS 12 *Disclosure of Interests in Other Entities*

The adoption of this standard has led to increased disclosure in the financial statements with respect to the Company's joint arrangements and the risks associated with these agreements (see Note 2(f) *Joint arrangements* and Note 7 *Mineral properties*).

IAS 27 *Separate Financial Statements*

The adoption of this standard had no impact on the financial statements of the Company as UEX Corporation does not have any investments in subsidiaries, joint ventures or associates for which the Company has made an election, or is required by local regulators, to present separate financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

The adoption of this standard had no impact on the financial statements of the Company as UEX Corporation does not have any investments in associates or joint arrangements which would be classified as joint ventures under IFRS 11, each of which would require the application of equity method accounting.

2. Significant accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

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.

2. Significant accounting policies (continued)

(h) Financial assets (continued)

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. The Company does not have any assets classified as available-for-sale financial assets.

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 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.

(i) 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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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.

2. Significant accounting policies (continued)

(i) Financial liabilities (continued)

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.

(j) 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.

(k) 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 on a declining balance basis over the expected useful lives of the assets, using the following rates:

Asset	Rate
Exploration camp	5% - 30%
Exploration equipment	30%
Computer equipment	30% - 100%
Furniture and fixtures	20%

Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

2. Significant accounting policies (continued)

(l) 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.

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.

Development properties

When mineral reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. 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.

2. Significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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.

2. Significant accounting policies (continued)

(p) Share capital

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.

(q) Share-based payments

The Company has a share option plan which is described in Note 10(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.

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.

(r) 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.

(s) 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, 2013, with early adoption permitted:

(i) IFRS 7 *Financial Instruments: Disclosure*

It is expected that the amendment to IFRS 7 will increase the current level of disclosure relating to transfers of financial assets between the levels of the fair value hierarchy and require more detailed disclosure of both the valuation techniques used and unobservable inputs (if any), including the Company’s own data.

2. Significant accounting policies (continued)

(s) Recent accounting announcements (continued)

(ii) IFRS 10 *Consolidated Financial Statements*

The adoption of this standard had no impact on the financial statements of the Company as there are no subsidiaries or investments in separate entities.

(iii) IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*

The adoption of this standard had no impact on the financial statements of the Company because the application of IFRS 11 resulted in the same accounting treatment for the Company's joint operations (previously referred to as jointly controlled assets).

(iv) IFRS 12 *Disclosure of Interests in Other Entities*

The adoption of this standard has led to some greater disclosure in the financial statements with respect to the Company's joint arrangements and the risks associated with these agreements.

(v) IFRS 13 *Fair Value Measurement*

The Company does not expect the adoption of IFRS 13 to have a material impact on its financial statements.

The Company early adopted IFRS 10, IFRS 11 and IFRS 12 in its financial statements for the annual period beginning on January 1, 2012. The application of these standards did not have a material impact on the results or the financial position of the Company but did result in some additional disclosure relating to the Company's joint arrangements. The Company intends to adopt IFRS 7 and IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company anticipates that the application of these standards will not have a material impact on the results and financial position of the Company.

The International Accounting Standards Board has issued IFRS 9 *Financial Instruments* ("IFRS 9") to replace IAS 39 *Financial Instruments*. IFRS 9 has an effective date for year ends starting on or after January 1, 2015, with early adoption permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. 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 2012	December 31 2011
Cash	$ 310,019	$ 242,370
Short-term deposits	12,270,115	5,024,290
	$ 12,580,134	$ 5,266,660

4. Amounts receivable

	December 31 2012	December 31 2011
Interest receivable	$ 119,885	$ 44,660
Other receivables	51,540	88,685
	$ 171,425	$ 133,345

Interest receivable reflects interest earned on short-term deposits. Other receivables include $51,540 of Harmonized Sales Tax (HST) receivable as at December 31, 2012 ($85,818 as at December 31, 2011).

5. Prepaid expenses

	December 31 2012	December 31 2011
Advances to vendors	$ 36,244	$ 15,750
Mineral claim deposits	4,596	-
Prepaid expenses	60,517	53,085
	$ 101,357	$ 68,835

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
Accumulated depreciation and impairment					
Balance at December 31, 2011	$ -	$ 265,011	$ 197,201	$ 7,886	$ 470,098
Depreciation charge for the period	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
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

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, 2010	$ 66,679,440	$ 12,209,890	$ 51,154,841	$ 15,130,203	$ 849,833	$ 146,024,207
Additions	5,989,356	59,660	4,856,897	58,518	6,255	10,970,686
Impairment charge for the period	-	(1,883,767)	-	-	-	(1,883,767)
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

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.

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 2012, total exploration and evaluation expenditures at Hidden Bay of $2,694,429 included evaluation expenditures of $1,299,781 (2011 exploration and evaluation expenditures of $5,989,356 included evaluation expenditures of $587,961) primarily relating to environmental and technical studies. Total evaluation costs of $6,589,920 as at December 31, 2012 are included in the $75,363,225 balance (the December 31, 2011 exploration and evaluation total of $72,668,796 includes $5,290,139 of evaluation expenditures) and represent 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 environmental and technical studies.

(ii) Riou Lake Project

The Company holds a 100% interest in the Riou Lake Project located in the northern Athabasca Basin. In the fourth quarter of 2011, the Company allowed one of its mineral claims for the Riou Lake Project to lapse. As a result of this event, the Company wrote off $1,883,767 of deferred exploration and evaluation assets in the 2011 fiscal year.

(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.

7. Mineral properties (continued)

Exploration and evaluation assets (continued)

Joint operations

(iv) Western Athabasca Projects

The Western Athabasca Projects, located in the western Athabasca Basin, which include the Kianna, Anne, Colette and 58B deposits located at the Shea Creek Project, are nine joint ventures with the Company holding a 49% interest and AREVA Resources Canada Inc. ("AREVA") holding a 51% interest as at December 31, 2012 and December 31, 2011. The Company is in the process of preparing joint-venture agreements with AREVA. At December 31, 2012, total exploration and evaluation assets to date of $57,548,301 for Western Athabasca included evaluation expenditures of $7,370,026 (the December 31, 2011 exploration and evaluation total of $56,011,738 includes $7,370,026 of evaluation expenditures) relating to the Shea Creek Project.

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.

Subsequent to the year end, a budget for 2013 of $3.1 million, of which UEX is responsible for funding $1.52 million, was approved.

In the fourth quarter of 2012, UEX supported AREVA's decision, as project operator of the Western Athabasca Projects, to not propose a budget for 2013 for James Creek and to let the seven James Creek mineral claims (18,963 hectares) lapse in 2013, and UEX concurred. As a result, the Company concluded that the amounts deferred as the James Creek exploration and evaluation assets were impaired. Consequently, a charge of $1,609,741 was recorded in the Company's statement of operations and comprehensive loss for the year ended December 31, 2012.

(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 89.96% interest and AREVA holding a 10.04% interest as at December 31, 2012 and December 31, 2011. Subsequent to the year end, UEX notified AREVA that as a result of their decision to not participate in the 2012 program for Black Lake their ownership interest in the project was diluted to 10.03% from 10.04%.

On September 10, 2012, the Company placed a cash deposit with the Saskatchewan Ministry of Energy and Resources to maintain a mineral claim for Black Lake that would have otherwise expired in January 2013. The cash deposit maintains the claim in good standing for a period of one year to January 2014 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.

Subsequent to the year end, the Company entered into an agreement with Uracan Resources Ltd. ("Uracan"), whereby Uracan may earn a 60% interest in Black Lake (see Note 18 *Subsequent event*).

(vi) Beatty River Project

The Company holds an option with JCU (Canada) Exploration Company, Limited ("JCU") to acquire a 25% interest in the Beatty River Project, located in the western Athabasca Basin, 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. Subsequent to the year end, JCU and UEX agreed that UEX fulfilled its earn-in on the Beatty River Project by making a payment to JCU of $3,441.

7. Mineral properties (continued)

Exploration and evaluation assets (continued)

UEX is party to the following joint arrangements:

Ownership interest Effective December 31, 2012	Western Athabasca	Black Lake [1]	Beatty River [2]
UEX Corporation	49.000 %	89.960 %	- %
AREVA Resources Canada Inc.	51.000	10.040	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 had been diluted from 10.04% to 10.03% as a result of their decision to not participate in the 2012 programs (see Note 7(v) *Black Lake Project*). Also subsequent to year end, 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 (see Note 18 *Subsequent event*).

[2] Subsequent to year end, UEX completed its earn-in on the Beatty River Project and holds a 25% interest in the project (see Note 7(vi) *Beatty River Project*).

8. Accounts payable and other liabilities

	December 31 2012	December 31 2011
Trade payables	$ 444,652	$ 367,197
Other liabilities	66,247	97,204
	$ 510,899	$ 464,401

9. Income taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2012 and December 31, 2011 are presented below:

	December 31 2012	December 31 2011
Deferred tax assets		
Losses carried forward	$ 2,432,582	$ 1,950,005
Charitable donations	8,438	7,898
Equipment	147,372	132,993
Share issuance costs	246,214	137,961
	2,834,606	2,228,857
Deferred tax liabilities		
Mineral properties	15,801,130	15,415,371
Net deferred tax liabilities	$ 12,966,524	$ 13,186,514

9. Income taxes (continued)

At December 31, 2012, the Company has non-capital losses available for income tax purposes totaling approximately $9,009,561 (2011 - $7,222,241) which may be carried forward to reduce future years' taxable income. These losses, if not utilized, will expire by 2032.

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2012 and 2011 is as follows:

	Year ended December 31	
	2012	**2011**
Loss before income taxes	$ (4,025,844)	$ (4,728,626)
Statutory rates	27%	28.5%
Income tax recovery at statutory rates	1,086,978	1,347,658
Non-deductible expenses and permanent differences	(260,212)	(384,914)
Exploration expenditures renounced net of flow-through premium	(712,173)	(1,588,664)
Future corporate tax rate differences	-	(50,671)
Deferred income tax recovery (expense)	$ 114,593	$ (676,591)

10. 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.

(b) Issued and outstanding - common shares

	Number of shares	Value
Balance, December 31, 2010	*202,862,652*	$ 157,477,185
Issued in 2011		
For cash on exercise of share purchase options (Note 10(c))	*205,000*	192,350
Share-based payment reserve transferred on exercise of share purchase options	-	156,860
Balance, December 31, 2011	*203,067,652*	157,826,395
Issued in 2012		
For cash by way of private placements	*18,421,027*	15,166,176
Share issuance costs		(752,677)
Value attributed to flow-through premium on issuance	-	(97,826)
Deferred income taxes on share issuance costs	-	203,223
Balance, December 31, 2012	*221,488,679*	$ 172,345,291

10. Share capital (continued)

(b) Issued and outstanding - common shares (continued)

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 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%.

(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.

A summary of the status of the Company's share-based compensation plan as at December 31, 2012 and December 31, 2011 and changes during the years ended on these dates is presented below:

	Number of share purchase options	Weighted-average exercise price
Outstanding, December 31, 2010	16,554,700	$ 1.39
Granted	3,666,000	1.02
Exercised	(205,000)	0.94
Cancelled	(775,000)	3.38
Expired	(180,000)	1.20
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

10. Share capital (continued)

(c) Share-based compensation (continued)

In the year ended December 31, 2012, $4,266,495 was transferred from the share-based payments reserve to deficit relating to the expiry of 5,334,700 share purchase options. In the year ended December 31, 2011 $1,357,756 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 $5,088,191 as at December 31, 2012 and $8,008,322 as at December 31, 2011 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.

As at December 31, 2012, the Company had a total of 16,186,000 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**
$ 0.60 - 0.97	5,210,000	$ 0.74	6.32	3,509,998	$ 0.80
0.98 - 1.27	5,941,000	1.09	6.82	4,778,998	1.10
1.28 - 1.45	5,035,000	1.41	6.50	5,035,000	1.41
	16,186,000	$ 1.08	6.56	13,323,996	$ 1.14

The estimated fair value expense of all share purchase options vested during the year ended December 31, 2012 is $1,346,364 (2011 - $1,881,516). The amount included in mineral properties for the year ended December 31, 2012 is $392,832 (2011 - $537,478). The unamortized balance of share-based compensation expense for share purchase options that were not vested at December 31, 2012 is $562,820 (2011 - $1,044,600).

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 2012	**December 31 2011**
Number of options granted	2,460,000	3,666,000
Expected forfeiture rate	0.55%	0.81%
Weighted-average grant date fair values	$ 0.60	$ 1.02
Expected volatility	79.48%	85.41%
Risk-free interest rate	1.12%	2.09%
Expected life	4.02 years	3.99 years

10. Share capital (continued)

(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, 2012, the Company had spent all of the $3.0 million flow-through monies raised in the 2012 placement. The Company renounced the income tax benefit of this issue to its subscribers effective December 31, 2012.

11. Commitments

The Company has an obligation under an operating lease for its office premises. The future minimum lease payments are as follows:

	December 31 2012
2013	$ 59,110
2014	60,566
2015	56,743
2016	-
2017	-

Other commitments in respect of the Company's mineral properties are disclosed in Note 7 and Note 10(d).

12. 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.

13. 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 12. Accounts payable and other liabilities are due within the current operating period.

13. Management of financial risk (continued)

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.

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 cost with accrued interest recorded in accounts receivable. At December 31, 2012, the Company's cash and cash equivalents of $12,580,134 (December 31, 2011 - $5,266,660) are classified as Level 1 within the fair value hierarchy.

14. 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.

15. Office expenses

	Year ended December 31 2012	Year ended December 31 2011
Insurance	$ 48,632	$ 47,507
Office supplies and consulting	153,272	215,869
Telephone	12,887	10,694
	$ 214,791	$ 274,070

16. 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 2012	Year ended December 31 2011
Other consultants [(1)]	$ 60,130	$ 93,385
Other consultants share-based payments [(3)]	13,674	17,049
Panterra Geoservices Inc.[(2)]	29,750	39,750
Panterra Geoservices Inc. share-based payments [(3)]	54,722	102,338
	$ 158,276	$ 252,522

(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 10(c).

(b) Key management personnel compensation

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

	Year ended December 31 2012	Year ended December 31 2011
Salaries and short-term employee benefits [(4)]	$ 896,716	$ 692,719
Termination payments	-	75,833
Share-based payments [(3)]	1,164,376	1,623,417
	$ 2,061,092	$ 2,391,969

(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 10(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.

17. Comparative figures

Certain prior period figures presented for comparative purposes have been reclassified to conform to the current financial statement presentation as follows:

(a) Balance Sheet - Note 5, Prepaid expenses

As at December 31, 2011, prepaid expenses included $15,000 which was an advance to a vendor that shall apply this amount to the final invoice for the project rather than as work is completed.

	Previous presentation		Current presentation
	December 31 2011	**Financial statement reclassification**	**December 31 2011**
Advances to vendors	$ 750	$ 15,000	$ 15,750
Prepaid expenses	68,085	(15,000)	53,085
	$ 68,835	$ -	$ 68,835

This presentation change only impacts the supporting note and does not impact the values presented in the balance sheet as at December 31, 2011 or the statement of cash flows for the year ended December 31, 2011.

(b) Statements of Operations and Comprehensive Loss

In the year ended December 31, 2011 certain costs related to shareholder communications have been reclassified for consistency from office expenses to the filing fees and stock exchange expense category where all other shareholder communication costs are presented. This reclassification resulted in $32,132 being reclassified from *Office expenses* to *Filing fees and stock exchange* which more appropriately reflects the nature of the expense.

	Previous presentation		Current presentation
Year ended	**December 31 2011**	**Financial statement reclassification**	**December 31 2011**
Filing fees and stock exchange	$ 118,172	$ 32,132	$ 150,304
Office expenses	306,202	(32,132)	274,070

The reclassification did not have any effect on the net loss and comprehensive loss in the statement of operations and comprehensive loss for the year ended December 31, 2011 since the amounts are reclassifications within expenses. The reclassification does not impact the values presented in the statement of cash flows for the year ended December 31, 2011.

18. Subsequent event

In early 2013, UEX signed an agreement with Uracan Resources Ltd. ("Uracan") whereby Uracan can earn a 60% interest in the Black Lake Project (the "Project") in northern Saskatchewan, which is a joint venture with AREVA Resources Canada Inc.

Uracan 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. 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 the Project and is entitled to a 10% management fee under the Black Lake joint venture agreement.

Uracan 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. 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.

Corporate Information

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Vice-President, Exploration

Nan Lee
Vice-President, Project Development

Ed Boney
Chief Financial Officer and Corporate Secretary