

URANIUM ENERGY CORP  
Form 10-Q  
June 11, 2012

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

**FORM 10-Q**

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

For the quarterly period ended **April 30, 2012**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-33706**

**URANIUM ENERGY CORP.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation of  
organization)

**98-0399476**

(I.R.S. Employer Identification No.)

**1111 West Hastings Street, Suite 320, Vancouver, B.C.**

(Address of principal executive offices)

**V6E 2J3**

(Zip Code)

**(604) 682-9775**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to

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submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

☐ Large accelerated filer

☒ Accelerated filer

☐ Non-accelerated filer

☐ Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**84,795,155 shares of common stock outstanding as of June 8, 2012.**

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**URANIUM ENERGY CORP.**

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**URANIUM ENERGY CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2012**

**(Unaudited)**

**URANIUM ENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

Notes    **April 30, 2012**            July 31, 2011

**CURRENT ASSETS**

|                                  |    |    |                   |    |            |
|----------------------------------|----|----|-------------------|----|------------|
| Cash and cash equivalents        | 13 | \$ | <b>26,200,599</b> | \$ | 30,724,051 |
| Available-for-sale securities    | 3  |    | <b>79,559</b>     |    | 79,126     |
| Accounts and interest receivable |    |    | <b>195,466</b>    |    | 90,907     |
| Inventories                      | 4  |    | <b>4,281,402</b>  |    | 2,775,947  |
| Prepaid expenses and deposits    |    |    | <b>601,317</b>    |    | 267,158    |
|                                  |    |    | <b>31,358,343</b> |    | 33,937,189 |
|                                  |    |    |                   |    |            |
| MINERAL RIGHTS AND PROPERTIES    | 5  |    | <b>42,404,763</b> |    | 17,841,083 |
| PROPERTY, PLANT AND EQUIPMENT    | 6  |    | <b>8,967,448</b>  |    | 8,702,413  |
| RECLAMATION DEPOSITS             | 7  |    | <b>5,528,136</b>  |    | 4,610,300  |
| LOAN RECEIVABLE                  | 8  |    | <b>-</b>          |    | 300,000    |
|                                  |    | \$ | <b>88,258,690</b> | \$ | 65,390,985 |

**CURRENT LIABILITIES**

|                                                 |    |    |                  |    |           |
|-------------------------------------------------|----|----|------------------|----|-----------|
| Accounts payable and accrued liabilities        |    | \$ | <b>4,203,790</b> | \$ | 3,232,104 |
| Due to related parties                          | 9  |    | <b>10,376</b>    |    | 8,287     |
| Current portion of asset retirement obligations | 10 |    | <b>784,284</b>   |    | 675,872   |
|                                                 |    |    | <b>4,998,450</b> |    | 3,916,263 |
|                                                 |    |    |                  |    |           |
| DEFERRED INCOME TAX LIABILITIES                 | 5  |    | <b>949,828</b>   |    | -         |
| ASSET RETIREMENT OBLIGATIONS                    | 10 |    | <b>2,025,555</b> |    | 2,351,931 |
|                                                 |    |    | <b>7,973,833</b> |    | 6,268,194 |

**STOCKHOLDERS' EQUITY**

|                                                                                                                                      |    |    |                      |    |              |
|--------------------------------------------------------------------------------------------------------------------------------------|----|----|----------------------|----|--------------|
| Capital stock                                                                                                                        |    |    |                      |    |              |
| Common stock \$0.001 par value: 750,000,000 shares authorized, 84,795,155 shares issued and outstanding (July 31, 2011 - 73,487,337) | 11 |    | <b>84,795</b>        |    | 73,487       |
| Additional paid-in-capital                                                                                                           |    |    | <b>196,060,038</b>   |    | 154,564,206  |
| Share issuance obligation                                                                                                            |    |    | <b>194,700</b>       |    | 194,700      |
| Accumulated deficit                                                                                                                  |    |    | <b>(116,070,135)</b> |    | (95,740,228) |
| Accumulated other comprehensive income                                                                                               |    |    | <b>15,459</b>        |    | 30,626       |
|                                                                                                                                      |    |    | <b>80,284,857</b>    |    | 59,122,791   |
|                                                                                                                                      |    | \$ | <b>88,258,690</b>    | \$ | 65,390,985   |

**COMMITMENTS AND CONTINGENCIES**

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**SUBSEQUENT EVENTS**

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

**URANIUM ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(Unaudited)**

|                                                                         | Notes | Three Months Ended April 30, |                | Nine Months Ended April 30, |                 |
|-------------------------------------------------------------------------|-------|------------------------------|----------------|-----------------------------|-----------------|
|                                                                         |       | 2012                         | 2011           | 2012                        | 2011            |
| <b>SALES</b>                                                            |       | \$ -                         | \$ -           | \$ 6,240,000                | \$ -            |
| <b>COST OF SALES</b>                                                    |       | -                            | -              | 3,160,854                   | -               |
|                                                                         |       | -                            | -              | 3,079,146                   | -               |
| <b>EXPENSES</b>                                                         |       |                              |                |                             |                 |
| Mineral property expenditures                                           | 5     | 4,011,989                    | 2,923,975      | 10,907,280                  | 8,460,966       |
| General and administrative                                              | 9&11  | 3,763,968                    | 2,964,021      | 11,369,217                  | 12,474,615      |
| Impairment loss on mineral properties                                   |       | -                            | 128,339        | -                           | 128,339         |
| Depreciation, amortization and accretion                                | 6&10  | 314,648                      | 252,160        | 935,124                     | 768,329         |
|                                                                         |       | 8,090,605                    | 6,268,495      | 23,211,621                  | 21,832,249      |
| <b>LOSS BEFORE OTHER ITEMS</b>                                          |       | (8,090,605)                  | (6,268,495)    | (20,132,475)                | (21,832,249)    |
| <b>OTHER ITEMS</b>                                                      |       |                              |                |                             |                 |
| Interest income                                                         |       | 18,601                       | 13,876         | 53,044                      | 34,279          |
| Interest expense                                                        |       | (32,372)                     | -              | (32,372)                    | -               |
| Loss on disposition of assets                                           |       | -                            | -              | (501)                       | (5,267)         |
| Gain on sale of investments                                             |       | -                            | 8,652          | -                           | 8,652           |
| Loss on fair value of convertible debentures                            | 14    | (1,242)                      | -              | (49,681)                    | -               |
| Loss on settlement of convertible debentures                            | 14    | (134,805)                    | -              | (312,207)                   | -               |
| Gain on settlement of accounts payable                                  | 5     | 16,072                       | -              | 144,285                     | -               |
|                                                                         |       | (133,746)                    | 22,528         | (197,432)                   | 37,664          |
| <b>NET LOSS FOR THE PERIOD</b>                                          |       | (8,224,351)                  | (6,245,967)    | (20,329,907)                | (21,794,585)    |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME,</b>                               |       |                              |                |                             |                 |
| <b>NET OF INCOME TAXES</b>                                              |       | (982)                        | 40,242         | (15,167)                    | 101,569         |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                          |       | \$ (8,225,333)               | \$ (6,205,725) | \$ (20,345,074)             | \$ (21,693,016) |
| <b>NET LOSS PER SHARE, BASIC AND DILUTED</b>                            |       | \$ (0.10)                    | \$ (0.09)      | \$ (0.27)                   | \$ (0.32)       |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED</b> |       | 78,443,518                   | 71,339,133     | 76,135,321                  | 67,431,486      |

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



**URANIUM ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2012**  
**(Unaudited)**

|                                                         | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid-<br>in Capital | Share<br>Issuance<br>Obligation | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Stockholders'<br>Equity |
|---------------------------------------------------------|------------------------|------------------------|-----------------------------------|---------------------------------|------------------------|-------------------------------------------------|-------------------------|
| Balance, July 31, 2011                                  | 73,487,337             | \$ 73,487              | \$ 154,564,206                    | \$ 194,700                      | \$ (95,740,228)        | \$ 30,626                                       | \$ 59,122,791           |
| Common stock                                            |                        |                        |                                   |                                 |                        |                                                 |                         |
| Issued pursuant to equity financing                     | 6,284,770              | 6,285                  | 20,975,263                        | -                               | -                      | -                                               | 20,981,548              |
| Issued on the exercise of options and warrants          | 224,323                | 225                    | 517,895                           | -                               | -                      | -                                               | 518,120                 |
| Issued pursuant to consulting services agreement        | 50,000                 | 50                     | 167,324                           | -                               | -                      | -                                               | 167,374                 |
| Issued pursuant on settlement of convertible debentures | 128,508                | 128                    | 699,212                           | -                               | -                      | -                                               | 699,340                 |
| Issued pursuant on acquisition of mineral properties    | 4,420,669              | 4,421                  | 15,724,411                        | -                               | -                      | -                                               | 15,728,832              |
| Issued pursuant to database acquisition                 | 159,236                | 159                    | 510,989                           | -                               | -                      | -                                               | 511,148                 |
| Issued pursuant to settlement of current liabilities    | 40,312                 | 40                     | 158,386                           | -                               | -                      | -                                               | 158,426                 |
| Stock-based compensation                                |                        |                        |                                   |                                 |                        |                                                 |                         |
| Options issued for consulting services                  | -                      | -                      | 711,249                           | -                               | -                      | -                                               | 711,249                 |
| Options issued for management fees                      | -                      | -                      | 834,219                           | -                               | -                      | -                                               | 834,219                 |
| Options issued for wages and                            | -                      | -                      | 1,021,833                         | -                               | -                      | -                                               | 1,021,833               |

|                                                            |                      |                  |                       |                   |                        |                  |                   |
|------------------------------------------------------------|----------------------|------------------|-----------------------|-------------------|------------------------|------------------|-------------------|
| benefits                                                   |                      |                  |                       |                   |                        |                  |                   |
| Options issued on acquisition of mineral properties        | -                    | -                | 76,442                | -                 | -                      | -                | 76,442            |
| Broker options issued on acquisition of mineral properties | -                    | -                | 28,149                | -                 | -                      | -                | 28,149            |
| Warrants issued on acquisition of mineral properties       | -                    | -                | 70,460                | -                 | -                      | -                | 70,460            |
| Net loss for the period                                    | -                    | -                | -                     | -                 | (20,329,907)           | -                | (20,329,907)      |
| Unrealized loss on available-for-sale securities           | -                    | -                | -                     | -                 | -                      | (15,167)         | (15,167)          |
| <b>Balance, April 30, 2012</b>                             | <b>84,795,155 \$</b> | <b>84,795 \$</b> | <b>196,060,038 \$</b> | <b>194,700 \$</b> | <b>(116,070,135)\$</b> | <b>15,459 \$</b> | <b>80,284,857</b> |

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

**URANIUM ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|                                                                         | Notes | Nine Months Ended<br>April 30, 2012 | Nine Months Ended<br>April 30, 2011 |
|-------------------------------------------------------------------------|-------|-------------------------------------|-------------------------------------|
| <b>CASH (USED IN) PROVIDED BY:</b>                                      |       |                                     |                                     |
| <b>OPERATING ACTIVITIES</b>                                             |       |                                     |                                     |
| Net loss for the period                                                 |       | \$ (20,329,907)                     | \$ (21,794,585)                     |
| Adjustments to reconcile net loss to net cash from operating activities |       |                                     |                                     |
| Stock based compensation                                                | 11    | 2,734,675                           | 5,765,512                           |
| Impairment loss on mineral properties                                   |       | -                                   | 128,339                             |
| Depreciation, amortization, depletion and accretion                     |       | 1,526,110                           | 768,329                             |
| Loss on disposition of assets                                           |       | 501                                 | 5,267                               |
| Gain on sale of investments                                             |       | -                                   | (8,652)                             |
| Loss on fair value of convertible debentures                            | 14    | 49,681                              | -                                   |
| Loss on settlement of convertible debentures                            | 14    | 312,207                             | -                                   |
| Gain on settlement of accounts payable                                  | 5     | (144,285)                           | -                                   |
| Changes in operating assets and liabilities                             |       |                                     |                                     |
| Accounts and interest receivable                                        |       | (88,508)                            | (23,133)                            |
| Inventories                                                             | 4     | (1,505,455)                         | (1,062,766)                         |
| Prepaid expenses and deposits                                           |       | (317,349)                           | (257,061)                           |
| Accounts payable and accrued liabilities                                |       | (150,510)                           | (1,823,267)                         |
| Settlement of asset retirement obligations                              | 10    | (737,130)                           | (870,504)                           |
| <b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>                      |       | <b>(18,649,970)</b>                 | <b>(19,172,521)</b>                 |
| <b>FINANCING ACTIVITIES</b>                                             |       |                                     |                                     |
| Issuance of shares for cash, net of issuance costs                      |       | 21,499,668                          | 34,304,984                          |
| Settlement of convertible debentures                                    | 14    | (1,370,486)                         | -                                   |
| Advances from (repayment) to related parties                            | 9     | 2,089                               | (76,824)                            |
| <b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>                  |       | <b>20,131,271</b>                   | <b>34,228,160</b>                   |
| <b>INVESTING ACTIVITIES</b>                                             |       |                                     |                                     |
| Investment in mineral rights and properties                             | 5&13  | (3,878,707)                         | (457,861)                           |
| Purchase of property, plant and equipment                               |       | (947,560)                           | (282,294)                           |
| Settlement of loan assumed from acquisition of Cue Resources Ltd.       |       | (260,650)                           | -                                   |
| Loan associated with acquisition of Concentric Energy Corp.             | 8     | -                                   | (300,000)                           |
| Proceeds from disposition of assets                                     |       | -                                   | 700                                 |
| Proceeds from sale of investments                                       |       | -                                   | 29,035                              |
| Reclamation deposit                                                     |       | (917,836)                           | (1,872,623)                         |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>                      |       | <b>(6,004,753)</b>                  | <b>(2,883,043)</b>                  |
| <b>NET CASH FLOWS</b>                                                   |       | <b>(4,523,452)</b>                  | <b>12,172,596</b>                   |
|                                                                         |       | <b>30,724,051</b>                   | <b>21,067,662</b>                   |

**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD**

|                                                 |           |                   |           |                   |
|-------------------------------------------------|-----------|-------------------|-----------|-------------------|
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b> | <b>\$</b> | <b>26,200,599</b> | <b>\$</b> | <b>33,240,258</b> |
|-------------------------------------------------|-----------|-------------------|-----------|-------------------|

**SUPPLEMENTAL CASH FLOW INFORMATION** 13

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

**URANIUM ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2012**  
**(Unaudited)**

**NOTE 1: NATURE OF OPERATIONS**

Uranium Energy Corp. was incorporated in the State of Nevada on May 16, 2003. Uranium Energy Corp. and its subsidiary companies and a partnership (collectively, the Company) are engaged in uranium exploration and development programs and mining operations on properties located in the United States and most recently, Paraguay.

The Company realized revenue from uranium sales during the nine months ended April 30, 2012, however, it has a history of operating losses and significant negative cash flow since inception. Although planned principal operations have commenced and existing cash resources are expected to provide sufficient funds for the next twelve months, future capital expenditures of the Company may be substantial and its continuation as a going concern for a period longer than twelve months will be dependent upon the Company's ability to obtain adequate financing. Historically, the Company has been reliant primarily on equity financing from the sale of its common shares and this reliance is expected to continue for the foreseeable future. Furthermore, the continued operations of the Company including the recoverability of the carrying values of its assets are dependent ultimately on the Company's ability to achieve and maintain profitability and positive cash flow from its operations. At April 30, 2012, the Company had working capital of \$26.4 million and an accumulated deficit of \$116.1 million.

**Unaudited Interim Consolidated Financial Statements**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ) for interim financial information. They may not include all information and footnotes required by U.S. GAAP for complete financial statements, however, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the consolidated financial statements for the fiscal year ended July 31, 2011 included in the Company's Annual Report on Form 10-K. These unaudited interim consolidated financial statements should be read in conjunction with those consolidated financial statements included in the Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the nine months ended April 30, 2012 are not necessarily indicative of the results that may be expected for the upcoming fiscal year ending July 31, 2012.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. GAAP.

The accompanying consolidated financial statements include the accounts of Uranium Energy Corp. and its wholly-owned subsidiaries, UEC Resources Ltd., UEC Paraguay Corp. and its subsidiary, Piedra Rica Mining S.A., Cue Resources Ltd. and its subsidiary, Transandes Paraguay S.A., UEC Concentric Merge Corp., URN Texas GP, LLC, URN South Texas Project, Ltd., and a partnership, South Texas Mining Venture, L.L.P. ( STMV ). All significant inter-company transactions and balances have been eliminated upon consolidation.

Certain line items of the comparative figures have been reclassified to conform to the current period's presentation format.

**Cash and Cash Equivalents**

The Company considers all highly-liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents.

**URANIUM ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2012**  
**(Unaudited)**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral property interests, valuation of stock-based compensation, valuation of available-for-sale securities, net realizable valuation of inventory and valuation of convertible debentures and asset retirement obligations. Other areas requiring estimates include allocations of expenditures to inventory, depreciation of property and equipment, and amortization of mineral properties, databases and land use agreements. Actual results could differ from those estimates.

**Fair Value Measurements**

The Company measures its available-for-sale securities at fair value in accordance with ASC 820 Fair Value Measurements. ASC 820 specifies a valuation hierarchy based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets;
- Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

**Inventories**

Inventories are comprised of supplies, uranium concentrates and work-in-progress. Expenditures include mining and processing activities that result in future production of uranium concentrates and depreciation and depletion charges. Mining and processing activities include labor, chemicals and other directly attributable production expenditures. Inventories are valued and charged to cost of sales using the weighted average costing method and are carried at the lower of cost or net realizable value.

**Mineral Rights**

Expenditures relating to the acquisition of mineral rights are capitalized as incurred. Expenditures relating to exploration activities are expensed as incurred, while those relating to development activities are expensed when incurred prior to the completion of a bankable feasibility study establishing proven and probable reserves. Once proven and probable reserves are established, subsequent development expenditures relating to that project are capitalized.

Upon commencement of production, the project's capitalized expenditures are depleted over proven and probable reserves using the units-of-production method. Where proven and probable reserves have not been established, such

capitalized expenditures are depleted over the estimated production life using the straight-line method. The Company has not established proven or probable reserves on any of its projects.

The carrying values of the mineral rights are assessed for impairment by management on a quarterly basis. Should management determine that these carrying values cannot be recovered, the unrecoverable amounts are written off against earnings.

**URANIUM ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2012**  
**(Unaudited)**

**Databases**

Expenditures relating to mineral property databases are capitalized upon acquisition while those developed internally are expensed as incurred. Mineral property databases are tested for impairment whenever events or changes indicate that the carrying values may not be recoverable. An impairment loss is recognized if it is determined that the carrying value is not recoverable and exceeds fair value. Mineral property databases are amortized using the straight-line method over a five-year period over which management believes the asset will contribute to the Company's cash flows. Databases are included in Mineral Rights and Properties on the balance sheet.

**Land Use Agreements**

Expenditures relating to mineral property land use agreements are capitalized upon acquisition. Mineral property land use agreements are tested for impairment whenever events or changes indicate that the carrying values may not be recoverable. An impairment loss is recognized if it is determined that the carrying value is not recoverable and exceeds fair value. Mineral property land use agreements are amortized using the straight-line method over a ten-year period over which management believes the asset will contribute to the Company's cash flows. Land use agreements are included in Mineral Rights and Properties on the balance sheet.

**Convertible Debentures**

Pursuant to ASC 815, the convertible debentures were initially measured at fair value in its entirety, without separating associated elements such as the convertible feature. Subsequent to the initial recognition, the fair value of the convertible debentures is revalued and recognized in the applicable period as an unrealized change in fair value of convertible debentures in the consolidated statements of operations and comprehensive loss.

The Company's fair value measurement for the convertible debentures is calculated using a probability-weighted discounted cash flow model (level 3 fair value measurement) which includes the Company's assessment of the outstanding principle, the accrued interest and the applicable discount rate. Convertible debentures are classified as a liability on the consolidated balance sheet.

Upon exercise under the convertible provision, the financial liability is derecognized and common shares of the Company would be issued at the exercise price, with any differences recorded as a gain or loss in the consolidated statement of operations and comprehensive loss.

Upon settlement of the convertible debentures, the financial liability is derecognized and any difference between the carrying value of the financial liability and the settlement amount is recorded as a gain or loss of convertible debenture settlement in the consolidated statement of operations and comprehensive loss.

**Restoration and Remediation Costs (Asset Retirement Obligations)**

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining.

Future reclamation and remediation costs, which include production equipment removal and environmental remediation, are accrued based on management's best estimate at the end of each period of the costs expected to be

incurred at each project. Such estimates are determined by the Company's engineering studies calculating the cost of future surface and groundwater activities, current regulations, actual expenses incurred, and technology and industry standards.

In accordance with ASC 410, Asset Retirement and Environmental Obligations, the Company capitalizes the measured fair value of asset retirement obligations to mineral rights and properties. The asset retirement obligations are accreted to an undiscounted value until the time at which they are expected to be settled. The accretion expense is charged to the statement of operations and comprehensive loss and actual retirement costs are recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

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On a quarterly basis, the Company updates cost estimates, and other assumptions used in the valuation of asset retirement obligations at each of its mineral properties to reflect new events, changes in circumstances and any new information that is available. Changes in these costs have a corresponding impact on the asset retirement obligations.

**Revenue Recognition**

The recognition of revenue from the sale of uranium concentrates is in accordance with the guidelines outlined in ASC Section 605-10-25 Revenue Recognition. The Company delivers its uranium concentrates to a uranium storage facility and once the product is confirmed to meet the required specifications, the Company receives credit for a specified quantity measured in pounds. Future sales of uranium concentrates are expected to generally occur under uranium supply agreements or on the uranium spot market. Once a sale of uranium concentrates is negotiated, the Company will notify the uranium storage facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the uranium concentrates is confirmed by the uranium storage facility at which point the customer is invoiced by the Company.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

**Financial Instruments**

The fair values of cash and cash equivalents, reclamation deposits, other current monetary assets, accounts payable, accrued liabilities, royalty obligations and related party transactions were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's operations and financing activities are conducted primarily in United States dollars, and as a result the Company is not subject to significant exposure to market risks from changes in foreign currency rates. The Company is exposed to credit risk through its cash and cash equivalents, but mitigates that risk by keeping deposits at major financial institutions.

**Earnings (Loss) per Common Share**

Basic earnings (loss) per share includes no potential dilution and is computed by dividing the earnings (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution of securities that could share in the earnings (loss) of the Company. The common shares potentially issuable on the exercise of share purchase warrants and stock options were not included in the calculation of weighted average number of shares outstanding because the effect is anti-dilutive.

**Foreign Currency Translation**

The functional currency of the Company, including its subsidiaries, is the United States dollar. UEC Resources Ltd. and Cue Resources Ltd. maintain their accounting records in its local currency – the Canadian dollar. Piedra Rica Mining S.A. and Transandes Paraguay S.A. maintain their accounting records in the local currency - the Paraguayan Guarani. In accordance with ASC 830, Foreign Currency Matters, the financial statements of the Company's subsidiaries are translated into United States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than the Company's functional currency are included in the determination of net income (loss) in the period.

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**Income Taxes**

The Company follows the liability method of accounting for income taxes. Under this 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 balances. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment. The Company recognizes deferred taxes on unrealized gains directly within other comprehensive income, and concurrently releases part of the valuation allowance resulting in nil impact within other comprehensive income or on the balance sheet. The Company's policy is to accrue any interest and penalties related to unrecognized tax benefits in its provision for income taxes. Additionally, ASC 740, Income Taxes, requires that a company recognize in its financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position.

**Stock-Based Compensation**

The Company follows ASC 718, Compensation - Stock Compensation, which addresses the accounting for stock-based payment transactions, requiring such transactions to be accounted for using the fair value method. Awards of shares for property or services are recorded at the more readily measurable of the fair value of the stock and the fair value of the service. The Company uses the Black-Scholes option-pricing model to determine the grant date fair-value of stock-based awards under ASC 718. The fair value is recorded in income depending on the terms and conditions of the award, and the nature of the relationship of the recipient of the award to the Company. The Company records the grant date fair value in income in line with the period over which it was earned. For employees and management, this is typically considered to be the vesting period of the award. For consultants, the fair value of the award is recorded in income over the term of the service period, and unvested amounts are revalued at each reporting period over the service period. The Company estimates the expected forfeitures and updates the valuation accordingly.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost and are depreciated to their estimated residual values using the straight-line method over their estimated useful lives as follows:

- Hobson Processing Facility - 10 years
- Computer Equipment - 3 years
- Other Equipment, Vehicles and Furniture and Fixtures - 5 years
- Leasehold Improvements - Term of lease

**New Accounting Standard**

On May 12, 2011, the FASB issued ASU 2011-04 to converge U.S. GAAP and IFRS requirements for measuring amounts at fair value as well as disclosures about these measurements. The ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2011. Effective February 1, 2012, the Company adopted this ASU which did not have a material impact on the consolidated financial statements for the Company.



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On June 16, 2011, the FASB issued ASU 2011-05 to provide two options of how to present items of net income, items of other comprehensive income and total comprehensive income. Companies can create one continuous statement of comprehensive income or two separate consecutive statements. Companies will no longer be allowed to present other comprehensive income in the statement of stockholders' equity. The ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2011. On December 23, 2011, FASB issued ASU 2011-12 to defer the ASU 2011-05 requirement with the same effective date as ASU 2011-12. The Company adopted this guidance effective February 1, 2012.

**NOTE 3: AVAILABLE-FOR-SALE SECURITIES**

Available-for-sale securities consist of shares in publicly traded uranium exploration companies listed on the TSX Venture and Australian Stock Exchanges. For the three and nine months ended April 30, 2012 and 2011, the Company recorded an unrealized loss of \$982 and \$15,167 (2011: gain of \$40,242 and \$101,569), respectively, on available-for-sale securities recognized in accumulated other comprehensive income (loss).

The fair value of the Company's available-for-sale securities at April 30, 2012 is as follows:

|                                               | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|-----------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Available-for-Sale Securities</b>          |                                                                                   |                                                                  |                                                              |
| Strategic Resources Inc.                      | \$ 11,843                                                                         | \$ -                                                             | \$ -                                                         |
| Kaboko Mining Limited (formerly Uran Limited) | 67,716                                                                            | -                                                                | -                                                            |
|                                               | \$ 79,559                                                                         | \$ -                                                             | \$ -                                                         |

The fair value of the Company's available-for-sale securities at July 31, 2011 is as follows:

|                                               | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|-----------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Available-for-Sale Securities</b>          |                                                                                   |                                                                  |                                                              |
| Strategic Resources Inc.                      | \$ 24,490                                                                         | \$ -                                                             | \$ -                                                         |
| Kaboko Mining Limited (formerly Uran Limited) | 54,636                                                                            | -                                                                | -                                                            |
|                                               | \$ 79,126                                                                         | \$ -                                                             | \$ -                                                         |

**NOTE 4: INVENTORIES**

In November 2010, the Company commenced uranium production at its Palangana Mine and processing of uranium concentrates at its Hobson Processing Facility. The Company's inventory consists of the following:

|                                       | <b>April 30, 2012</b> | <b>July 31, 2011</b> |
|---------------------------------------|-----------------------|----------------------|
| Supplies                              | \$ 27,816             | \$ 39,263            |
| Work-in-progress                      | 214,806               | 505,446              |
| Finished Goods - uranium concentrates | 4,038,780             | 2,231,238            |

\$ 4,281,402 \$ 2,775,947

At April 30, 2012, the total non-cash component of inventory was \$850,415 (July 31, 2011: \$712,317). During the three and nine months ended April 30, 2012, the Company did not incur a net realizable value write-down of inventory.

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**NOTE 5: MINERAL RIGHTS AND PROPERTIES**

**Mineral Rights**

At April 30, 2012, the Company had mineral rights covering 95,315 acres located in the States of Arizona, Colorado, New Mexico, Texas and Wyoming and an additional 816,936 acres located in Paraguay. These mineral rights were acquired for the purposes of uranium exploration, development and mining at a cost of \$41,844,602, net of \$1,713,504 in impairment charges. The acquisition costs of \$41,844,602 include \$35,108,692 representing the fair value of non-cash consideration and \$6,735,910 representing the cash consideration. Included in the non-cash consideration is \$2,222,823 representing the present value of the retirement obligation associated with the Palangana Mine and \$949,828 representing deferred income tax liabilities associated with the acquisition of the Yuty Project. These mineral rights were acquired through staking and lease or option agreements and are subject to varying royalty interests, some of which are indexed to the sale price of uranium. At April 30, 2012, annual maintenance payments of \$1,066,620 were required to maintain these mineral rights.

Mineral rights and property acquisition costs consist of the following:

|                                                | April 30, 2012 | July 31, 2011 |
|------------------------------------------------|----------------|---------------|
| <b>Mineral Rights and Properties, Unproven</b> |                |               |
| Palangana Mine                                 | \$ 6,335,731   | \$ 5,710,187  |
| Goliad Project                                 | 8,689,127      | 8,689,127     |
| Burke Hollow Project                           | 1,313,250      | -             |
| Channen Project                                | 398,728        | -             |
| Salvo Project                                  | 363,645        | 303,645       |
| Nichols Project                                | 154,774        | 154,774       |
| Anderson Project                               | 9,154,268      | 427,616       |
| Workman Creek Project                          | 1,187,158      | -             |
| Los Cuatros (formerly New River) Project       | 257,250        | 257,250       |
| Todilto Project                                | 166,720        | 182,320       |
| Yuty Project                                   | 12,043,245     | -             |
| Coronel Oviedo Project                         | 880,579        | 880,579       |
| Other property acquisitions                    | 900,127        | 837,215       |
|                                                | 41,844,602     | 17,442,713    |
| Accumulated depreciation and depletion         | (773,852)      | (360,418)     |
|                                                | 41,070,750     | 17,082,295    |
| <b>Databases</b>                               | 2,345,038      | 1,433,890     |
| Accumulated depreciation                       | (1,276,568)    | (968,782)     |
|                                                | 1,068,470      | 465,108       |
| <b>Land Use Agreements</b>                     | 375,155        | 375,155       |
| Accumulated depreciation                       | (109,612)      | (81,475)      |
|                                                | 265,543        | 293,680       |
|                                                | \$ 42,404,763  | \$ 17,841,083 |

During the three and nine months ended April 30, 2012, the Company did not record any impairment charges (three and nine months ended April 30, 2011: \$Nil).

Pursuant to a Data Purchase and Sale Agreement dated August 19, 2011, the Company purchased certain database covering the Goliad formation from Uranium One Inc. for total consideration of \$911,148, comprised of a cash payment of \$400,000 and the issuance of 159,326 restricted common shares of the Company with a fair value estimated to be \$511,148.

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Mineral property expenditures incurred by major projects are as follows:

|                                      | <b>Three Months Ended April 30,</b> |              | <b>Nine Months Ended April 30,</b> |              |
|--------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                      | <b>2012</b>                         | <b>2011</b>  | <b>2012</b>                        | <b>2011</b>  |
| <b>Mineral Property Expenditures</b> |                                     |              |                                    |              |
| Palangana Mine                       | \$ 1,387,984                        | \$ 1,845,119 | \$ 5,833,106                       | \$ 6,276,677 |
| Goliad Project                       | 91,654                              | 190,361      | 398,632                            | 448,867      |
| Salvo Project                        | 406,146                             | 513,725      | 969,065                            | 892,747      |
| Nichols Project                      | -                                   | -            | 150,000                            | 15,496       |
| Land work - Texas                    | 92,402                              | 109,079      | 312,870                            | 267,808      |
| Anderson Project                     | 185,497                             | -            | 339,390                            | -            |
| Workman Creek Project                | 40,346                              | -            | 47,735                             | -            |
| Yuty Project                         | 588,548                             | -            | 588,548                            | -            |
| Coronel Oviedo Project               | 923,263                             | -            | 1,829,126                          | -            |
| Other Mineral Property Expenditures  | 296,149                             | 265,691      | 438,808                            | 559,371      |
|                                      | \$ 4,011,989                        | \$ 2,923,975 | \$ 10,907,280                      | \$ 8,460,966 |

**Palangana Mine, Texas**

On December 18, 2009, the Company acquired the Palangana Mine as part of the acquisition of STMV with an estimated fair value of \$3,911,800 at acquisition. The Palangana Mine is an 8,684-acre property located approximately 100 miles south of the Hobson Processing Facility and is subject to 6% to 12% sliding scale production royalties.

Upon commencement of production in November 2010, the Company began depreciating and depleting the capitalized costs of the Palangana Mine over a 42 to 84-month period. At April 30, 2012, capitalized costs totaled \$6,335,731, less accumulated depreciation and depletion of \$773,852, for a net book value of \$5,561,879. Included in capitalized costs was \$2,222,823 of reclamation liability at April 30, 2012 (July 31, 2011: \$1,798,387).

**Goliad Project, Texas**

On October 11, 2005, the Company entered into a mineral asset option agreement granting the Company the right to acquire title to the leases totaling 2,342 acres, encompassing the Goliad Project. The Goliad Project is located in south Texas near the northeast end of the extensive South Texas Uranium trend. At April 30, 2012, capitalized costs totaled \$8,689,127.

**Burke Hollow Project, Texas**

During the three months ended April 30, 2012, the Company entered into a mining lease and surface use agreement granting the Company the right to explore for uranium on the Burke Hollow Project, a 17,510-acre property located in Bee County, Texas.

The acquisition of the Burke Hollow Project was accounted for in accordance with ASC 360, Property, Plant and Equipment as an asset acquisition. Total consideration paid by the Company was \$1,313,250 in cash which was capitalized as mineral rights and properties on the Company's balance sheet.

**Channen Project, Texas**

During the three months ended April 30, 2012, the Company entered into a lease option agreement granting the Company the right to explore for uranium and enter into a mining lease and surface use agreement on the Channen Project, a 10,704-acre property located in Goliad County, Texas. The lease option agreement is subject to minimum exploration expenditures totaling \$1.75 million over a two-year period ending December 31, 2013.

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The acquisition of the Channen Project was accounted for in accordance with ASC 360, Property, Plant and Equipment as an asset acquisition. Total consideration paid by the Company was \$398,728 in cash which was capitalized as mineral rights and properties on the Company's balance sheet.

**Salvo Project, Texas**

On November 29, 2010, the Company entered into various lease agreements granting the Company the exclusive right to conduct mining exploration and related operations over an area covering 4,965 acres. The leases have a minimum term of five years with provisions for extensions. At April 30, 2012, capitalized costs totaled \$363,645.

**Nichols Project, Texas**

The Company has various mining lease and surface use agreements granting the Company the exclusive right to conduct mining exploration and related operations on the Nichols Project covering 1,348 acres. The leases have a minimum term of five years with provisions for extensions. In September 2011, the Company extended the majority of the leases by paying \$150,000 in cash. At April 30, 2012, capitalized costs totaled \$154,774.

**Anderson Project, Arizona**

Pursuant to a Merger Agreement and Plan of Merger dated May 5, 2011 and effective September 9, 2011 (the "Merger Agreement"), the Company merged with Concentric Energy Corp. ("Concentric") resulting in the acquisition of an undivided 100% interest in the 7,581-acre Anderson Property located in Yavapai County, Arizona. In accordance with the Merger Agreement, Concentric's shareholders received 0.1075 of one share of the Company's common stock for every one share of Concentric common stock, resulting in the issuance of 1,253,440 shares of the Company to the former Concentric shareholders. In addition, holders of Concentric share purchase warrants received 0.1075 of one share purchase warrant of the Company for every one Concentric share purchase warrant, resulting in the issuance of share purchase warrants representing 375,834 shares of the Company exercisable at prices ranging from \$9.30 to \$65.12 per share to the former holders of Concentric share purchase warrants.

Pursuant to an Acquisition Agreement dated April 11, 2011, as amended on June 24, 2011, and effective September 9, 2011 (the "Acquisition Agreement") concurrently with the Merger Agreement, the Company was assigned all of Global Uranium Corp.'s ("Global") rights and interests under the terms and conditions of an Option and Joint Venture Agreement dated April 13, 2010 between Concentric and Global with respect to the Anderson Project. In accordance with the Acquisition Agreement, the Company provided the following consideration to Global:

- an initial cash payment of \$150,000;
- a further cash payment of \$200,000 representing repayment in full of a secured loan between Global and Concentric thereby releasing and assigning to the Company the security previously granted by Concentric to Global; and
- a final cash payment of \$150,000 and the issuance of 350,000 restricted shares of the Company.

The acquisition of the Anderson Project was accounted for in accordance with ASC 360, Property, Plant and Equipment, as an asset acquisition and the respective fair values of the material line items are summarized as follows:

- Cash payment of \$500,000;
- Issuance of 1,603,440 shares of the Company and warrants to purchase 375,834 shares valued at \$5,195,797;

- Transaction costs incurred valued at \$509,273;
- Assumption of Concentric's accounts payable liabilities and accrued liabilities valued at \$1,241,260; and

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- Assumption of Concentric's convertible debenture liabilities valued at \$1,707,938 (Note 14).

During the three and nine months ended April 30, 2012, the Company paid \$90,000 and \$242,045 in cash to various vendors as full settlement of a total \$135,498 and \$415,756, respectively, in accounts payable assumed from the merger with Concentric. As a result, a gain of \$45,498 and \$173,711 on settlement of accounts payable, respectively, was recorded.

During the three and nine months ended April 30, 2012, the Company issued 40,312 shares with a fair value of \$158,426 to two former directors of Concentric as full settlement of a total \$129,000 in accounts payable assumed from the merger with Concentric. As a result, a loss of \$29,426 on settlement of accounts payable was recorded.

At April 30, 2012, capitalized costs totaled \$9,154,268.

**Workman Creek Project, Arizona**

Pursuant to a Property Acquisition Agreement dated November 7, 2011, as amended on November 25, 2011, and effective November 30, 2011, the Company acquired from Cooper Minerals, Inc. ( Cooper ) an undivided 100% interest in the 3,520-acre Workman Creek Project located in Gila County, Arizona. The Workman Creek Project is subject to a 3.0% net smelter revenue royalty requiring an annual advance royalty payment of \$100,000. The Company has an exclusive right and option to acquire one-half (1.5%) of the net smelter revenue royalty for \$1,000,000 at any time until January 21, 2024. Additionally, certain individuals hold an option to acquire a 0.5% net smelter revenue royalty exercisable by paying the Company the sum of \$333,340 at any time until January 21, 2024.

As consideration for this acquisition, the Company made cash payments totaling \$84,640 and issued 300,000 shares. The acquisition of the Workman Creek Project was accounted for in accordance with ASC 360, Property, Plant and Equipment, as an asset acquisition and the respective fair values of the material line items are summarized as follows:

- Cash payment of \$84,640;
- Issuance of 300,000 shares valued at \$915,000; and
- Transaction costs incurred valued at \$187,518.

At April 30, 2012, capitalized costs totaled \$1,187,158.

**Los Cuatros Project, Arizona**

On January 25, 2010, the Company executed an amendment to the underlying purchase agreement to acquire 640 acres of mineral exploration claims located in Maricopa County, Arizona, together with database records containing material information regarding the mineral claims. At April 30, 2012, capitalized costs totaled \$257,250.

**Todilto Project, New Mexico**

Effective January 14, 2009, the Company entered into an Option and Joint Venture Agreement with Kaboko Mining Limited, formerly Uran Limited, ( Kaboko ) over a certain area of the Company's Todilto Project located in New Mexico. Kaboko may earn a 65% interest in the area by:

- an initial cash payment of \$75,000 to the Company (received);
- issuing and delivering to the Company an initial 1,000,000 shares and a further 750,000 shares each at the end of years one, two and three, for a total issuance of 3,250,000 shares of Kaboko common stock (received);
- incurring exploration expenditures of \$100,000 in year one (completed), \$200,000 in year two (completed), \$300,000 in year three (completed), \$400,000 in year four and \$500,000 in year five, for a total of \$1,500,000 in exploration expenditures incurred in the area; and

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- the completion of a feasibility study.

During the three months ended April 30, 2012, the Company received a further 750,000 shares of Kaboko with a fair value of \$15,600 which was applied against the capitalized costs of the Todilto Project. At April 30, 2012, capitalized costs totaled \$166,720.

**Coronel Oviedo Project, Paraguay**

Pursuant to a Share Exchange Agreement dated May 11, 2011 (the Agreement) and effective May 24, 2011, the Company acquired a 100% interest in Piedra Rica Mining S.A., a private Paraguayan company, which holds an undivided 100% interest in the Coronel Oviedo Project located in Paraguay. The Coronel Oviedo Project is comprised of two prospecting permits covering a total 247,000 acres and is subject to a 1.5% gross overriding royalty. The Company has an exclusive right and option at any time to acquire one-half percent (0.5%) of the gross overriding royalty for \$500,000, including a right of first refusal to acquire all or any portion of the remaining one percent (1.0%).

As consideration for this acquisition, the Company issued 225,000 shares. The acquisition of the Coronel Oviedo Project was accounted for in accordance with ASC 360, Property, Plant and Equipment, as an asset acquisition and the respective fair values of the material line items are summarized as follows:

- Issuance of 225,000 shares valued at \$722,250; and
- Transaction costs incurred valued at \$158,329

At April 30, 2012, capitalized costs totaled \$880,579.

**Yuty Project, Paraguay**

Pursuant to an Arrangement Agreement dated January 20, 2012 and effective March 30, 2012 (the Arrangement Agreement), the Company acquired all of the outstanding common shares of Cue Resources Ltd. (Cue) by way of a plan of arrangement, resulting in the acquisition of an undivided 100% interest in the 230,650-hectare Yuty Project located in southeastern Paraguay. In accordance with the Arrangement Agreement, Cue's shareholders received 0.0195 of one share of the Company's common stock for every one share of Cue common stock, resulting in the issuance of 2,345,926 shares of the Company to the former Cue shareholders in exchange for 120,304,067 shares of Cue. Holders of Cue share purchase warrants, stock options and broker options received equivalent securities of the Company at the 0.0195 ratio in exchange for their Cue securities, resulting in the issuance of share purchase warrants, stock options and broker options to purchase an aggregate 987,967 shares of the Company exercisable at prices ranging from \$3.59 to \$23.08 per share.

Pursuant to a Secured Loan Agreement dated January 20, 2012, the Company advanced CAD\$335,000 to Cue with interest calculated at 3% per annum in order for Cue to continue meeting its ongoing operational costs prior to the closing which occurred on March 30, 2012. In accordance with the Arrangement Agreement and effective March 30, 2012, the Company settled debts with certain management members and related parties of Cue by payment of an aggregate \$30,075 in cash and the issuance of 171,303 shares of UEC.

The acquisition of the Yuty Project was accounted for in accordance with ASC 360, Property, Plant and Equipment, as an asset acquisition and the respective fair values of the consideration paid are summarized as follows:

- Issuance of 2,345,926 shares of the Company valued at \$9,149,111 in exchange for 120,304,067 shares of Cue;
- Issuance of share purchase warrants valued at \$70,460 to purchase 900,446 shares of the Company exercisable at prices ranging from \$6.15 and \$7.69 per share until expiry on November 10, 2012 and April 19, 2012, respectively, in exchange for Cue share purchase warrants to purchase 46,177,187 shares of Cue exercisable at prices ranging from \$0.12 to \$0.15 per share;

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- Issuance of stock options valued at \$76,442 to purchase 48,748 shares of the Company exercisable at prices ranging from \$5.13 to \$23.08 per share until expiry from July 15, 2013 to August 3, 2016, in exchange for Cue stock options to purchase 2,500,000 shares of Cue exercisable at prices ranging from \$0.10 to \$0.45 per share;
- Issuance of broker options valued at \$28,149 to purchase 38,773 shares of the Company exercisable at a price of \$3.59 per share until expiry on November 10, 2012, in exchange for Cue broker options to purchase 1,988,423 shares of Cue exercisable at a price of \$0.07 per share;
- Secured loan of CAD\$335,000 to Cue with interest at 3% per annum valued at \$337,769;
- Debt settlements with certain management members and related parties of Cue by payment of \$30,075 in cash and the issuance of 171,303 shares of the Company valued at \$668,082; and
- Transaction costs incurred valued at \$445,764.

The fair value of options, broker options and warrants issued by the Company was valued with the Black-Scholes options pricing model at the following assumptions:

|                                            | Stock Options | Broker Options | Purchase Warrants |
|--------------------------------------------|---------------|----------------|-------------------|
| Weighted Average Risk Free Interest Rate   | 0.34%         | 0.19%          | 0.18%             |
| Weighted Average Expected Volatility       | 84.92%        | 47.49%         | 50.95%            |
| Weighted Average Contractual Life in Years | 2.83          | 0.62           | 0.50              |
| Expected Dividend Yield                    | 0.00%         | 0.00%          | 0.00%             |

The allocation of the respective fair values of the consideration paid and the identifiable assets acquired and liabilities assumed are as follows:

**Consideration paid**

|                                                                                         |                      |
|-----------------------------------------------------------------------------------------|----------------------|
| 2,345,926 UEC common shares at \$3.90 per share                                         | \$ 9,149,111         |
| 900,446 UEC warrants issued to exchange 46,177,187 CUE warrants                         | 70,460               |
| 48,748 UEC options issued to exchange 2,500,000 CUE stock options                       | 76,442               |
| 38,773 UEC options issued to exchange 1,988,423 CUE broker options                      | 28,149               |
| Secured loan to Cue                                                                     | 337,769              |
| Debt settlement with a management member - cash                                         | 30,075               |
| Debt settlement with management members and related parties - 171,303 UEC shares issued | 668,082              |
| Transaction costs                                                                       | 445,764              |
|                                                                                         | <b>\$ 10,805,852</b> |

**Assets acquired and liabilities assumed**

|                                          |                      |
|------------------------------------------|----------------------|
| Cash and cash equivalent                 | \$ 104,216           |
| Other current assets                     | 32,860               |
| Mineral rights and properties            | 12,043,245           |
| Accounts payable and accrued liabilities | (163,991)            |
| Loan payable to a related party          | (260,650)            |
| Deferred income tax liabilities          | (949,828)            |
|                                          | <b>\$ 10,805,852</b> |

At April 30, 2012, capitalized costs totaled \$12,043,245.



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**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

|                            | April 30 2012 |                             |                   | July 31, 2011 |                             |                   |
|----------------------------|---------------|-----------------------------|-------------------|---------------|-----------------------------|-------------------|
|                            | Cost          | Accumulated<br>Amortization | Net Book<br>Value | Cost          | Accumulated<br>Amortization | Net Book<br>Value |
| Hobson Processing Facility | \$ 6,671,959  | \$ (218,482)                | \$ 6,453,477      | \$ 6,529,928  | \$ (106,832)                | \$ 6,423,096      |
| Mining equipment           | 1,964,764     | (711,906)                   | 1,252,858         | 1,527,101     | (506,424)                   | 1,020,677         |
| Vehicles                   | 1,709,595     | (986,083)                   | 723,512           | 1,615,480     | (746,268)                   | 869,212           |
| Computer equipment         | 613,517       | (345,329)                   | 268,188           | 376,275       | (272,706)                   | 103,569           |
| Furniture and fixtures     | 193,013       | (99,820)                    | 93,193            | 183,338       | (72,623)                    | 110,715           |
| Land                       | 175,144       | -                           | 175,144           | 175,144       | -                           | 175,144           |
| Leasehold improvements     | 9,970         | (8,894)                     | 1,076             | 8,728         | (8,728)                     | -                 |
|                            | \$ 11,337,962 | \$ (2,370,514)              | \$ 8,967,448      | \$ 10,415,994 | \$ (1,713,581)              | \$ 8,702,413      |

**Hobson Processing Facility**

Effective December 18, 2009, the Company acquired the Hobson Processing Facility ( Hobson ) as part of the acquisition of STMV with a fair value of \$6,529,928 at acquisition. Hobson is located in Karnes County, Texas about 100 miles northwest of Corpus Christi and was originally licensed and constructed in 1978. Hobson is designed to process uranium-loaded resins from satellite facilities, such as the Palangana Mine, to the final U3O8 product.

Upon commencement of processing the uranium-loaded resins from the Palangana Mine in November 2010, the Company began depreciating the capitalized costs of Hobson, which includes a reclamation liability of \$329,928, on a straight-line basis over a ten-year period.

**NOTE 7: RECLAMATION DEPOSITS**

Reclamation deposits includes interest and non-interest bearing deposits issued in the States of Arizona, Texas and Wyoming pursuant to exploration, production and reclamation activities in the respective states. Reclamation deposits consist of the following:

|                            | April 30, 2012 | July 31, 2011 |
|----------------------------|----------------|---------------|
| Palangana Mine             | \$ 3,057,324   | \$ 2,117,011  |
| Hobson Processing Facility | 1,824,350      | 1,824,350     |
| Mount Lucas                | 672,650        | 672,650       |
| Arizona                    | 15,000         | 15,000        |
| Wyoming                    | 812            | 811           |
|                            | 5,570,136      | 4,629,822     |
| Service Charges            | (42,000)       | (19,522)      |

\$ 5,528,136 \$ 4,610,300

**NOTE 8: LOAN RECEIVABLE**

Pursuant to a Secured Loan Agreement dated April 20, 2011, the Company provided a senior secured loan to Concentric in the principal amount of \$300,000, subject to interest calculated at 6% per annum, of which \$200,000 was utilized to repay a secured loan owed to Global by Concentric, with the remainder for Concentric's general corporate expenses incurred prior to the completion of the Merger Agreement relating to the Anderson Project (Note 5). Effective September 9, 2011, the Company merged with Concentric which resulted in the reclassification of the loan receivable as consideration towards the purchase price related to the Anderson Project.

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**NOTE 9: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

During the three and nine months ended April 30, 2012, the Company had transactions with certain officers and directors of the Company as follows:

- incurred \$39,455 and \$90,315 (three and nine months ended April 30, 2011: \$64,525 and \$144,650) in general and administrative costs paid to a company controlled by a direct family member of a current officer; and
- incurred \$nil and \$131,176 in administrative services and associated expense reimbursements paid to a company controlled by a current director. An amount of \$179,904 was incurred during the nine months ended April 30, 2011 for finder's fees related to private placements.

At April 30, 2012, amounts owed to related parties totaled \$10,376 (July 31, 2011: \$8,287).

**NOTE 10: ASSET RETIREMENT OBLIGATIONS**

The Company's asset retirement obligations relates to site restoration for the Hobson Processing Facility, Palangana Mine and Mt. Lucas from the acquisition of STMV.

|                                                       | <b>April 30, 2012</b> | <b>July 31, 2011</b> |
|-------------------------------------------------------|-----------------------|----------------------|
| Opening balance                                       | \$ 3,027,803          | \$ 2,243,840         |
| Revision in estimate of asset retirement obligations  | 424,436               | 126,000              |
| Liabilities assumed                                   | -                     | 1,798,387            |
| Liabilities settled with cash                         | (737,130)             | (1,212,942)          |
| Liabilities settled with common shares                | -                     | (54,000)             |
| Accretion                                             | 94,730                | 126,518              |
|                                                       | <b>2,809,839</b>      | <b>3,027,803</b>     |
| Less: current portion of asset retirement obligations | (784,284)             | (675,872)            |
| Long-term asset retirement obligations                | \$ 2,025,555          | \$ 2,351,931         |

|                                             | <b>April 30, 2012</b> | <b>July 31, 2011</b> |
|---------------------------------------------|-----------------------|----------------------|
| Undiscounted amount of estimated cash flows | \$ 2,950,798          | \$ 3,677,822         |
| Payable in years                            | <b>2.75 to 8.5</b>    | 3.5 to 8.5           |
| Inflation Rate                              | <b>1.87% to 2.25%</b> | 2.25%                |
| Discount Rate                               | <b>5.00% to 10.5%</b> | 5.00%                |

**NOTE 11: CAPITAL STOCK**

**Capital Stock**

The Company's capital stock at April 30, 2012 was 750,000,000 authorized common shares with a par value of \$0.001 per share.

**Equity Financing**

On April 10, 2012, the Company completed a public offering of its common stock for net proceeds of \$20,981,548 through the sale of 6,246,078 shares of the Company at a price of \$3.60 per share.



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**Share Transaction**

| Period / Description             | Common Shares     | Value per Share |         | Issuance Value |
|----------------------------------|-------------------|-----------------|---------|----------------|
|                                  | Issued            | Low             | High    |                |
| Balance, July 31, 2011           | 73,487,337        |                 |         |                |
| Service Agreements               | 10,000            | \$ 2.99         | \$ 3.49 | \$ 32,400      |
| Mineral Property Acquisition     | 1,603,440         | 3.20            | 3.20    | 5,195,797      |
| Database Acquisition             | 159,236           | 3.21            | 3.21    | 511,147        |
| Balance, October 31, 2011        | 75,260,013        |                 |         |                |
| Mineral Property Acquisition     | 300,000           | 3.05            | 3.05    | 915,000        |
| Service Agreements               | 10,000            | 3.00            | 3.04    | 30,200         |
| Settlement of Convertible        | 72,703            | 3.18            | 3.18    | 213,955        |
| Debtentures                      |                   |                 |         |                |
| Options Exercised <sup>(1)</sup> | 29,027            | 0.45            | 2.78    | 4,500          |
| Warrants Exercised               | 3,408             | 3.10            | 3.10    | 10,564         |
| Balance, January 31, 2012        | 75,675,151        |                 |         |                |
| Mineral Property Acquisition     | 2,517,229         | 3.90            | 3.90    | 9,793,087      |
| Settlement of Accounts Payable   | 40,312            | 3.93            | 3.93    | 158,426        |
| Service Agreements               | 30,000            | 2.95            | 4.02    | 104,775        |
| Equity Financing                 | 6,284,770         | 3.60            | 3.60    | 20,981,548     |
| Settlement of Convertible        | 55,805            | 3.93            | 3.96    | 314,113        |
| Debtentures                      |                   |                 |         |                |
| Options Exercised <sup>(2)</sup> | 82,845            | 0.33            | 3.72    | 158,228        |
| Warrants Exercised               | 109,043           | 3.10            | 4.25    | 344,828        |
| <b>Balance, April 30, 2012</b>   | <b>84,795,155</b> |                 |         |                |

(1) Options to purchase 55,000 shares were exercised on a cashless basis resulting in 19,027 net shares issued

(2) Options to purchase 60,000 shares were exercised on a cashless basis resulting in 15,220 net shares issued

**Share Purchase Warrants**

A continuity schedule of exercisable and outstanding share purchase warrants for the underlying common shares of the Company at April 30, 2012, and the changes during the period, is presented below:

|                                | Number of Warrants | Weighted average exercise price | Weighted average remaining contractual term (years) |
|--------------------------------|--------------------|---------------------------------|-----------------------------------------------------|
| Balance, July 31, 2011         | 4,348,983          | \$ 3.57                         | 0.79                                                |
| Issued                         | 375,834            | 16.30                           | 1.16                                                |
| Expired                        | (3,596,797)        | 3.95                            | -                                                   |
| Balance, October 31, 2011      | 1,128,020          | 6.59                            | 2.49                                                |
| Exercised                      | (3,408)            | 0.10                            | 0.17                                                |
| Balance, January 31, 2012      | 1,124,612          | 6.60                            | 2.24                                                |
| Issued                         | 900,446            | 6.47                            | 0.51                                                |
| Exercised                      | (109,043)          | 3.16                            | 1.52                                                |
| Expired                        | (93,376)           | 5.52                            | -                                                   |
| <b>Balance, April 30, 2012</b> | <b>1,822,639</b>   | <b>\$ 6.79</b>                  | <b>1.54</b>                                         |

The aggregate intrinsic value ( AIV ) under the provisions of ASC 718 of the outstanding warrants at April 30, 2012 was estimated to be \$975,000.

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**Stock Options**

At April 30, 2012, the Company has two Stock Option Plans as follows:

- 2006 Stock Option Plan, with 10,000,000 common shares available for issuance; and
- 2009 Stock Option Plan, with 7,000,000 common shares available for issuance.

A summary of stock option grants under the Company's Stock Option Plans for the three and nine months ended April 30, 2012 using the Black Scholes pricing model is presented below:

| Date / Period                       | Options Issued | Exercise Price | Term (Years) | Fair Value   | Expected Life (Years) | Risk-Free Interest Rate | Dividend Yield | Expected Volatility |
|-------------------------------------|----------------|----------------|--------------|--------------|-----------------------|-------------------------|----------------|---------------------|
| August 18, 2011                     | 15,000         | \$ 3.15        | 10           | \$ 32,998    | 4                     | 0.61%                   | 0.00%          | 102.50%             |
| September 26, 2011                  | 1,005,000      | 2.78           | 10           | 2,070,098    | 4                     | 0.65%                   | 0.00%          | 112.05%             |
| Three months ended October 31, 2011 | 1,020,000      |                |              | 2,103,096    |                       |                         |                |                     |
| November 2, 2011                    | 10,000         | 3.15           | 10           | 20,823       | 4                     | 0.63%                   | 0.00%          | 94.77%              |
| November 3, 2011                    | 15,000         | 3.34           | 10           | 34,991       | 4                     | 0.65%                   | 0.00%          | 102.47%             |
| November 7, 2011                    | 20,000         | 3.21           | 10           | 47,606       | 4                     | 0.63%                   | 0.00%          | 112.23%             |
| January 10, 2012                    | 10,000         | 3.05           | 10           | 20,605       | 4                     | 0.53%                   | 0.00%          | 97.83%              |
| January 16, 2012                    | 50,000         | 3.43           | 10           | 126,743      | 4                     | 0.57%                   | 0.00%          | 111.71%             |
| Three months ended January 31, 2012 | 105,000        |                |              | 250,768      |                       |                         |                |                     |
| March 12, 2012                      | 50,000         | 3.77           | 10           | 138,168      | 4                     | 0.69%                   | 0.00%          | 110.13%             |
| Three months ended April 30, 2012   | 50,000         |                |              | 138,168      |                       |                         |                |                     |
| Balance, April 30, 2012             | 1,175,000      |                |              | \$ 2,492,032 |                       |                         |                |                     |

The weighted average fair value per option granted under the Company's Stock Option Plans during the nine months ended April 30, 2012 was \$2.12.

In addition to the stock option grants presented in the above table, and as a result of the acquisition of Cue effective March 30, 2012, the Company issued the following options, which were not issued pursuant to, and are not subject to the terms and conditions of, the Company's Stock Option Plans, in exchange for Cue stock options and broker options:

- Stock options to purchase 48,748 shares of the Company exercisable at prices ranging from \$5.13 to \$23.08 per share until expiry from July 15, 2013 to August 3, 2016; and
- Broker options to purchase 38,773 shares of the Company exercisable at a price of \$3.59 per share until expiry on November 10, 2012.

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A continuity schedule of outstanding stock options for the underlying common shares of the Company during the nine months ended April 30, 2012 is presented below:

|                                | <b>Number of Stock<br/>Options</b> | <b>Weighted Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Remaining Contractual<br/>Term (Years)</b> |
|--------------------------------|------------------------------------|--------------------------------------------|--------------------------------------------------------------------|
| Balance, July 31, 2011         | 8,579,750                          | \$ 1.79                                    | 7.40                                                               |
| Issued                         | 1,020,000                          | 2.79                                       | 9.92                                                               |
| Forfeited                      | (4,500)                            | 2.43                                       | 9.00                                                               |
| Balance, October 31, 2011      | 9,595,250                          | 1.91                                       | 7.44                                                               |
| Issued                         | 105,000                            | 3.31                                       | 10.00                                                              |
| Exercised                      | (65,000)                           | 2.23                                       | 8.26                                                               |
| Forfeited                      | (83,250)                           | 3.04                                       | 9.26                                                               |
| Balance, January 31, 2012      | 9,552,000                          | 1.91                                       | 6.99                                                               |
| Issued <sup>(3)</sup>          | 137,521                            | 5.13                                       | 4.81                                                               |
| Exercised                      | (127,625)                          | 2.70                                       | 7.64                                                               |
| Forfeited                      | (17,500)                           | 4.35                                       | 9.26                                                               |
| <b>Balance, April 30, 2012</b> | <b>9,544,396</b>                   | <b>\$ 1.94</b>                             | <b>6.70</b>                                                        |

The AIV under the provisions of ASC 718 of all outstanding options at April 30, 2012 was estimated to be \$10,811,058.

A summary of options outstanding and exercisable at April 30, 2012 is presented below:

| <b>Range of Exercise Prices</b>  | <b>Options Outstanding</b>               |                                            | <b>Options Exercisable</b>               |                                            |
|----------------------------------|------------------------------------------|--------------------------------------------|------------------------------------------|--------------------------------------------|
|                                  | <b>Outstanding at<br/>April 30, 2012</b> | <b>Weighted Average<br/>Exercise Price</b> | <b>Exercisable at<br/>April 30, 2012</b> | <b>Weighted Average<br/>Exercise Price</b> |
| \$0.33 to \$0.70                 | 3,315,000                                | \$ 0.40                                    | 3,315,000                                | \$ 0.40                                    |
| \$0.71 to \$2.45                 | 3,671,875                                | 2.38                                       | 3,671,875                                | 2.38                                       |
| \$2.46 to \$23.08 <sup>(3)</sup> | 2,557,521                                | 3.31                                       | 1,821,271                                | 3.39                                       |
|                                  | 9,544,396                                | \$ 1.94                                    | 8,808,146                                | \$ 1.84                                    |

(3) Options include 48,748 options and 38,773 broker options issued in connection with the acquisition of Cue, which were not issued pursuant to, and are not subject to the terms and conditions of, the Company's Stock Option Plans

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**Stock Based Compensation**

A summary of stock based compensation expense, which is included in general and administrative expenses, for the three and nine months ended April 30, 2012 and 2011 is presented below:

|                                               | <b>Three Months Ended April 30,</b> |                   | <b>Nine Months Ended April 30,</b> |                     |
|-----------------------------------------------|-------------------------------------|-------------------|------------------------------------|---------------------|
|                                               | <b>2012</b>                         | <b>2011</b>       | <b>2012</b>                        | <b>2011</b>         |
| <b>Stock Based Consulting</b>                 |                                     |                   |                                    |                     |
| Common stock issued for consulting services   | \$ 104,774                          | \$ 166,777        | \$ 167,374                         | \$ 708,747          |
| Options issued to consultants                 | 135,032                             | 374,686           | 711,249                            | 1,455,151           |
|                                               | <b>239,806</b>                      | <b>541,463</b>    | <b>878,623</b>                     | <b>2,163,898</b>    |
| <b>Stock Based Management Fees</b>            |                                     |                   |                                    |                     |
| Options issued to management                  | -                                   | -                 | 834,219                            | 2,079,707           |
|                                               | <b>-</b>                            | <b>-</b>          | <b>834,219</b>                     | <b>2,079,707</b>    |
| <b>Stock Based Wages and Benefits</b>         |                                     |                   |                                    |                     |
| Options issued to employees                   | 182,543                             | 282,950           | 1,021,833                          | 1,521,907           |
|                                               | <b>182,543</b>                      | <b>282,950</b>    | <b>1,021,833</b>                   | <b>1,521,907</b>    |
| Stock based compensation charged to inventory | (22,979)                            | -                 | (153,993)                          | -                   |
|                                               | <b>\$ 399,370</b>                   | <b>\$ 824,413</b> | <b>\$ 2,580,682</b>                | <b>\$ 5,765,512</b> |

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

The Company is renting or leasing various office or storage space located in the United States, Canada and Paraguay with total monthly payments of \$14,659. Office lease agreements expire between July 2012 and October 2012 for the United States and on a month-to-month basis for Canada. The Company also has various consulting agreements which will expire in less than one year.

The aggregate minimum payments over the next five years are as follows:

|               |                   |
|---------------|-------------------|
| July 31, 2012 | \$ 124,041        |
| July 31, 2013 | 72,966            |
| July 31, 2014 | 10,121            |
|               | <b>\$ 207,128</b> |

The Company is committed to pay its key executives a total of \$768,447 per year for management services.

The Company entered into a multi-year uranium sales contract in June 2011, as amended in January 2012, requiring the delivery of a total 320,000 pounds of U<sub>3</sub>O<sub>8</sub> by the Company over a three-year period starting in August 2011. The sales price will be based on published market price indicators at the time of delivery. During the nine months ended April 30, 2012, the Company fulfilled its first-year delivery obligation under this contract.

On February 23, 2011, notification was received of a lawsuit filed against the Company related to the acquisition of STMV for an unspecified amount. Pursuant to the acquisition terms, the claimant is entitled to the difference between the estimated \$2.2 million in reclamation costs associated with Mt. Lucas and the actual reclamation costs associated with Mt. Lucas, provided the actual costs are less than the \$2.2 million, subject to the receipt of a clearance certificate from the Texas Commission on Environmental Quality which has yet to be issued. The Company believes it has complied with all of the terms related to the acquisition of STMV as current reclamation costs associated with Mt. Lucas are greater than \$2.2 million. The Company intends on disputing any and all claims under this lawsuit. Any potential judgment received against the Company and awarded to the claimant is expected to be immaterial. At April 30, 2012, the claimant has engaged a firm to perform an audit on the expenses associated with Mt. Lucas.

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On or about April 3, 2012, notification was received of a lawsuit filed in the State of Arizona by certain holders (the Petitioners ) of Series A convertible debentures against a group of defendants, including the Company and former management and board members of Concentric. The lawsuit asserts certain claims relating to the Petitioners' equity investments in Concentric, including allegations that the former management and board members of Concentric engaged in various wrongful acts prior to and/or in conjunction with the merger of Concentric. The lawsuit further alleges that the Company is contractually liable for liquidated damages arising from a pre-merger transaction which the Company previously acknowledged and had accrued such liquidated damages on the consolidated balance sheet. With the exception of the liquidated damages, the Company intends to vigorously defend against any and all claims asserted under this lawsuit.

On or about May 17, 2012, notification was received of a lawsuit filed in the State of Texas by an employee of a contractor hired by the Company against a group of defendants, including the Company and the contractor, for unspecified damages as a result of injuries suffered by the plaintiff while on the Company's premises. The Company has engaged legal counsel to determine the appropriate course of action in response to this claim.

**NOTE 13: SUPPLEMENTAL CASH FLOW INFORMATION**

|                                              | April 30, 2012       | July 31, 2011        |
|----------------------------------------------|----------------------|----------------------|
| <b>Cash and Cash Equivalents Consist of:</b> |                      |                      |
| Cash in bank                                 | \$ 3,430,506         | \$ 4,049,131         |
| Term deposits                                | 22,770,093           | 26,674,920           |
|                                              | <b>\$ 26,200,599</b> | <b>\$ 30,724,051</b> |

During the three months ended April 30, 2012, in connection of the acquisition of Cue, the Company issued a total 2,517,229 shares, share purchase warrants to purchase 900,446 shares, stock options to purchase 48,748 shares and broker options to purchase 38,773 shares with an aggregate fair value of \$9,992,244.

During the nine months ended April 30, 2012, as a result of the merger with Concentric, the Company issued 1,603,440 shares and share purchase warrants to purchase 375,834 shares with an aggregate fair value of \$5,195,797. Additionally, the Company settled with certain Series A and B convertible debenture holders through a shares-for-debt arrangement whereby a total 128,508 shares with a fair value of \$699,340 were issued.

During the nine months ended April 30, 2012, the Company issued 300,000 shares with a fair value of \$915,000 for the acquisition of the Workman Creek Project.

During the three months ended April 30, 2012, the Company received 750,000 shares of Kaboko with a fair value of \$15,600 which was applied against the capitalized costs of the Todilto Project.

**NOTE 14: CONVERTIBLE DEBENTURES**

Effective September 9, 2011, as a result of the merger with Concentric, the Company assumed all of Concentric's rights and obligations including liability for certain Series A and B convertible debentures that were previously issued by Concentric in the aggregate principal amount of \$1,127,020.

The Series A convertible debentures, comprised of \$628,376 in aggregate principal accruing interest at 15% annually, are convertible into shares of Concentric at \$0.90 per share and mature on December 31, 2012. The Series B

convertible debentures, comprised of \$498,644 in aggregate principal accruing interest at 15% annually, are convertible into shares of Concentric at \$1.22 per share and mature on April 22, 2013 and May 21, 2013. At September 9, 2011, the combined fair value of the Series A and B convertible debentures was estimated to be \$1,707,938.

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On September 26, 2011, the Company settled with certain Series A convertible debenture holders for cash payments totaling \$1,051,854, resulting in a \$721,646 reduction of the convertible debentures and the recognition of a loss on settlement of convertible debentures of \$330,208.

On November 28, 2011, the Company settled certain Series B convertible debentures with a cash payment of \$318,632, resulting in a \$626,919 reduction of the convertible debentures and the recognition of a gain on settlement of convertible debentures of \$308,287.

On December 21, 2011, the Company settled certain Series A and the remaining Series B convertible debentures with an aggregate value of \$75,714 through the issuance of 72,703 shares of the Company at a price of \$3.18 per share, resulting in a \$229,747 reduction of the convertible debentures and the recognition of a loss on settlement of convertible debentures of \$155,481.

On February 7, 2012, the Company settled certain Series A convertible debentures with an aggregate value of \$55,418 through the issuance of 36,539 shares of the Company at a price of \$3.93 per share, resulting in a \$117,001 reduction of the convertible debentures and the recognition of a loss on settlement of convertible debentures of \$88,180.

On February 27, 2012, the Company settled remaining Series A convertible debentures with an aggregate value of \$29,668 through the issuance of 19,266 common share of the Company at a price of \$3.96 per share, resulting in a \$62,307 reduction of the convertible debentures and the recognition of a loss on settlement of convertible debentures of \$46,625.

During the three and nine months ended April 30, 2012, the Company recognized a loss in fair value of convertible debentures of \$1,242 and \$49,681, respectively. At April 30, 2012, no Series A or B convertible debentures remained outstanding.

**NOTE 15: SEGMENTED INFORMATION**

The Company currently operates in a single reportable segment and is focused on uranium mining and related activities, including exploration, development, extraction and processing of uranium concentrates, with the majority of the Company's assets located in the United States. During the nine months ended April 30, 2012, the Company completed two sales of uranium concentrates to one customer comprising all of the Company's external revenue source.

The table below sets forth the certain long-term assets of each geographic segment:

| Balance Sheet<br>Items                   | April 30, 2012       |                          |                   |               |                      |  | Total                |
|------------------------------------------|----------------------|--------------------------|-------------------|---------------|----------------------|--|----------------------|
|                                          | Texas                | United States<br>Arizona | Other States      | Canada        | Paraguay             |  |                      |
| <b>Mineral Rights<br/>and Properties</b> | <b>\$ 17,875,447</b> | <b>\$ 10,612,052</b>     | <b>\$ 993,440</b> | <b>\$ -</b>   | <b>\$ 12,923,824</b> |  | <b>\$ 42,404,763</b> |
| <b>Property, Plant<br/>and Equipment</b> | <b>8,802,887</b>     | <b>8,089</b>             | <b>52,568</b>     | <b>56,347</b> | <b>47,557</b>        |  | <b>8,967,448</b>     |
| <b>Reclamation<br/>Deposits</b>          | <b>5,512,323</b>     | <b>15,000</b>            | <b>813</b>        | <b>-</b>      | <b>-</b>             |  | <b>5,528,136</b>     |

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July 31, 2011

| Balance Sheet Items           | Texas         | United States<br>Arizona | Other States | Canada | Paraguay   | Total         |
|-------------------------------|---------------|--------------------------|--------------|--------|------------|---------------|
| Mineral Rights and Properties | \$ 15,195,697 | \$ 698,241               | \$ 1,066,566 | \$ -   | \$ 880,579 | \$ 17,841,083 |
| Property, Plant and Equipment | 8,614,831     | -                        | 14,386       | 73,196 | -          | 8,702,413     |
| Reclamation Deposits          | 4,594,489     | 15,000                   | 811          | -      | -          | 4,610,300     |

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**URANIUM ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2012**  
**(Unaudited)**

The table below sets forth the operating results of each geographic segment:

| Statement of Operations                  | Three months ended April 30, 2012 |              |              |                |                |                | Total     |
|------------------------------------------|-----------------------------------|--------------|--------------|----------------|----------------|----------------|-----------|
|                                          | United States<br>Texas            | Arizona      | Other States | Canada         | Paraguay       |                |           |
| Sales                                    | \$ -                              | \$ -         | \$ -         | \$ -           | \$ -           | \$ -           | -         |
| Cost of sales                            | -                                 | -            | -            | -              | -              | -              | -         |
| Gross profit                             | -                                 | -            | -            | -              | -              | -              | -         |
| Mineral property expenditures            | 2,191,220                         | 238,586      | 70,372       | -              | 1,511,811      |                | 4,011,989 |
| General and administrative               | 2,578,447                         | 46,141       | 54,406       | 1,073,986      | 10,988         |                | 3,763,968 |
| Depreciation, amortization and accretion | 294,078                           | 758          | 7,252        | 9,734          | 2,826          |                | 314,648   |
| Other income and expenses                | (6,369)                           | 142,152      | -            | (1,947)        | (90)           |                | 133,746   |
| Net loss                                 | \$ (5,057,376)                    | \$ (427,637) | \$ (132,030) | \$ (1,081,773) | \$ (1,525,535) | \$ (8,224,351) |           |

| Statement of Operations                  | Three months ended April 30, 2011 |             |              |              |             |                | Total     |
|------------------------------------------|-----------------------------------|-------------|--------------|--------------|-------------|----------------|-----------|
|                                          | United States<br>Texas            | Arizona     | Other States | Canada       | Paraguay    |                |           |
| Sales                                    | \$ -                              | \$ -        | \$ -         | \$ -         | \$ -        | \$ -           | -         |
| Cost of sales                            | -                                 | -           | -            | -            | -           | -              | -         |
| Gross profit                             | -                                 | -           | -            | -            | -           | -              | -         |
| Mineral property expenditures            | 2,868,229                         | 20,406      | 35,340       | -            | -           |                | 2,923,975 |
| General and administrative               | 1,874,837                         | -           | 53,744       | 981,027      | 54,413      |                | 2,964,021 |
| Impairment loss on mineral properties    | 128,339                           | -           | -            | -            | -           |                | 128,339   |
| Depreciation, amortization and accretion | 238,728                           | -           | 4,386        | 9,046        | -           |                | 252,160   |
| Other income and expenses                | (22,528)                          | -           | -            | -            | -           |                | (22,528)  |
| Net loss                                 | \$ (5,087,605)                    | \$ (20,406) | \$ (93,470)  | \$ (990,073) | \$ (54,413) | \$ (6,245,967) |           |

| Statement of Operations | Nine months ended April 30, 2012 |         |              |        |          |      | Total     |
|-------------------------|----------------------------------|---------|--------------|--------|----------|------|-----------|
|                         | United States<br>Texas           | Arizona | Other States | Canada | Paraguay |      |           |
| Sales                   | \$ 6,240,000                     | \$ -    | \$ -         | \$ -   | \$ -     | \$ - | 6,240,000 |

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|                                          |                 |              |              |                |                |                 |
|------------------------------------------|-----------------|--------------|--------------|----------------|----------------|-----------------|
| Cost of sales                            | 3,160,854       | -            | -            | -              | -              | 3,160,854       |
| Gross profit                             | 3,079,146       | -            | -            | -              | -              | 3,079,146       |
| Mineral property expenditures            | 7,913,401       | 425,289      | 150,916      | -              | 2,417,674      | 10,907,280      |
| General and administrative               | 7,794,338       | 246,301      | 276,475      | 3,020,492      | 31,611         | 11,369,217      |
| Depreciation, amortization and accretion | 869,522         | 1,011        | 19,551       | 39,467         | 5,573          | 935,124         |
| Other income and expenses                | (40,844)        | 239,781      | -            | (1,446)        | (59)           | 197,432         |
| Net loss                                 | \$ (13,457,271) | \$ (912,382) | \$ (446,942) | \$ (3,058,513) | \$ (2,454,799) | \$ (20,329,907) |

| Statement of Operations                  | Nine months ended April 30, 2011 |             |              |                |              |                 | Total      |
|------------------------------------------|----------------------------------|-------------|--------------|----------------|--------------|-----------------|------------|
|                                          | United States<br>Texas           | Arizona     | Other States | Canada         | Paraguay     |                 |            |
| Sales                                    | \$ -                             | \$ -        | \$ -         | \$ -           | \$ -         | \$ -            | -          |
| Cost of sales                            | -                                | -           | -            | -              | -            | -               | -          |
| Gross profit                             | -                                | -           | -            | -              | -            | -               | -          |
| Mineral property expenditures            | 8,301,827                        | 36,357      | 122,782      | -              | -            | -               | 8,460,966  |
| General and administrative               | 9,068,437                        | -           | 191,749      | 3,060,116      | 154,313      | -               | 12,474,615 |
| Impairment loss on mineral properties    | 128,339                          | -           | -            | -              | -            | -               | 128,339    |
| Depreciation, amortization and accretion | 725,798                          | -           | 17,612       | 24,919         | -            | -               | 768,329    |
| Other income and expenses                | (37,664)                         | -           | -            | -              | -            | -               | (37,664)   |
| Net loss                                 | \$ (18,186,737)                  | \$ (36,357) | \$ (332,143) | \$ (3,085,035) | \$ (154,313) | \$ (21,794,585) |            |

**URANIUM ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2012**  
**(Unaudited)**

**NOTE 16:           SUBSEQUENT EVENTS**

Other than disclosed elsewhere in this consolidated financial statement, the Company had the following material subsequent event:

Pursuant to a Uranium Mining Lease dated May 23, 2012, the Company acquired from UReenergy, LLC a mining lease for uranium on the Slick Rock Project located in San Miguel and Montrose Counties, Colorado. The Slick Rock Project is subject to a 3.0% production royalty requiring an annual advance royalty payment of \$30,000 beginning on November 30, 2017. As consideration for this acquisition, the Company paid \$100,000 in cash.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following management's discussion and analysis of the Company's financial condition and results of operations contain forward-looking statements that involve risks, uncertainties and assumptions including, among others, statements regarding our capital needs, business plans and expectations. In evaluating these statements, you should consider various factors including the risks, uncertainties and assumptions set forth in reports and other documents of the Company filed with or furnished to the SEC, including, without limitation, this Form 10-Q filing for the nine months ended April 30, 2012 and the Form 10-K filing for the fiscal year ended July 31, 2011 including the consolidated financial statements and related notes contained therein. These factors, or any one of them, may cause the actual results to differ materially from any forward-looking statement made in this document. Refer to Item 1A. Risk Factors under Part II - Other Information.*

**Results of Operations for the Three and Nine Months Ended April 30, 2012 and 2011**

*General*

For the three and nine months ended April 30, 2012, the Company recorded a net loss of \$8,224,351 (\$0.10 per share) and \$20,329,907 (\$0.27 per share), respectively. The Company currently operates in a single reportable segment and is focused on uranium mining and related activities, including exploration, development, extraction and processing of uranium concentrates.

During the nine months ended April 30, 2012, the Company completed two sales of uranium concentrates which accounted for all the Company's external revenue.

*Revenues and Cost of Sales*

The Company commenced uranium production at its Palangana Mine in November 2010. In October 2011 and January 2012, the Company completed two sales of uranium concentrates under the terms of its existing offtake agreement, fulfilling its delivery commitments for the first year. For the three months ended April 30, 2012, no sales of uranium concentrates were generated.

For the nine months ended April 30, 2012, sales of uranium concentrates totaled 120,000 pounds at \$52 per pound, generating revenues of \$6,240,000.

For the nine months ended April 30, 2012, cost of sales was \$3,160,854. Cost of sales for uranium concentrates is determined using the average cost per pound at the end of the month prior to the month in which the sale occurs, plus royalty obligations and other direct selling costs.

For the nine months ended April 30, 2012, the Company generated a gross profit of \$3,079,146.

*Expenses*

For the three and nine months ended April 30, 2012 and 2011, total expenses incurred by the Company were \$8,090,605 and \$23,211,621 (2011: \$6,268,495 and \$21,832,249), respectively. In general, both mineral property expenditures and general and administrative expenses, excluding stock based compensation, have increased.

**Mineral property expenditures** during the three and nine months ended April 30, 2012 and 2011 were \$4,011,989 and \$10,907,280 (2011: \$2,923,975 and \$8,460,966), respectively. These amounts include expenditures relating to property maintenance, exploration, development including permitting and all other non-production related activities on the Company's uranium projects. As disclosed under Risk Factors, the Company has not established proven and probable reserves through the completion of feasibility studies for any of its mineral properties in accordance with

SEC Industry Guide 7. Accordingly, all expenditures relating to exploration and development activities are expensed as incurred.

The following table set forth the mineral property expenditures for the Company's major projects incurred during the three and nine months ended April 30, 2012 and 2011:

|                                      | Three Months Ended April 30, |              | Nine Months Ended April 30, |              |
|--------------------------------------|------------------------------|--------------|-----------------------------|--------------|
|                                      | 2012                         | 2011         | 2012                        | 2011         |
| <b>Mineral Property Expenditures</b> |                              |              |                             |              |
| Palangana Mine                       | \$ 1,387,984                 | \$ 1,845,119 | \$ 5,833,106                | \$ 6,276,677 |
| Goliad Project                       | 91,654                       | 190,361      | 398,632                     | 448,867      |
| Salvo Project                        | 406,146                      | 513,725      | 969,065                     | 892,747      |
| Nichols Project                      | -                            | -            | 150,000                     | 15,496       |
| Land work - Texas                    | 92,402                       | 109,079      | 312,870                     | 267,808      |
| Anderson Project                     | 185,497                      | -            | 339,390                     | -            |
| Workman Creek Project                | 40,346                       | -            | 47,735                      | -            |
| Yuty Project                         | 588,548                      | -            | 588,548                     | -            |
| Coronel Oviedo Project               | 923,263                      | -            | 1,829,126                   | -            |
| Other Mineral Property Expenditures  | 296,149                      | 265,691      | 438,808                     | 559,371      |
|                                      | \$ 4,011,989                 | \$ 2,923,975 | \$ 10,907,280               | \$ 8,460,966 |

**General and administrative expenses** during the three and nine months ended April 30, 2012 and 2011 were \$3,763,968 and \$11,369,217 (2011: \$2,964,021 and \$12,474,615), respectively.

For the three and nine months ended April 30, 2012 and 2011, general and administrative expenses were comprised, respectively, of salaries, management and consulting fees of \$798,864 and \$3,392,381 (2011: \$806,095 and \$3,132,722), office, investor relations, communications and travel of \$2,191,891 and \$4,404,641 (2011: \$903,085 and \$2,620,718), and professional fees of \$373,843 and \$991,513 (2011: \$430,429 and \$955,663). The activities of the Company include a number of corporate acquisitions and asset purchases during the nine months ended April 30, 2012, resulting in an increase in the overall general and administrative support required. These include the expansion of the Company's New Mexico office to support the recently acquired Anderson and Workman Creek Projects, as well as the addition of a Paraguayan office to support the Coronel Oviedo and Yuty Projects.

For the three and nine months ended April 30, 2012 and 2011, stock-based compensation of \$399,370 and \$2,580,682 (2011: \$824,412 and \$5,765,512) is also included in general and administrative expenses. This decrease is primarily the result of a general decrease in stock options granted to employees, officers and consultants.

**Depreciation, amortization and accretion** during the three and nine months ended April 30, 2012 and 2011 were \$314,648 and \$935,124 (2011: \$252,160 and \$768,329), respectively. The increase was primarily due to general exploration and development assets acquired through the normal course of business as well as the accretion of asset retirement obligations.

### *Production and Inventories*

During the three and nine months ended April 30, 2012, the Palangana Mine produced 34,000 and 139,000 pounds of uranium concentrates. During the three and nine months ended April 30, 2012, the Hobson Facility processed 37,000 and 148,000 pounds of uranium concentrates. At April 30, 2012, the Hobson Facility has processed a total of 273,000 pounds of uranium concentrates since the commencement of production at the Palangana Mine.

As at April 30, 2012, the total value of inventories were \$4,281,402, of which \$4,038,780 (94%) represents the value of finished goods-uranium concentrates, \$214,806 (5%) represents the value of work-in-progress and \$27,816 (1%) represents the value of supplies. The cash component<sup>(1)</sup> of the total value of inventories was \$3,430,987, and the non-cash component<sup>(1)</sup> of the total value of inventory was \$850,415. At April 30, 2012, the Company had available for sale a total of 153,000 pounds of uranium concentrates.

- (1) Cash component and non-cash component are key indicators not defined under U.S. GAAP and are non-GAAP measures. Cash component is calculated as the total inventory value less the non-cash component of the inventory value. The non-cash component is comprised of depreciation, depletion and stock-based compensation.

*Transactions with Officers and Directors*

During the three and nine months ended April 30, 2012, the Company had transactions with certain officers and directors of the Company as follows:

- incurred \$39,455 and \$90,315 (three and nine months ended April 30, 2011: \$64,525 and \$144,650) in general and administrative costs paid to a company controlled by a direct family member of a current officer; and
- incurred \$Nil and \$131,176 in administrative services and associated expense reimbursements paid to a company controlled by a current director. An amount of \$179,904 was incurred during the nine months ended April 30, 2011 for finder's fees related to private placements.

At April 30, 2012, amounts owed to related parties totaled \$10,376 (July 31, 2011: \$8,287).

**Liquidity and Capital Resources**

|                           | <b>April 30, 2012</b> | <b>July 31, 2011</b> |
|---------------------------|-----------------------|----------------------|
| Cash and cash equivalents | \$ 26,200,599         | \$ 30,724,051        |
| Working capital           | 26,359,893            | 30,020,926           |
| Total assets              | 88,258,690            | 65,390,985           |
| Total liabilities         | 7,973,833             | 6,268,194            |
| Shareholders' equity      | 80,284,857            | 59,122,791           |

On April 10, 2012, the Company completed a public offering of its common stock for net proceeds of \$20,981,548 through the sale of 6,246,078 shares of the Company at a price of \$3.60 per share.

As at April 30, 2012, the Company had \$26,200,599 in cash and cash equivalents and working capital of \$26,359,893. Net cash decreased by \$4,523,452 during the nine months ended April 30, 2012 compared to an increase of \$12,172,596 during the nine months ended April 30, 2011.

*Operating Activities*

Net cash used in operating activities during the nine months ended April 30, 2012 and 2011 was \$18,649,970 (2011: \$19,172,521). Significant operating expenditures during the current period included mineral property expenditures, production costs and general and administrative expenses. In addition, during the nine months ended April 30, 2012 and 2011, the Company settled asset retirement obligations in cash for a total of \$737,130 (2011: \$870,504) and settled accounts payables assumed from the acquisition of Concentric Energy Corp. with cash payments of \$242,045 (2011: \$Nil).

*Financing Activities*

Net cash provided by financing activities during the nine months ended April 30, 2012 and 2011 was \$20,131,271 (2011: \$34,228,160) resulting from shares issued for cash of \$21,499,668 mainly through a public offering of the Company's shares (2011: \$34,304,984 from a private placement) and cash paid for settlement of convertible debentures of \$1,370,486 (2011: \$Nil).

*Investing Activities*

Net cash used in investing activities during the nine months ended April 30, 2012 and 2011 was \$6,004,753 (2011: \$2,883,043) resulting from acquisition of mineral rights and properties of \$3,878,707 (2011: \$457,861), purchase of property, plant and equipment of \$947,560 (2011: \$282,294), settlement of loan assumed from acquisition of Cue of \$260,650 (2011: \$Nil), and reclamation deposit of \$917,836 paid (2011: \$1,872,623).



### *Stock Options and Warrants*

As at April 30, 2012, the Company had stock options outstanding to purchase 9,544,396 shares and share purchase warrants outstanding to purchase 1,822,639 shares. The outstanding stock options have a weighted average exercise price of \$1.94 per share and the outstanding warrants have a weighted average exercise price of \$6.79 per share. At April 30, 2012, outstanding stock options and warrants totaled 11,367,035 shares issuable for gross proceeds of approximately \$30,892,000 should these options and warrants be exercised in full. As at April 30, 2012, outstanding in-the-money stock options and warrants totaled 8,879,395 shares issuable for gross proceeds of approximately \$14,358,000 should these options and warrants be exercised in full. The exercise of these stock options and warrants is at the discretion of the respective holders and there is no assurance that any of these stock options or warrants will be exercised in the future.

### **Plan of Operations**

Our primary plan of operations for the next twelve months is to expand production at the Palangana Mine, continue development of the Goliad Project towards production and continue with the exploration of Salvo, Anderson, Paraguay and other mineral projects.

At April 30, 2012, the Company had \$26.2 million in cash and cash equivalents and working capital of \$26.4 million. It is anticipated that existing cash resources will be sufficient to carry out the Company's plan of operations including exploration and development activities for the next twelve months. Beyond the next twelve months, the Company may be required to obtain additional financing in order to continue our plan of operations. It is anticipated that additional financing will be in the form of equity financing from the sale of the Company's common stock, for example, through the S-3 Shelf Registration Statement that became effective on September 2, 2011 or other appropriate methods. We cannot provide any assurance that we will be able to generate sufficient financing from the sale of our common stock to fund our plan of operations and intended growth. In the absence of such financing, we may not be able to continue exploration or development of our mineral rights and, conceptually, may be forced to abandon our projects.

Other options include entering into a joint venture arrangement to provide the required funding to advance our uranium projects, provided a third party would enter into a joint venture agreement with us in order to fund development or exploration of our projects. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our projects to the joint venture partner.

### **Material Commitments**

Material commitments of the Company since the filing of the Form 10-K for the year ended July 31, 2011 changed by the following:

- Office space leases have decreased the commitments by \$5,000; and
- Consulting agreements have decreased the commitments by \$223,000 as a result of entering and renewing various consulting agreements.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

### **Critical Accounting Policies**

Below outlines describes the Company's critical accounting policies in managements opinion, however refer to Note 2 of Item 1: Financial Statements which discloses all of the Company's accounting policies.

*Inventories*

Inventories are comprised of supplies, uranium concentrates and work-in-progress. Expenditures include mining and processing activities that will result in future production of uranium concentrates and depreciation and depletion charges. Mining and processing activities include labor, chemicals and other directly attributable production expenditures. Inventories are valued and charged to cost of sales using the weighted average costing method and are carried at the lower of cost or net realizable value.

### *Mineral Rights*

Expenditures relating to the acquisition of mineral rights are capitalized as incurred. Expenditures relating to exploration activities are expensed as incurred, while those relating to development activities are expensed when incurred prior to the completion of a bankable feasibility study establishing proven and probable reserves. Once proven and probable reserves are established, subsequent development expenditures relating to that project are capitalized.

Upon commencement of production, the project's capitalized expenditures are depleted over proven and probable reserves using the units-of-production method. Where proven and probable reserves have not been established, such capitalized expenditures are depleted over the estimated production life using the straight-line method. The Company has not established proven or probable reserves on any of its projects.

The carrying values of the mineral rights are assessed for impairment by management on a quarterly basis. Should management determine that these carrying values cannot be recovered, the unrecoverable amounts are written off against earnings.

### *Restoration and Remediation Costs (Asset Retirement Obligations)*

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining.

Future reclamation and remediation costs, which include production equipment removal and environmental remediation, are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates are determined by the Company's engineering studies calculating the cost of future surface and groundwater activities, current regulations, actual expenses incurred, and technology and industry standards.

In accordance with ASC 410, Asset Retirement and Environmental Obligations, the Company capitalizes the measured fair value of asset retirement obligations to mineral rights and properties. The asset retirement obligations are accreted to an undiscounted value until the time at which they are expected to be settled. The accretion expense is charged to the statement of operations and comprehensive loss and actual retirement costs are recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

On a quarterly basis, the Company updates cost estimates, and other assumptions used in the valuation of asset retirement obligations at each of its mineral properties to reflect new events, changes in circumstances and any new information that is available. Changes in these costs have a corresponding impact on the asset retirement obligations.

### *Revenue Recognition*

The recognition of revenue from the sale of uranium concentrates is in accordance with the guidelines outlined in ASC Section 605-10-25 Revenue Recognition. The Company delivers its uranium concentrates to a uranium storage facility and once the product is confirmed to meet the required specifications, the Company receives credit for a specified quantity measured in pounds. Future sales of uranium concentrates are expected to generally occur under uranium supply agreements or on the uranium spot market. Once a sale of uranium concentrates is negotiated, the Company will notify the uranium storage facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the uranium concentrates is confirmed by the uranium storage facility at which point the customer is invoiced by the Company.



**Subsequent Events**

The Company had the following material subsequent events to report:

Pursuant to a Uranium Mining Lease dated May 23, 2012, the Company acquired from UReenergy, LLC a mining lease for uranium on the Slick Rock Project located in San Miguel and Montrose Counties, Colorado. The Slick Rock Project is subject to a 3.0% production royalty requiring an annual advance royalty payment of \$30,000 beginning on November 30, 2017. As consideration for this acquisition, the Company paid \$100,000 in cash.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to market risk related to the market price of uranium. We have one uranium sales agreement based upon the market price of uranium at the time of delivery, and since future sales of uranium concentrates are expected to generally occur under this uranium supply agreement or through the uranium spot market, fluctuations in the market price of uranium would have a direct impact on our revenues and cash flows.

We are subject to market risk related to foreign currency exchange rate fluctuations. Our functional currency is the United States dollar, however, a portion of our business is transacted in other currencies including the Canadian dollar and Paraguayan Guarani. To date, these fluctuations have not had a material impact on our results of operations. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure to manage our foreign currency fluctuation risk.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

**Changes in Internal Controls**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our fiscal quarter ended April 30, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### **Item 1. Legal Proceedings**

As of the date of this Quarterly Report, there are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject, and no director, officer, affiliate or beneficial owner of more than 5% of our common stock, or any associate or any such director, officer, affiliate or beneficial owner, is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceeding. Other than as disclosed below, management is not aware of any other material legal proceedings pending or that have been threatened against us or our properties.

On February 23, 2011, notification was received of a lawsuit filed against the Company related to the acquisition of South Texas Mining Venture, L.L.P. ( STMV ) for an unspecified amount. Pursuant to the acquisition terms, the claimant is entitled to the difference between the estimated \$2.2 million in reclamation costs associated with Mt. Lucas and the actual reclamation costs associated with Mt. Lucas, provided the actual costs are less than the \$2.2 million, subject to the receipt of a clearance certificate from the Texas Commission on Environmental Quality which has yet to be issued. The Company believes it has complied with all of the terms related to the acquisition of STMV as current reclamation costs associated with Mt. Lucas are greater than \$2.2 million. The Company intends on disputing any and all claims under this lawsuit. Any potential judgment received against the Company and awarded to the claimant is expected to be immaterial. At April 30, 2012, the claimant has engaged a firm to perform an audit on the expenses associated with Mt. Lucas.

Effective September 9, 2011, as the result of the merger with Concentric, the Company assumed all of Concentric's rights and obligations including those arising from or relating to an involuntary bankruptcy petition filed on June 16, 2010 (the Petition ) filed by certain holders (the Petitioners ) of Series A convertible debentures (the Debentures) against Concentric in the United States Bankruptcy Court in and for the District of Arizona. Prior to and after June 16, 2010, the Petitioners, who had also made equity investments in Concentric prior to the merger, sent Concentric letters alleging defaults under the Debentures and requesting acceleration of amounts due under the Debentures. Pursuant to a Settlement Agreement and Mutual Release dated October 4, 2011 (the Settlement Agreement ), the Company and the Petitioners agreed to settle all claims and potential claims raised in the bankruptcy case, including any and all claims relating to the Debentures. In accordance with the terms of the Settlement Agreement, the Company paid \$1,051,854 in cash to the Petitioners in full settlement of the Debentures and a stipulation to dismiss the Petition and the bankruptcy case was filed. On October 12, 2011, the United States Bankruptcy Court for the District of Arizona approved the dismissal of the Petition.

On or about April 3, 2012, notification was received of a lawsuit filed in the State of Arizona by the Petitioners against a group of defendants, including the Company and former management and board members of Concentric. The lawsuit asserts certain claims relating to the Petitioners' equity investments in Concentric, including allegations that the former management and board members of Concentric engaged in various wrongful acts prior to and/or in conjunction with the merger of Concentric. The lawsuit further alleges that the Company is contractually liable for liquidated damages arising from a pre-merger transaction which the Company previously acknowledged and intended to satisfy. With the exception of the liquidated damages, the Company intends to vigorously defend against any and all claims asserted under this lawsuit.

On or about May 17, 2012, notification was received of a lawsuit filed in the State of Texas by an employee of a contractor hired by the Company against a group of defendants, including the Company and the contractor, for unspecified damages as a result of injuries suffered by the plaintiff while on the Company's premises. The Company has engaged legal counsel to determine the appropriate course of action in response to this claim.

On or about May 25, 2012, the Company filed a lawsuit in the State of Texas against Everest Exploration, Inc., Everest Resource Company, Thomas M. Crain, Jr. and James T. Clark for an unspecified amount of damages as a

result of claimed material breaches of their representations, warranties and covenants under the Asset Purchase Agreement dated November 23, 2009 and effective December 19, 2009 relating to the STMV acquisition.

**Item 1A. Risk Factors**

*In addition to the information contained in our Form 10-K Annual Report for the fiscal year ended July 31, 2011 and this Form 10-Q Quarterly Report, the following list of material risks and uncertainties should be carefully reviewed by our stockholders and any potential investors in evaluating our Company, our business and the market value of our common stock. Any one of these risks and uncertainties has the potential to cause material adverse effects on our business, prospects, financial condition and operating results which could cause actual results to differ materially from any forward-looking statements expressed by us and a significant decrease in the market price of our common stock.*

*There is no assurance that we will be successful in preventing the material adverse effects that any of the following risks and uncertainties may cause, or that these potential risks and uncertainties are a complete list of the risks and uncertainties facing us. Furthermore, there may be additional risks and uncertainties that we are presently unaware of, or presently consider immaterial, that may become material in the future and have a material adverse effect on us. You could lose all or a significant portion of your investment due to any of these risks and uncertainties.*

**Risks Related to Our Company and Business**

*Evaluating our future performance may be difficult since we have a limited financial and operating history, with significant negative cash flow and net losses to date. Furthermore, the success of the Company will depend ultimately on our ability to achieve and maintain profitability from our mining operations.*

Uranium Energy Corp. was incorporated on May 16, 2003 as a precious metals explorer and subsequently changed our business operations to focus on uranium properties in the United States. Since then, we have been engaged in uranium exploration and development programs and mining operations on properties located in the United States and, most recently, Paraguay. We commenced uranium production for the first time at our Palangana Mine in November 2010 and generated uranium concentrates sales during the nine months ended April 30, 2012. We also hold certain mineral property interests in various stages of exploration and development in the States of Arizona, Colorado, New Mexico, Texas and Wyoming and in the area of Coronel Oviedo, Paraguay. The Company has not established proven or probable reserves on any of its mineral properties.

The Company has a history of significant negative cash flow and net losses since its inception to April 30, 2012 totaling \$116.0 million. Although we generated revenue from sales of uranium concentrates in Fiscal 2012, we do not expect to achieve profitability or develop positive cash flow from operations in the near term. Historically, we have been reliant primarily on equity financings to fund our ongoing operations and we expect this reliance to continue for the foreseeable future.

As a result of our limited financial and operating history, including significant negative cash flow and net losses to date, it may be difficult to evaluate the future performance of the Company. Furthermore, the long-term success of the Company's business including its ability to acquire additional uranium projects and continue with its exploration, development and production activities on existing uranium projects will depend ultimately on our ability to achieve and maintain profitability and to develop positive cash flow from operations.

*The uranium industry is capital intensive, and we will require significant additional financing to acquire additional uranium projects and continue with our exploration and development programs and mining operations on our existing uranium projects.*

The uranium industry is capital intensive, and we will require significant additional financing to acquire additional uranium projects and continue with our exploration and development programs and mining operations on our existing uranium projects. Without such additional financing, we will be required to curtail or abandon any one or all of these

activities.

Historically, we have relied on equity financing as our primary source of financing. Our ongoing reliance on equity financing and its availability whenever such additional financing is required will be dependent on many factors, including but not limited to general market conditions and the market value of our common stock. We may also be required to seek other forms of financing such as joint ventures, debt financing or other arrangements. We also filed a Form S-3 Shelf Registration Statement that became effective September 2, 2011 which provides for the offer and sale of certain securities of the Company from time to time, at its discretion, up to an aggregate public offering of \$50 million (of which approximately \$22.5 million was sold in our public offering that closed on April 10, 2012). However, there is no assurance that we will be successful in securing any form of additional financing when required and on terms favorable to us.

***Uranium exploration and development programs and mining operations are inherently subject to many significant risks and uncertainties and actual results may differ significantly from estimated amounts.***

Uranium exploration and development programs and mining operations are inherently subject to many significant risks and uncertainties.

Uranium exploration is frequently non-productive, in which case the uranium project may be abandoned and written-off. Furthermore, we will not be able to recover the funds that we incur on our exploration programs if we do not establish ore bodies that contain commercially recoverable uranium on our mineral projects and develop these into profitable mining operations. There is no assurance that we will be successful in establishing ore bodies that contain commercially recoverable uranium.

Whether an ore body contains commercially recoverable uranium depends on many factors including, without limitation: (i) the particular attributes of the deposit such as size, grade and proximity to infrastructure; (ii) the market price of uranium, which may be volatile; and (iii) government regulations and regulatory requirements including, without limitation, those relating to environmental protection, permitting and land use, taxes, land tenure and transportation. We have neither established nor have plans on establishing proven and probable reserves through the completion of feasibility studies in accordance with SEC Industry Guide 7 on our mineral projects on which we are currently utilizing or planning on utilizing in-situ recovery mining.

Our long-term success will depend on our ability to establish ore bodies that contain commercially recoverable uranium and to develop these into profitable mining operations. Mining operations have many risks and uncertainties including, but not limited to: (i) significantly higher than expected capital costs to construct the mine; (ii) significantly higher than expected actual production costs; and (iii) mine production being below expectations. There is no assurance that any ore body that we may develop into a mine will become profitable.

Uranium exploration and development programs and mining operations are subject to many risks beyond our control including, but not limited to: (i) unanticipated ground and water conditions and adverse claims to water rights; (ii) unusual or unexpected geological formations; (iii) metallurgical and other processing problems; (iv) the occurrence of unusual weather or operating conditions and other force majeure events; (v) lower than expected ore grades; (vi) industrial accidents; (vii) delays in the receipt of or failure to receive necessary government permits; (viii) delays in transportation; (ix) availability of contractors and labor; (x) government permit restrictions and regulation restrictions; (xi) unavailability of materials and equipment; and (xii) the failure of equipment or processes to operate in accordance with specifications or expectations. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties; personal injury; environmental damage; delays in mining; increased production costs; monetary losses; and legal claims.

If we become subject to liability, we may not be able or may elect not to insure against such risk due to high insurance premiums or other reasons. Where coverage is available and not prohibitively expensive relative to the perceived risk, we will maintain insurance against such risk, subject to exclusions and limitations. However, we cannot provide any assurance that such insurance will continue to be available at reasonable premiums or that such insurance will be adequate to cover any resulting liability.

***Further exploration by our Company may not result in economically viable mining operations or yield new reserves.***

Exploration for uranium involves many risks and uncertainties and success in exploration is dependent on a number of factors, including the quality of management, quality and availability of geological expertise and the availability of exploration capital. Major expenses may be required to establish reserves by drilling, constructing mining or processing facilities at a site, developing metallurgical processes and extracting uranium from ore. Also, substantial expenses may be incurred on exploration projects which are subsequently abandoned due to poor exploration results

or the inability to define reserves which can be mined economically.

Even if an exploration program is successful and economically recoverable uranium is found, it can take a number of years from the initial phases of drilling and identification of the mineralization until production is possible, during which time the economic feasibility of extraction may change and uranium that was economically recoverable at the time of discovery ceases to be economically recoverable. There can be no assurance that uranium recovered in small scale tests will be duplicated in large scale tests under onsite conditions or in production scale operations, and material changes in geological resources or recovery rates may affect the economic viability of uranium projects.

We cannot assure that exploration and development programs will result in profitable commercial mining operations. The economics of developing uranium properties are affected by many factors including the cost of operations, fluctuations in the price of uranium, costs of processing equipment and such other factors as government regulations. In addition, the quantity of uranium ultimately extracted may differ from that indicated by drilling results and such differences could be material.

***We have limited production and sales history.***

We have limited production history. Ongoing production and commissioning of staged expansions to production may not proceed as planned, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In extreme circumstances, these potential delays or difficulties may necessitate additional funding which could lead to additional equity or debt requirements for our Company. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes and/or cost overruns may lead also to additional funding requirements. Our activities may be affected by numerous other factors beyond our control. Mechanical failure of our operating plant and equipment, and general unanticipated operational and technical difficulties may adversely affect our operations. Operating risks beyond our control may expose our Company to uninsured liabilities. The business of mining, exploration and development is subject to a variety of risks and hazards such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards and the use of contractors. Such occurrences may delay production, increase production costs or result in damage to and destruction of, mineral properties or production facilities, personal injury, environmental damage and legal liability.

In addition, we have a limited history selling our uranium product and inventories. We may experience difficulty in marketing and/or selling our uranium product and inventories which may adversely impact our revenues and operating cash flows.

***Acquisitions that we may make from time to time could have an adverse impact on us.***

From time to time, we examine opportunities to acquire additional mining assets and businesses. Any acquisition that we may choose to complete may be of a significant size, may change the scale of our business and operations, and may expose us to new geographic, political, operating, financial and geological risks. Our success in our acquisition activities depends on our ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of our Company. Any acquisitions would be accompanied by risks which could have a material adverse effect on our business. For example, there may be a significant change in commodity prices after we have committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt our ongoing business and our relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that we choose to raise debt capital to finance any such acquisition, our leverage will be increased. If we choose to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, we may choose to finance any such

acquisition with our existing resources. There can be no assurance that we would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

*The uranium industry is subject to numerous stringent laws, regulations and standards, including environment protection laws and regulations. If any changes occur that would make these laws, regulations and standards more stringent, it may require capital outlays in excess of those anticipated or cause substantial delays, which would have a material adverse effect on our operations.*

Uranium exploration and development programs and mining operations are subject to numerous stringent laws, regulations and standards at the federal, state, and local levels governing permitting, development, production, exports, taxes, labor standards, occupational health, waste disposal, protection and reclamation of the environment, protection of endangered and protected species, mine safety, hazardous substances and other matters. Our compliance with these requirements requires significant financial and personnel resources.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States or any other applicable jurisdiction, may change or be applied or interpreted in a manner which may also have a material adverse effect on our operations. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency or special interest group, may also have a material adverse effect on our operations.

Uranium exploration and development programs and mining operations are subject to stringent environmental protection laws and regulations at the federal, state, and local levels. These laws and regulations, which include permitting and reclamation requirements, regulate emissions, water storage and discharges and disposal of hazardous wastes. Uranium mining operations are also subject to laws and regulations which seek to maintain health and safety standards by regulating the design and use of mining methods. Various permits from governmental and regulatory bodies are required for mining to commence or continue, and no assurance can be provided that required permits will be received in a timely manner.

Our compliance costs including the posting of surety bonds associated with environmental protection laws and regulations and health and safety standards have been significant to date, and are expected to increase in scale and scope as we expand our operations in the future. Furthermore, environmental protection laws and regulations may become more stringent in the future, and compliance with such changes may require capital outlays in excess of those anticipated or cause substantial delays, which would have a material adverse effect on our operations.

To the best of our knowledge, our operations are in compliance, in all material respects, with all applicable laws, regulations and standards. If we become subject to liability for any violations, we may not be able or may elect not to insure against such risk due to high insurance premiums or other reasons. Where coverage is available and not prohibitively expensive relative to the perceived risk, we will maintain insurance against such risk, subject to exclusions and limitations. However, we cannot provide any assurance that such insurance will continue to be available at reasonable premiums or that such insurance will be adequate to cover any resulting liability.

***We may not be able to obtain or maintain necessary licenses.***

Our exploration and mining activities are dependent upon the grant of appropriate authorizations, licences, permits and consents, as well as continuation of the authorizations, licences, permits and consents already granted, which may be granted for a defined period of time, or may not be granted or may be withdrawn or made subject to limitations. There can be no assurance that all necessary authorizations, licences, permits and consents will be granted to us, or that authorizations, licences, permits and consents already granted will not be withdrawn or made subject to limitations.

***Major nuclear incidents may have adverse effects on the nuclear and uranium industries.***

The nuclear incident that occurred in Japan in March 2011 had significant and adverse effects on both the nuclear and uranium industries. If another nuclear incident were to occur, it may have further adverse effects for both industries. Public opinion of nuclear power as a source of electricity generation may be adversely affected, which may cause governments of certain countries to further increase regulation for the nuclear industry, reduce or abandon current reliance on nuclear power or reduce or abandon existing plans for nuclear power expansion. Any one of these occurrences has the potential to reduce current and/or future demand for nuclear power, resulting in lower demand for uranium and lower market prices for uranium, adversely affecting the Company's operations and prospects.

Furthermore, the growth of the nuclear and uranium industries is dependent on continuing and growing public support of nuclear power a source of electricity generation.

***The marketability of uranium concentrates will be affected by numerous factors beyond our control which may result in our inability to receive an adequate return on our invested capital.***

The marketability of uranium concentrates produced by us will be affected by numerous factors beyond our control. These factors include macroeconomic factors, fluctuations in the market price of uranium, governmental regulations, land tenure and use, regulations concerning the importing and exporting of uranium and environmental protection regulations. The future effects of these factors cannot be accurately predicted, but any one or a combination of these factors may result in our inability to receive an adequate return on our invested capital.

***The uranium industry is highly competitive and we may not be successful in acquiring additional projects.***

The uranium industry is highly competitive, and our competition includes larger, more established companies with longer operating histories that not only explore for and produce uranium, but also market uranium and other products on a regional, national or worldwide basis. Due to their greater financial and technical resources, we may not be able to acquire additional uranium projects in a competitive bidding process involving such companies. Additionally, these larger companies have greater resources to continue with their operations during periods of depressed market conditions.

***We hold mineral rights in foreign jurisdictions which could be subject to additional risks due to political, taxation, economic and cultural factors.***

We hold certain mineral rights located in Paraguay through the acquisition of a 100% interest in Piedra Rica Mining S.A. and Transandes Paraguay S.A, which were incorporated in Paraguay. Operations in foreign jurisdictions outside of the U.S. and Canada, especially in developing countries, may be subject to additional risks as they may have different political, regulatory, taxation, economic and cultural environments that may adversely affect the value or continued viability of our rights. These additional risks include, but are not limited to: (i) changes in governments or senior government officials; (ii) changes to existing laws or policies on foreign investments, environmental protection, mining and ownership of mineral interests; (iii) renegotiation, cancellation, expropriation and nationalization of existing permits or contracts; (iv) foreign currency controls and fluctuations; and (v) civil disturbances, terrorism and war.

In the event of a dispute arising at our foreign operations in Paraguay, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of the courts in the United States or Canada. We may also be hindered or prevented from enforcing our rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity. Any adverse or arbitrary decision of a foreign court may have a material and adverse impact on our business, prospects, financial condition and results of operations.

***There is no guarantee that title to our mineral property interests will not be challenged.***

Although we have taken reasonable measures to ensure proper title to our interests in mineral properties and other assets, there is no guarantee that the title to any of such interests will not be challenged. No assurance can be given that we will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to us, or that governments in the jurisdictions in which we operate will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments, aboriginal peoples or other claimants. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. A successful challenge to the precise area and location of our claims could result in us being unable to operate on our properties as permitted or being unable to enforce our rights with respect to our properties.

***Due to the nature of our business, we may be subject to legal proceedings.***

Due to the nature of our business, we may be subject to numerous regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of our business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on our business and/or financial position.

***We depend on certain key personnel, and our success will depend on our continued ability to retain and attract such qualified personnel.***

Our success is dependent on the efforts, abilities and continued service of certain senior officers and key employees and consultants, especially Amir Adnani, President and Chief Executive Officer, and Harry Anthony, Chief Operating Officer. A number of our key employees and consultants have significant experience in the uranium industry. A loss of service from any one of these individuals may adversely affect our operations, and we may have difficulty or may not be able to locate and hire a suitable replacement.

***Certain directors and officers may be subject to conflicts of interest.***

The majority of our directors and officers are involved in other business ventures including similar capacities with other private or publicly-traded companies. Such individuals may have significant responsibilities to these other business ventures, including consulting relationships, which may require significant amounts of their available time. Conflicts of interest may include decisions on how much time to devote to our business affairs and what business opportunities should be presented to us. Our Code of Business Conduct for Directors, Officers and Employees provides for guidance on conflicts of interest.

***Nevada law and our Articles of Incorporation may protect our directors and officers from certain types of lawsuits.***

Nevada law provides that our directors and officers will not be liable to the Company or its stockholders for monetary damages for all but certain types of conduct as directors and officers. Our Bylaws provide for broad indemnification powers to all persons against all damages incurred in connection with our business to the fullest extent provided or allowed by law. These indemnification provisions may require us to use our limited assets to defend our directors and officers against claims, and may have the effect of preventing stockholders from recovering damages against our directors and officers caused by their negligence, poor judgment or other circumstances.

***A majority of our directors and officers are residents outside of the U.S., and it may be difficult for stockholders to enforce within the U.S. any judgments obtained against us or any of our directors or officers.***

A majority of our directors and officers are nationals and/or residents of countries other than the U.S., and all or a substantial portion of such persons' assets are located outside of the U.S. As a result, it may be difficult for investors to effect service of process on our directors and officers, or enforce within the U.S. any judgments obtained against us or our directors and officers, including judgments predicated upon the civil liability provisions of the securities laws of the U.S. or any state thereof. Consequently, stockholders may be effectively prevented from pursuing remedies against us or our directors and officers under U.S. federal securities laws. In addition, stockholders may not be able to commence an action in a Canadian court predicated upon the civil liability provisions under U.S. federal securities laws. The foregoing risks also apply to those experts identified in this document that are not residents of the U.S.

***Disclosure controls and procedures and internal control over financial reporting, no matter how well designed and operated, are designed to obtain reasonable, and not absolute, assurance as to its reliability and effectiveness.***

Management's evaluation on the effectiveness of disclosure controls and procedures is designed to ensure that information required for disclosure in our public filings is recorded, processed, summarized and reported on a timely basis to our senior management, as appropriate, to allow timely decisions regarding required disclosure. Management's report on internal control over financial reporting is designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported. Any system of controls, no matter how well designed and operated, is based in part upon certain assumptions designed to obtain reasonable, and not absolute, assurance as to its reliability and effectiveness.



## **Risks Related to the Company's Common Stock**

***Historically, the market price of our common stock has been and may continue to fluctuate significantly.***

On September 28, 2007, our common stock commenced trading on the NYSE Amex Equities Exchange (formerly known as the American Stock Exchange) and prior to that, traded on the OTC Bulletin Board. The global stock markets have experienced significant and increased volatility, especially over the last few years. Although this volatility is often unrelated to specific company performance, it can have an adverse effect on the market price of our common stock. Historically, the market price of our common stock has fluctuated significantly, and may continue to do so in the future.

In addition to the volatility associated with general economic trends and market conditions, the market price of our common stock could decline significantly due to the impact of any one or more events, including, but not limited to, the following: (i) volatility in the uranium market; (ii) occurrence of a major nuclear incident; (iii) changes in the outlook for the nuclear power and uranium industries; (iv) failure to meet market expectations on our exploration, development or production activities, including abandonment of key uranium projects; (v) sales of a large number of our common stock held by certain stockholders including institutions and insiders; (vi) downward revisions to estimates on us by securities analysts; (vii) removal from market indices; (viii) legal claims brought forth against us; or (ix) introduction of technological innovations by competitors or in competing technologies.

***A prolonged decline in the market price of our common stock could affect our ability to obtain additional financing which would adversely affect our operations.***

During the recent past, the global markets have been impacted by the effects of mass sub-prime mortgage defaults and liquidity problems of the asset-backed commercial paper market, which have resulted in a number of large financial institutions requiring government bailouts or filing for bankruptcy. The effects of these past events and any similar events in the future may continue to or further affect the global markets, which may directly affect the market price of our common stock and our accessibility for additional financing.

Historically, we have relied on equity financing as our primary source of financing. A prolonged decline in the market price of our common stock or a reduction in our accessibility to the global markets may result in our inability to secure additional financing which would have an adverse effect on our operations.

***Additional issuances of our common stock may result in significant dilution to our existing stockholders and reduce the market value of their investment.***

We have issued equity securities in the past and may continue to issue equity securities to finance our activities in the future, including to finance future acquisitions, or as consideration for acquisitions of businesses or assets. In addition, outstanding options and warrants to purchase shares of common stock may be exercised, resulting in the issuance of additional shares of common stock. The issuance by us of additional shares of common stock would result in dilution to our stockholders, including a reduction in the proportionate ownership and voting power and a decrease in the market price of our common stock, and even the perception that such an issuance may occur could have a negative impact on the trading price of our shares of common stock. We also filed a Form S-3 Shelf Registration Statement that became effective September 2, 2011 which provides for the offer and sale of certain securities of the Company from time to time, at its discretion, up to an aggregate public offering of \$50 million (of which approximately \$22.5 million was sold in our public offering that closed on April 10, 2012).

***Our common stock is currently classified as a "penny stock" under SEC rules which may limit the market for our common stock.***

Under SEC rules, a "penny stock" generally refers to securities of companies that trade below \$5.00 per share. Historically, the trading price of our common stock has fluctuated significantly and has traded above and below \$5.00 per share. At April 30, 2012, the trading price of our common stock closed at \$2.95 per share and was therefore classified as a penny stock. SEC Rule 15c-9 of the Exchange Act imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customers concerning the risk of penny stocks. Many broker-dealers decline to participate in penny stock transactions because of the extra requirements imposed on penny stock transactions. Application of the penny stock rules to our common stock from time to time may limit our market liquidity, which in turn affects the ability of our stockholders to resell their shares at prices at or above their cost.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The Company made the following issuance of common stock that were not registered under the Securities Act of 1933, as amended (the Securities Act ) during the Company's fiscal quarter ended April 30, 2012:

On each of February 2, March 6, April 3, and April 30, 2012, the Company issued 7,500 shares of restricted common stock at a deemed issuance price of \$3.85 per share to one shareholder pursuant to the terms of a consulting agreement. With respect to such issuances, the Company relied on an exemption from the registration requirements under the Securities Act pursuant to Regulation S and /or Section 4(2).

On February 7, 2012, the Company issued an aggregate of 76,851 shares of restricted common stock at a deemed issuance price of \$3.20 per share to five shareholders in settlement of certain convertible debentures. With respect to such issuances, the Company relied on an exemption from the registration requirements under the Securities Act pursuant to Rule 506 and/or Section 4(2), based on representations by such shareholders in subscription agreements with the Company.

On February 27, 2012, the Company issued an aggregate of 19,266 shares of restricted common stock at a deemed issuance price of \$3.20 per share to three shareholders in settlement of certain convertible debentures. With respect to such issuances, the Company relied on an exemption from the registration requirements under the Securities Act pursuant to Rule 506 and/or Section 4(2), based on representations by such shareholders in subscription agreements with the Company.

On March 30, 2012, the Company issued an aggregate of 171,303 shares of restricted common stock at a deemed issuance price of \$3.0705 per share to four shareholders pursuant to the terms of an arrangement agreement. With respect to such issuances, the Company relied on an exemption from the registration requirements under the Securities Act pursuant to Regulation S and/or Section 4(2), based on representations by such shareholders in subscription agreements with the Company.

On April 26, 2012, the Company issued 38,692 shares of restricted common stock at a deemed issuance price of \$3.8908 per share to one shareholder pursuant to the terms of a financial advisor agreement. With respect to such issuance, the Company relied on an exemption from the registration requirements under the Securities Act pursuant to Regulation S and/or Section 4(2).

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. (Removed and Reserved)**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following exhibits are included with this Quarterly Report on Form 10-Q:

| <b>Exhibit</b> | <b>Description of Exhibit</b>                                                                                                                                                                   |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>31.1</u>    | <u>Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</u>                                                                        |
| <u>31.2</u>    | <u>Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</u>                                                                        |
| <u>32.1</u>    | <u>Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**URANIUM ENERGY CORP.**

/s/ Amir Adnani

**Amir Adnani**

President, Chief Executive Officer and Principal Executive Officer

Date: June 8, 2012

/s/ Mark Katsumata

**Mark Katsumata**

Secretary, Treasurer and Chief Financial Officer

Date: June 8, 2012