

URANIUM ENERGY CORP  
Form 10-Q  
December 10, 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 **October 31, 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

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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 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 the 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 (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 85,243,155 shares of common stock outstanding as of December 5, 2012.

## URANIUM ENERGY CORP.

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**URANIUM ENERGY CORP.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED OCTOBER 31, 2012**

**(Unaudited)**

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

|  | Notes | October 31,<br>2012  | July 31, 2012        |
|--|-------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>  |       |                      |                      |
| Cash and cash equivalents  |       | \$ 17,187,118        | \$ 25,015,284        |
| Available-for-sale securities  | 3     | 41,492               | 41,973               |
| Accounts and interest receivable   |       | 325,860              | 273,584              |
| Inventories  | 4     | 1,597,626            | 1,876,100            |
| Prepaid expenses and deposits  |       | 853,696              | 717,260              |
|  |       | <b>20,005,792</b>    | <b>27,924,201</b>    |
| <b>MINERAL RIGHTS AND PROPERTIES</b>   | 5     | <b>42,240,501</b>    | 42,594,920           |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   | 6     | <b>8,891,083</b>     | 9,081,234            |
| <b>RECLAMATION DEPOSITS</b>  | 7     | <b>5,545,088</b>     | 5,543,040            |
|  |       | <b>\$ 76,682,464</b> | <b>\$ 85,143,395</b> |
| <b>CURRENT LIABILITIES</b>   |       |                      |                      |
| Accounts payable and accrued liabilities   |       | \$ 3,659,025         | \$ 5,271,158         |
| Due to related parties   | 8     | 13,997               | 47,443               |
| Current portion of asset retirement obligations  | 9     | 97,157               | 133,298              |
|  |       | <b>3,770,179</b>     | <b>5,451,899</b>     |
| <b>DEFERRED INCOME TAX LIABILITIES</b>   |       | <b>791,939</b>       | 791,939              |
| <b>ASSET RETIREMENT OBLIGATIONS</b>  | 9     | <b>3,024,578</b>     | 2,979,076            |
|  |       | <b>7,586,696</b>     | <b>9,222,914</b>     |
| <b>STOCKHOLDERS' EQUITY</b>  |       |                      |                      |
| Capital stock  |       |                      |                      |
| Common stock \$0.001 par value: 750,000,000 shares authorized, 85,243,155 shares issued and outstanding (July 31, 2012 - 84,975,155) | 10    | 85,244               | 84,975               |
| Additional paid-in-capital   |       | 196,960,003          | 196,486,881          |
| Share issuance obligation  |       | 194,700              | 194,700              |
| Accumulated deficit  |       | (128,121,571)        | (120,823,948)        |
| Accumulated other comprehensive income   |       | (22,608)             | (22,127)             |
|  |       | <b>69,095,768</b>    | <b>75,920,481</b>    |
|  |       | <b>\$ 76,682,464</b> | <b>\$ 85,143,395</b> |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | 13    |                      |                      |
| <b>SUBSEQUENT EVENTS</b>   | 7,10  |                      |                      |

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

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

|  | Notes | Three Months Ended October<br>31, |                       |
|--|-------|-----------------------------------|-----------------------|
|  |       | 2012                              | 2011                  |
| <b>SALES</b>                                       |       | \$ 2,153,250                      | \$ 3,120,000          |
| <b>COST OF SALES</b>                               |       | 1,863,109                         | 1,420,086             |
| <b>GROSS PROFIT</b>                                |       | 290,141                           | 1,699,914             |
| <b>EXPENSES</b>                                    |       |                                   |                       |
| Mineral property expenditures                      | 5     | 4,377,285                         | 2,732,600             |
| General and administrative                         | 8,10  | 2,724,937                         | 3,889,681             |
| Depreciation, amortization and accretion           | 6,9   | 496,347                           | 298,579               |
|  |       | 7,598,569                         | 6,920,860             |
| <b>LOSS BEFORE OTHER ITEMS</b>                     |       | <b>(7,308,428)</b>                | <b>(5,220,946)</b>    |
| <b>OTHER ITEMS</b>                                 |       |                                   |                       |
| Interest income                                    |       | 14,578                            | 18,798                |
| Interest expense                                   |       | (6,110)                           | -                     |
| Loss on fair value of convertible debentures       |       | -                                 | (25,955)              |
| Loss on settlement of convertible debentures       |       | -                                 | (330,208)             |
| Gain on settlement of accounts payable             | 5     | 10,909                            | -                     |
| Loss on settlement of asset retirement obligations | 9     | (8,572)                           | -                     |
|  |       | 10,805                            | (337,365)             |
| <b>NET LOSS FOR THE PERIOD</b>                     |       | <b>(7,297,623)</b>                | <b>(5,558,311)</b>    |
| <b>OTHER COMPREHENSIVE LOSS,</b>                   |       |                                   |                       |
| <b>NET OF INCOME TAXES</b>                         |       | <b>(481)</b>                      | <b>(14,453)</b>       |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>     |       | <b>\$ (7,298,104)</b>             | <b>\$ (5,572,764)</b> |
| <b>NET LOSS PER SHARE, BASIC AND DILUTED</b>       |       | <b>\$ (0.09)</b>                  | <b>\$ (0.07)</b>      |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES</b>           |       |                                   |                       |
| <b>OUTSTANDING, BASIC AND DILUTED</b>              |       | <b>85,172,927</b>                 | <b>74,496,759</b>     |

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

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

|   | Notes | Three Months Ended October<br>31, |                      |
|---|-------|-----------------------------------|----------------------|
| <b>CASH (USED IN) PROVIDED BY:</b>                                      |       | <b>2012</b>                       | <b>2011</b>          |
| <b>OPERATING ACTIVITIES</b>   |       |                                   |                      |
| Net loss for the period   |       | \$ (7,297,623)                    | \$ (5,558,311)       |
| Adjustments to reconcile net loss to net cash from operating activities |       |                                   |                      |
| Stock-based compensation  | 10    | 433,643                           | 1,593,911            |
| Depletion, depreciation, amortization and accretion                     |       | 700,658                           | 493,483              |
| Loss on fair value of convertible debentures                            |       | -                                 | 25,955               |
| Loss on settlement of convertible debentures                            |       | -                                 | 330,208              |
| Gain on settlement of accounts payable                                  | 5     | (10,909)                          | -                    |
| Loss on settlement of asset retirement obligations                      | 9     | 8,572                             | -                    |
| Changes in operating assets and liabilities                             |       |                                   |                      |
| Accounts and interest receivable  |       | (52,276)                          | (14,620)             |
| Inventories   | 4     | 278,474                           | (571,768)            |
| Prepaid expenses and deposits   |       | (136,436)                         | (186,077)            |
| Accounts payable and accrued liabilities                                |       | (1,601,224)                       | (504,388)            |
| Settlement of asset retirement obligations                              | 9     | (44,713)                          | (371,790)            |
| <b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>                      |       | <b>(7,721,834)</b>                | <b>(4,763,397)</b>   |
| <b>FINANCING ACTIVITIES</b>   |       |                                   |                      |
| Issuance of shares for cash   |       | 39,748                            | -                    |
| Settlement of convertible debentures                                    |       | -                                 | (1,051,854)          |
| Due to related parties  | 8     | (33,446)                          | 61,752               |
| <b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>        |       | <b>6,302</b>                      | <b>(990,102)</b>     |
| <b>INVESTING ACTIVITIES</b>   |       |                                   |                      |
| Investment in mineral rights and properties                             |       | (7,396)                           | (685,044)            |
| Purchase of property, plant and equipment                               |       | (103,190)                         | (340,543)            |
| Reclamation deposits  |       | (2,048)                           | (239,653)            |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>                      |       | <b>(112,634)</b>                  | <b>(1,265,240)</b>   |
| <b>NET CASH FLOWS</b>   |       | <b>(7,828,166)</b>                | <b>(7,018,739)</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                   |       | <b>25,015,284</b>                 | <b>30,724,051</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                         |       | <b>\$ 17,187,118</b>              | <b>\$ 23,705,312</b> |

**SUPPLEMENTAL CASH FLOW INFORMATION**

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



**URANIUM ENERGY CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

|   | Common Stock      |                  | Additional            | Share                  | Accumulated             | Accumulated<br>Other<br>Comprehensive | Stockholders'     |
|---|-------------------|------------------|-----------------------|------------------------|-------------------------|---------------------------------------|-------------------|
|   | Shares            | Amount           | Paid-in<br>Capital    | Issuance<br>Obligation | Deficit                 | Income                                | Equity            |
| Balance, July 31, 2012                            | 84,975,155        | \$ 84,975        | \$ 196,486,881        | \$ 194,700             | \$ (120,823,948)        | \$ (22,127)                           | 75,920,481        |
| Common stock                                      |                   |                  |                       |                        |                         |                                       |                   |
| Issued for exercise of stock options and warrants | 193,000           | 193              | 39,555                | -                      | -                       | -                                     | 39,748            |
| Issued for Yuty Settlement Agreement              | 75,000            | 76               | 190,424               | -                      | -                       | -                                     | 190,500           |
| Stock-based compensation                          |                   |                  |                       |                        |                         |                                       |                   |
| Options issued for consulting services            | -                 | -                | 100,476               | -                      | -                       | -                                     | 100,476           |
| Options issued for wages and benefits             | -                 | -                | 142,667               | -                      | -                       | -                                     | 142,667           |
| Net loss for the period                           | -                 | -                | -                     | -                      | (7,297,623)             | -                                     | (7,297,623)       |
| Unrealized loss on available-for-sale securities  | -                 | -                | -                     | -                      | -                       | (481)                                 | (481)             |
| <b>Balance, October 31, 2012</b>                  | <b>85,243,155</b> | <b>\$ 85,244</b> | <b>\$ 196,960,003</b> | <b>\$ 194,700</b>      | <b>\$ (128,121,571)</b> | <b>(22,608)</b>                       | <b>69,095,768</b> |

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

**URANIUM ENERGY CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 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 mining and related activities, including exploration, development, extraction and processing of uranium concentrates, on projects located in the United States and the Republic of Paraguay.

The Company realized revenue from uranium sales during the three months ended October 31, 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 October 31, 2012, the Company had working capital of \$16.2 million and an accumulated deficit of \$128.1 million.

**NOTE 2: BASIS OF PRESENTATION**

The accompanying unaudited interim condensed consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required under U.S. GAAP for complete financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2012. In the opinion of management, all adjustments considered necessary for a fair presentation have been made. Operating results for the three months ended October 31, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 2013.

**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. During the three months ended October 31, 2012 and 2011, the Company recorded an unrealized loss of \$481 and \$14,453, respectively, in accumulated other comprehensive loss relating to available-for-sale securities.

At October 31, 2012, the fair value of the Company's available-for-sale securities is as follows:

|                                      | <b>Quoted Prices in<br/>Active Markets<br/>for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>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.             | \$ 7,808  | \$ -   | \$ -   |

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|                       |           |      |      |
|-----------------------|-----------|------|------|
| Kaboko Mining Limited | 33,684    | -    | -    |
|                       | \$ 41,492 | \$ - | \$ - |

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**URANIUM ENERGY CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2012**  
**(Unaudited)**

At July 31, 2012, the fair value of the Company's available-for-sale securities is as follows:

|                                      | <b>Quoted Prices in<br/>Active Markets<br/>for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>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.             | \$ 7,777  | \$ -   | \$ -   |
| Kaboko Mining Limited                | 34,196  | -  | -  |
|                                      | <b>\$ 41,973</b>  | <b>\$ -</b>  | <b>\$ -</b>  |

**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 inventories consist of the following:

|                                       | <b>October 31,<br/>2012</b> | <b>July 31, 2012</b> |
|---------------------------------------|-----------------------------|----------------------|
| Supplies                              | \$ 69,210                   | \$ 32,489            |
| Work-in-progress                      | 273,336                     | 250,951              |
| Finished goods - uranium concentrates | 1,255,080                   | 1,592,660            |
|                                       | <b>\$ 1,597,626</b>         | <b>\$ 1,876,100</b>  |

At October 31, 2012, the total non-cash component of inventory was \$192,798 (July 31, 2012: \$319,024). During the three months ended October 31, 2012 and 2011, the Company did not incur a write-down of inventory to net realizable value.

**NOTE 5: MINERAL RIGHTS AND PROPERTIES**

**Mineral Rights**

At October 31, 2012, the Company had mineral rights in the States of Arizona, Colorado, New Mexico, Texas and Wyoming and in the Republic of Paraguay. These mineral rights were acquired for the purposes of uranium mining and related activities, including exploration, development, extraction and processing of uranium concentrates, at a cost of \$42,433,076, including \$33,018,768 representing the fair value of non-cash consideration and \$2,365,456 representing the present value of the retirement obligation associated with the Palangana Mine, net of \$1,713,504 in impairment charges. These mineral rights were acquired through staking and purchase, lease or option agreements and are subject to varying royalty interests, some of which are indexed to the sale price of uranium. At October 31, 2012, annual maintenance payments of approximately \$1,186,000 are required to maintain these mineral rights.

**URANIUM ENERGY CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2012**  
**(Unaudited)**

Mineral rights and property acquisition costs consist of the following:

|  | October 31,<br>2012  | July 31, 2012 |
|--|----------------------|---------------|
| <b>Mineral Rights and Properties, Unproven</b> |                      |               |
| Palangana Mine                                 | \$ 6,610,453         | \$ 6,610,453  |
| Goliad Project                                 | 8,689,127            | 8,689,127     |
| Burke Hollow Project                           | 1,313,250            | 1,313,250     |
| Channen Project                                | 428,164              | 428,164       |
| Salvo Project                                  | 363,645              | 363,645       |
| Nichols Project                                | 154,774              | 154,774       |
| Anderson Project                               | 9,154,268            | 9,154,268     |
| Workman Creek Project                          | 1,187,158            | 1,187,158     |
| Los Cuatros Project                            | 257,250              | 257,250       |
| Slick Rock Project                             | 163,213              | 163,213       |
| Todilto Project                                | 166,720              | 166,720       |
| Yuty Project                                   | 11,947,144           | 11,947,144    |
| Coronel Oviedo Project                         | 1,133,412            | 1,133,412     |
| Other property acquisitions                    | 864,498              | 857,119       |
|  | <b>42,433,076</b>    | 42,425,697    |
| Accumulated depletion                          | (1,321,032)          | (1,057,495)   |
|  | <b>41,112,044</b>    | 41,368,202    |
| <b>Databases</b>                               |                      |               |
|  | <b>2,345,038</b>     | 2,345,038     |
| Accumulated amortization                       | (1,463,366)          | (1,374,484)   |
|  | <b>881,672</b>       | 970,554       |
| <b>Land Use Agreements</b>                     |                      |               |
|  | <b>375,155</b>       | 375,155       |
| Accumulated amortization                       | (128,370)            | (118,991)     |
|  | <b>246,785</b>       | 256,164       |
|  | <b>\$ 42,240,501</b> | \$ 42,594,920 |

The Company has not established proven or probable reserves on any of its mineral projects.

**URANIUM ENERGY CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2012**  
**(Unaudited)**

Mineral property expenditures incurred by major projects during the three months ended October 31, 2012 and 2011 are as follows:

|                                      | <b>Three Months Ended October 31,</b> |              |
|--------------------------------------|---------------------------------------|--------------|
|                                      | <b>2012</b>                           | <b>2011</b>  |
| <b>Mineral Property Expenditures</b> |                                       |              |
| Palangana Mine                       | \$ 1,823,863                          | \$ 1,835,709 |
| Goliad Project                       | 104,002                               | 96,938       |
| Burke Hollow Project                 | 1,102,932                             | -            |
| Channen Project                      | 691,262                               | -            |
| Salvo Project                        | 17,861                                | 104,577      |
| Nichols Project                      | 13,635                                | 150,000      |
| Land work - Texas                    | 61,342                                | 96,477       |
| Anderson Project                     | 74,722                                | 119,458      |
| Workman Creek Project                | 30,936                                | -            |
| Slick Rock Project                   | 55,010                                | 12,571       |
| Yuty Project                         | 91,270                                | -            |
| Coronel Oviedo Project               | 199,801                               | 263,218      |
| Other Mineral Property Expenditures  | 110,649                               | 53,652       |
|                                      | \$ 4,377,285                          | \$ 2,732,600 |

During the three months ended October 31, 2012 and 2011, the Company did not incur any impairment charges.

### **Yuty Project**

The Company acquired the Yuty Project located in southeastern Paraguay in March 2012 through the acquisition of Cue Resources Ltd. ( Cue ).

During the three months ended October 31, 2012, the Company made cash payments totaling \$42,850 as full settlements of a total \$53,759 in accounts payable and accrued liabilities assumed from Cue, resulting in the recognition of a gain on settlement of accounts payable of \$10,909.

Pursuant to a Settlement and Release Agreement dated and effective August 7, 2012 (the Settlement Agreement ), the Company renegotiated certain acquisition and royalty agreement terms previously agreed to between Cue and the original property vendors of the Yuty Project. The Settlement Agreement confirms an overriding royalty payable to the property vendors of \$0.21 for each pound of uranium produced from the Yuty Project, and supersedes all prior agreements entered into between Cue and the property vendors. As consideration for the Settlement Agreement, the Company paid \$50,000 in cash and issued 75,000 restricted shares with fair value of \$190,500.

**URANIUM ENERGY CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2012**  
**(Unaudited)**

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

Property, plant and equipment consist of the following:

|                            | October 31, 2012     |                             |                     | July 31, 2012        |                             |                     |
|----------------------------|----------------------|-----------------------------|---------------------|----------------------|-----------------------------|---------------------|
|                            | Cost                 | Accumulated<br>Amortization | Net Book<br>Value   | Cost                 | Accumulated<br>Amortization | Net Book<br>Value   |
| Hobson Processing Facility | \$ 6,671,959         | \$ (297,651)                | \$ 6,374,308        | \$ 6,671,959         | \$ (258,068)                | \$ 6,413,891        |
| Mining equipment           | 2,235,895            | (914,544)                   | 1,321,351           | 2,182,251            | (811,016)                   | 1,371,235           |
| Vehicles                   | 1,852,764            | (1,140,289)                 | 712,475             | 1,841,119            | (1,063,240)                 | 777,879             |
| Computer equipment         | 645,070              | (414,025)                   | 231,045             | 636,240              | (378,651)                   | 257,589             |
| Furniture and fixtures     | 193,013              | (117,205)                   | 75,808              | 193,013              | (108,531)                   | 84,482              |
| Land                       | 175,144              | -                           | 175,144             | 175,144              | -                           | 175,144             |
| Leasehold improvements     | 9,970                | (9,018)                     | 952                 | 9,970                | (8,956)                     | 1,014               |
|                            | <b>\$ 11,783,815</b> | <b>\$ (2,892,732)</b>       | <b>\$ 8,891,083</b> | <b>\$ 11,709,696</b> | <b>\$ (2,628,462)</b>       | <b>\$ 9,081,234</b> |

**NOTE 7: RECLAMATION DEPOSITS**

Reclamation deposits include interest and non-interest bearing deposits issued in the States of Arizona, Texas and Wyoming relating to exploration, development, extraction and processing activities in the respective states. Reclamation deposits consist of the following:

|                            | October 31,<br>2012 | July 31, 2012       |
|----------------------------|---------------------|---------------------|
| Palangana Mine             | \$ 3,135,380        | \$ 3,135,380        |
| Hobson Processing Facility | 1,910,494           | 1,910,494           |
| Mount Lucas                | 472,823             | 472,823             |
| Arizona                    | 15,000              | 15,000              |
| Wyoming                    | 813                 | 813                 |
|                            | <b>5,534,510</b>    | <b>5,534,510</b>    |
| Interest                   | 10,578              | 8,530               |
|                            | <b>\$ 5,545,088</b> | <b>\$ 5,543,040</b> |

Subsequent to October 31, 2012, the Company paid an additional \$492,183 as a reclamation deposit relating to the Palangana Mine's Production Authorization Area 3.

**NOTE 8: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

During three months ended October 31, 2012, the Company had transactions with certain officers and directors of the Company as follows:

- incurred \$48,433 (three months ended October 31, 2011: \$34,693) in general and administrative costs paid to a company controlled by a direct family member of a current officer; and

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- Incurred \$9,000 (three months ended October 31, 2011: \$Nil) in consulting fees paid to a company controlled by a current director of the Company.

During the three months ended October 31, 2011, the Company incurred \$112,829 in consulting fees provided by a company controlled by a former director of the Company.

At October 31, 2012, amounts owed to related parties totaled \$13,997 (July 31, 2012: \$47,443). These amounts are unsecured, non-interest bearing and due on demand.



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**NOTE 9: ASSET RETIREMENT OBLIGATIONS**

The Company's asset retirement obligations ("ARO") relates to site restoration for the Hobson Processing Facility, Palangana Mine and Mt. Lucas.

|   | <b>October 31,<br/>2012</b> | July 31, 2012 |
|---|-----------------------------|---------------|
| Opening balance                                       | \$ 3,112,374                | \$ 3,027,803  |
| Revision in estimate of asset retirement obligations  | -                           | 567,069       |
| Liabilities settled with cash                         | <b>(36,141)</b>             | (619,772)     |
| Accretion   | <b>45,502</b>               | 137,274       |
|   | <b>3,121,735</b>            | 3,112,374     |
| Less: current portion of asset retirement obligations | <b>(97,157)</b>             | (133,298)     |
| Long-term asset retirement obligations                | \$ <b>3,024,578</b>         | \$ 2,979,076  |

|   | <b>October 31,<br/>2012</b> | July 31, 2012   |
|---|-----------------------------|-----------------|
| Undiscounted amount of estimated cash flows | \$ <b>3,626,092</b>         | \$ 3,662,233    |
| Payable in years                            | <b>2.3 to 7.3</b>           | 2.5 to 7.5      |
| Inflation rate                              | <b>1.56% to 2.43%</b>       | 1.56% to 2.43%  |
| Discount rate                               | <b>5.00% to<br/>10.50%</b>  | 5.00% to 10.50% |

During the three months ended October 31, 2012, the Company settled asset retirement obligations of \$36,141 with cash payments totaling \$44,713. As a result, a loss on settlement of asset retirement obligations of \$8,572 was recorded on the condensed consolidated statements of operations.

The undiscounted amounts of estimated cash flows for the next five years and beyond are as follows:

|                   |              |
|-------------------|--------------|
| July 31, 2013     | \$ 97,157    |
| July 31, 2014     | 640,714      |
| July 31, 2015     | 623,964      |
| July 31, 2016     | 74,241       |
| July 31, 2017     | -            |
| Remaining balance | 2,190,016    |
|                   | \$ 3,626,092 |

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**NOTE 10: CAPITAL STOCK****Capital Stock**

At October 31, 2012, the Company's capital stock was 750,000,000 authorized common shares with a par value of \$0.001 per share.

**Share Transactions**

| Period / Description             | Common<br>Shares<br>Issued | Value per Share |         | Issuance<br>Value |
|----------------------------------|----------------------------|-----------------|---------|-------------------|
|                                  |                            | Low             | High    |                   |
| Balance, July 31, 2012           | 84,975,155                 |                 |         |                   |
| Options Exercised <sup>(1)</sup> | 193,000                    | \$ 0.33         | \$ 0.45 | \$ 39,748         |
| Yuty Settlement Agreement        | 75,000                     | 2.54            | 2.54    | 190,500           |
| <b>Balance, October 31, 2012</b> | <b>85,243,155</b>          |                 |         |                   |

(1) 118,750 options were exercised on a cashless basis resulting in 100,000 net shares issued.

**Share Purchase Warrants**

At October 31, 2012, the Company had share purchase warrants outstanding and exercisable to purchase 1,558,812 common shares with a weighted average exercise price of \$4.95 per share and a weighted average remaining contractual term of 1.20 years.

Subsequent to October 31, 2012, share purchase warrants outstanding and exercisable to purchase 716,056 common shares at an exercise price of \$6.15 per share expired unexercised.

**Stock Options**

At October 31, 2012, the Company had two Stock Option Plans as follows:

- 2006 Stock Option Plan: The number of common shares available for issuance under this plan is 10,000,000 shares; and
- 2009 Stock Option Plan: The number of common shares available for issuance under this plan is 7,000,000 shares.

During the three months ended October 31, 2012, the Company did not grant any stock options.

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A continuity schedule of outstanding stock options for the underlying common shares at October 31, 2012, and the changes during the three month period, is presented below:

|                                  | <b>Number of<br/>Stock<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (Years)</b> |
|----------------------------------|--|--|--|
| Balance, July 31, 2012           | 9,559,271                              | \$ 1.95  | 6.52   |
| Exercised                        | (211,750)                              | 0.37   | 3.99   |
| <b>Balance, October 31, 2012</b> | <b>9,347,521</b>                       | <b>\$ 1.99</b>                                 | <b>6.33</b>  |

The aggregate intrinsic value under the provisions of ASC 718 of all outstanding options at October 31, 2012 was estimated at \$6,066,835 (vested: \$6,060,235 and unvested: \$6,600).

As at October 31, 2012, unrecognized compensation cost related to non-vested stock options granted under the Company's Stock Option Plans was \$624,197, which is expected to be recognized over 1.26 years.

A summary of options outstanding and exercisable at October 31, 2012 is presented below:

| <b>Range of Exercise Prices</b>  | <b>Options Outstanding</b>                     |  | <b>Options Exercisable</b>                     |  |
|----------------------------------|--|--|--|--|
|                                  | <b>Outstanding at<br/>October 31,<br/>2012</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Exercisable at<br/>October 31,<br/>2012</b> | <b>Weighted<br/>Average<br/>Exercise Price</b> |
| \$0.33 to \$0.70                 | 3,023,250                                      | \$ 0.40  | 3,023,250                                      | \$ 0.40  |
| \$0.71 to \$2.45                 | 3,721,750                                      | 2.37   | 3,661,750                                      | 2.38   |
| \$2.46 to \$23.08 <sup>(2)</sup> | 2,602,521                                      | 3.28   | 2,185,023                                      | 3.33   |
|                                  | 9,347,521                                      | \$ 1.99  | 8,870,023                                      | \$ 1.94  |

(2) 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.

### Stock-Based Compensation

A summary of stock-based compensation expense for the three months ended October 31, 2012 and 2011 is presented below:

|   | <b>Three Months Ended October 31,</b> |                |
|---|---------------------------------------|----------------|
|   | <b>2012</b>                           | <b>2011</b>    |
| <b>Stock-Based Consulting Fees</b>                |                                       |                |
| Common stock issued for Yuty Settlement Agreement | \$ 190,500                            | \$ -           |
| Common stock issued for consulting services       | -                                     | 32,400         |
| Options issued to consultants                     | 100,476                               | 241,636        |
|   | <b>290,976</b>                        | <b>274,036</b> |
| <b>Stock-Based Management Fees</b>                |                                       |                |
| Options issued to management                      | -                                     | 834,219        |

|   |                   |                     |
|---|-------------------|---------------------|
|   | -                 | 834,219             |
| <b>Stock-Based Wages and Benefits</b>         |                   |                     |
| Options issued to employees                   | <b>142,667</b>    | 528,472             |
|   | <b>142,667</b>    | 528,472             |
| Stock-based compensation charged to inventory | <b>(20,364)</b>   | (130,408)           |
|   | <b>\$ 413,279</b> | <b>\$ 1,506,319</b> |

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**NOTE 11: 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.

As at October 31, 2012, long-term assets located in the U.S. were \$43,496,262, or 77% of the Company's total long-term assets of \$56,676,672. During the three months ended October 31, 2012, the Company completed one sale of uranium concentrates in the U.S. to one customer comprising all of the Company's external revenue source.

The table below provides a breakdown of the Company's long-term assets by geographic segments:

| Balance Sheet Items           | October 31, 2012     |                          |                     |                  |                      | Total                |
|-------------------------------|----------------------|--------------------------|---------------------|------------------|----------------------|----------------------|
|                               | Texas                | United States<br>Arizona | Other<br>States     | Canada           | Paraguay             |                      |
| Mineral Rights and Properties | \$ 17,474,487        | \$ 10,612,052            | \$ 1,073,407        | \$ -             | \$ 13,080,555        | \$ 42,240,501        |
| Property, Plant and Equipment | 8,744,398            | 6,572                    | 40,258              | 57,039           | 42,816               | 8,891,083            |
| Reclamation Deposits          | 5,529,275            | 15,000                   | 813                 | -                | -                    | 5,545,088            |
| <b>Total Long-Term Assets</b> | <b>\$ 31,748,160</b> | <b>\$ 10,633,624</b>     | <b>\$ 1,114,478</b> | <b>\$ 57,039</b> | <b>\$ 13,123,371</b> | <b>\$ 56,676,672</b> |

| Balance Sheet Items           | July 31, 2012        |                          |                     |                  |                      | Total                |
|-------------------------------|----------------------|--------------------------|---------------------|------------------|----------------------|----------------------|
|                               | Texas                | United States<br>Arizona | Other<br>States     | Canada           | Paraguay             |                      |
| Mineral Rights and Properties | \$ 17,823,405        | \$ 10,612,052            | \$ 1,078,907        | \$ -             | \$ 13,080,556        | \$ 42,594,920        |
| Property, Plant and Equipment | 8,919,784            | 7,331                    | 45,987              | 63,476           | 44,656               | 9,081,234            |
| Reclamation Deposits          | 5,527,227            | 15,000                   | 813                 | -                | -                    | 5,543,040            |
| <b>Total Long-Term Assets</b> | <b>\$ 32,270,416</b> | <b>\$ 10,634,383</b>     | <b>\$ 1,125,707</b> | <b>\$ 63,476</b> | <b>\$ 13,125,212</b> | <b>\$ 57,219,194</b> |

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The table below provides a breakdown of the Company's operating results by geographic segments. All intercompany transactions have been eliminated.

| Statement of Operations                  | Three months ended October 31, 2012 |                          |                 |                |              |                |
|--|-------------------------------------|--------------------------|-----------------|----------------|--------------|----------------|
|  | Texas                               | United States<br>Arizona | Other<br>States | Canada         | Paraguay     | Total          |
| Sales                                    | \$ 2,153,250                        | \$ -                     | \$ -            | \$ -           | \$ -         | \$ 2,153,250   |
| Cost of sales                            | 1,863,109                           | -                        | -               | -              | -            | 1,863,109      |
| Gross profit                             | 290,141                             | -                        | -               | -              | -            | 290,141        |
| Mineral property expenditures            | 3,814,907                           | 120,114                  | 151,194         | -              | 291,070      | 4,377,285      |
| General and administrative               | 935,418                             | 36,893                   | 42,992          | 1,708,900      | 734          | 2,724,937      |
| Depreciation, amortization and accretion | 470,058                             | 758                      | 11,230          | 11,356         | 2,945        | 496,347        |
| Other (income) and expenses              | (5,999)                             | 6,110                    | -               | -              | (10,916)     | (10,805)       |
| Net loss for the period                  | \$ (4,924,243)                      | \$ (163,875)             | \$ (205,416)    | \$ (1,720,256) | \$ (283,833) | \$ (7,297,623) |

| Statement of Operations                  | Three months ended October 31, 2011 |                          |                 |                |              |                |
|--|-------------------------------------|--------------------------|-----------------|----------------|--------------|----------------|
|  | Texas                               | United States<br>Arizona | Other<br>States | Canada         | Paraguay     | Total          |
| Sales                                    | \$ 3,120,000                        | \$ -                     | \$ -            | \$ -           | \$ -         | \$ 3,120,000   |
| Cost of sales                            | 1,420,086                           | -                        | -               | -              | -            | 1,420,086      |
| Gross profit                             | 1,699,914                           | -                        | -               | -              | -            | 1,699,914      |
| Mineral property expenditures            | 2,259,166                           | 140,677                  | 69,539          | -              | 263,218      | 2,732,600      |
| General and administrative               | 1,966,867                           | 148,915                  | 82,019          | 1,683,964      | 7,916        | 3,889,681      |
| Depreciation, amortization and accretion | 254,839                             | -                        | 29,786          | 12,996         | 958          | 298,579        |
| Other (income) and expenses              | (18,790)                            | 356,163                  | -               | -              | (8)          | 337,365        |
| Net loss for the period                  | \$ (2,762,168)                      | \$ (645,755)             | \$ (181,344)    | \$ (1,696,960) | \$ (272,084) | \$ (5,558,311) |

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**NOTE 12: SUPPLEMENTAL CASH FLOW INFORMATION**

During the three months ended October 31, 2012, the Company issued 75,000 restricted shares with a fair value of \$190,500 in connection with the Settlement Agreement relating to the Yuty Project.

**NOTE 13: 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 \$21,887. Office lease agreements expire between March 2013 to August 2014 for the United States and 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, 2013 | \$ | 245,657 |
| July 31, 2014 |    | 138,807 |
| July 31, 2015 |    | 12,984  |
|               | \$ | 397,448 |

The Company is committed to pay its key executives a total of \$804,637 per year for management services.

A lease option agreement on the Channen Project granting the Company the exclusive right to explore for uranium and enter into a mining lease and surface use agreement is subject to minimum exploration expenditures totaling \$1.75 million over a two-year period ending December 31, 2013. The Company expects to fulfill its minimum exploration expenditure commitment for the first year ending December 31, 2012.

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 year ended July 31, 2012, the Company fulfilled its first-year delivery obligations through the sale of 120,000 pounds of uranium concentrates. During the three months ended October 31, 2012, the Company completed one sale of 50,000 pounds of uranium concentrates, fulfilling 50% of its second-year delivery obligations under this contract.

On or about February 23, 2011, the Company received notification of a lawsuit filed in the State of Texas, in the County Court of Law No. 4 for Nueces County, against the Company by Everest Exploration, Inc. ( Everest ) for an unspecified amount relating to the Asset Purchase Agreement dated November 23, 2009 and effective December 18, 2009 (the Purchase Agreement ) for the acquisition of South Texas Mining Venture, L.L.P. ( STMV ). Pursuant to the terms of the Purchase Agreement, should actual reclamation costs incurred by the Company on the Mt. Lucas Property, a prior producing project, be less than \$2.2 million in total, Everest alleges that it would be entitled to the difference as a cash payment, subject to the prior receipt by STMV of a clearance certificate from the Texas Commission on Environmental Quality ( TCEQ ). The Company believes it has complied with all of the terms under the Purchase Agreement and that no such cash payment is required as the actual reclamation costs associated with the Mt. Lucas Property and incurred by the Company are greater than \$2.2 million. Furthermore, the clearance certificate to be provided from the TCEQ has not been issued. On August 12, 2011, a written discovery request was filed by Everest to which the Company responded in full and to which no further response from Everest has been received. The Company intends to vigorously defend against any and all claims under this lawsuit. Any potential judgment

against the Company and awarded to the claimant is expected to be immaterial.

On or about May 25, 2012, the Company filed a lawsuit in the State of Texas, in the 94<sup>th</sup> Judicial District Court for Nueces County, against Everest, Everest Resource Company, Thomas M. Crain, Jr. and James T. Clark (collectively, the Everest Group ) for an unspecified amount of damages as a result of claimed material breaches of their representations, warranties and covenants under the Purchase Agreement. On or about June 19, 2012, the Company received notification of a counterclaim filed by the Everest Group disputing the Company's claims and asserting certain claims for an unspecified amount of damages as a result of claimed material breaches of the Company's representations, warranties and covenants under the Purchase Agreement. The Company intends to vigorously defend against any and all claims under this lawsuit. Any potential judgment against the Company and awarded to the claimant is expected to be immaterial.



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On or about April 3, 2012, the Company received notification of a lawsuit filed in the State of Arizona, in the Superior Court for the County of Yavapai, by certain Petitioners (the Plaintiffs ) against a group of defendants, including the Company and former management and board members of Concentric. The lawsuit asserts certain claims relating to the Plaintiffs' 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 recorded as an accrued liability. In August 2012, the Company paid the liquidated damages portion of the lawsuit in full by a cash payment of \$149,194 to the Plaintiffs. The Company intends to vigorously defend against any and all remaining claims asserted under this lawsuit. Any potential judgment against the Company and awarded to the claimant is expected to be immaterial.

On or about May 17, 2012, the Company received notification of a lawsuit filed in the State of Texas, in the 229<sup>th</sup> District Court of Duval County, 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 contractor's general liability insurer has confirmed that it will defend and indemnify the Company against this lawsuit subject to available limits under the contractor's policy.

**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 we have filed with or furnished to the SEC, including, without limitation, this Form 10-Q filing for the three months ended October 31, 2012 and the Company's Form 10-K filing for the fiscal year ended July 31, 2012 including the consolidated financial statements and related notes contained therein. These factors, or any one of them, may cause our 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 Months Ended October 31, 2012 and 2011**

*General*

For the three months ended October 31, 2012, the Company recorded a net loss of \$7,297,623 or \$0.09 per share (three months ended October 31, 2011: \$5,558,311 or \$0.07 per share). 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.

*Revenues and Cost of Sales*

In October 2012, the Company completed one sale of uranium concentrates under the terms of an existing offtake agreement, fulfilling 50% of the Company's delivery commitments for the second year.

For the three months ended October 31, 2012, sales of uranium concentrates totaled 50,000 pounds at \$43 per pound, generating revenues of \$2,153,250 (three months ended October 31, 2011: sales of 60,000 pounds sold at \$52 per pound generating revenues of \$3,120,000).

For the three months ended October 31, 2012, cost of sales was \$1,863,109 (three months ended October 31, 2011: \$1,420,086). This increase in cost of sales is due to recompletion activities conducted on existing production wells and the increased costs of operating a greater number of production wells in general. Cost of sales for uranium concentrates is determined using the average cost per pound in inventory 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 three months ended October 31, 2012 and 2011, the Company generated a gross profit of \$290,141 and \$1,699,914, respectively.

*Expenses*

For the three months ended October 31, 2012 and 2011, total expenses incurred by the Company were \$7,598,569 and \$6,920,860, respectively.

**Mineral property expenditures** during the three months ended October 31, 2012 and 2011 were \$4,377,285 and \$2,732,600, respectively. These amounts include expenditures relating to property maintenance, exploration and development activities 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 is a summary of the mineral property expenditures incurred on the Company's projects during the three months ended October 31, 2012 and 2011:

|                                      | <b>Three Months Ended October 31,</b> |                     |
|--------------------------------------|---------------------------------------|---------------------|
|                                      | <b>2012</b>                           | <b>2011</b>         |
| <b>Mineral Property Expenditures</b> |                                       |                     |
| Palangana Mine                       | \$ 1,823,863                          | \$ 1,835,709        |
| Goliad Project                       | 104,002                               | 96,938              |
| Burke Hollow Project                 | 1,102,932                             | -                   |
| Channen Project                      | 691,262                               | -                   |
| Salvo Project                        | 17,861                                | 104,577             |
| Nichols Project                      | 13,635                                | 150,000             |
| Land work - Texas                    | 61,342                                | 96,477              |
| Anderson Project                     | 74,722                                | 119,458             |
| Workman Creek Project                | 30,936                                | -                   |
| Slick Rock Project                   | 55,010                                | 12,571              |
| Yuty Project                         | 91,270                                | -                   |
| Coronel Oviedo Project               | 199,801                               | 263,218             |
| Other Mineral Property Expenditures  | 110,649                               | 53,652              |
|                                      | <b>\$ 4,377,285</b>                   | <b>\$ 2,732,600</b> |

**General and administrative expenses** during the three months ended October 31, 2012 and 2011 were \$2,724,937 and \$3,889,681, respectively.

For the three months ended October 31, 2012 and 2011, general and administrative expenses were comprised, respectively, of salaries, management and consulting fees of \$714,968 and \$712,928; office, investor relations, communications and travel of \$1,241,465 and \$1,131,277; stock-based compensation of \$413,279 and \$1,506,319; and professional fees of \$355,225 and \$539,157. General and administrative expenses have decreased overall, primarily from a decrease in stock-based compensation as a result of a reduced number of stock options granted.

**Depreciation, amortization and accretion** during the three months ended October 31, 2012 and 2011 were \$496,347 and \$298,579, respectively. Depreciation, amortization and accretion include depreciation and amortization of long-term assets acquired in the normal course of operations and accretion of asset retirement obligations. The increase was due primarily to an allocation increase of the depreciation and amortization relating to the Palangana Mine and the Hobson Facility as calculated on a normal production capacity basis.

#### *Production and Inventories*

During the three months ended October 31, 2012, the Palangana Mine produced 29,000 pounds of uranium concentrates while the Hobson Facility processed 31,000 pounds of uranium concentrates. During the three months ended October 31, 2011, the Palangana Mine produced 67,000 pounds of uranium concentrates while the Hobson Facility processed 69,000 pounds of uranium concentrates.

At October 31, 2012, the total value of inventories was \$1,597,626, of which \$1,255,080 (79%) represents the value of finished goods-uranium concentrates, \$273,336 (17%) represents the value of work-in-progress and \$69,210 (4%) represents the value of supplies. The cash component of the total value of inventories was \$1,404,828, and the non-cash component of the total value of inventory was \$192,798.

At July 31, 2012, the total value of inventories were \$1,876,100, of which \$1,592,660 (85%) represents the value of finished goods-uranium concentrates, \$250,951 (13%) represents the value of work-in-progress and \$32,489 (2%) represents the value of supplies. The cash component of the total value of inventories was \$1,557,076, and the non-cash component of the total value of inventory was \$319,024.

At October 31, 2012, the Company had available for sale a total of 34,000 pounds of uranium concentrates (July 31, 2012: 53,000 pounds).

*Transactions with Officers and Directors*

During three months ended October 31, 2012, the Company had transactions with certain officers and directors of the Company as follows:

- incurred \$48,433 (three months ended October 31, 2011: \$34,693) in general and administrative costs paid to a company controlled by a direct family member of a current officer; and
- incurred \$9,000 (three months ended October 31, 2011: \$Nil) in consulting fees paid to a company controlled by a current director of the Company.

During the three months ended October 31, 2011, the Company incurred \$112,829 in consulting fees provided by a company controlled by a former director of the Company.

At October 31, 2012, amounts owed to related parties totaled \$13,997 (July 31, 2012: \$47,443). These amounts are unsecured, non-interest bearing and due on demand.

**Liquidity and Capital Resources**

|                           | <b>October 31,<br/>2012</b> | July 31, 2012 |
|---------------------------|-----------------------------|---------------|
| Cash and cash equivalents | \$ 17,187,118               | \$ 25,015,284 |
| Working capital           | 16,235,613                  | 22,472,302    |
| Total assets              | 76,682,464                  | 85,143,395    |
| Total liabilities         | 7,586,696                   | 9,222,914     |
| Shareholders' equity      | 69,095,768                  | 75,920,481    |

At October 31, 2012, the Company had \$17,187,118 in cash and cash equivalents and working capital of \$16,235,613. Net cash decreased by \$7,828,166 during the three months ended October 31, 2012 compared to \$7,018,739 during the three months ended October 31, 2011.

*Operating Activities*

Net cash used in operating activities during the three months ended October 31, 2012 was \$7,721,834 (three months ended October 2011: \$4,763,397). Significant operating expenditures include production costs, mineral property expenditures and general and administrative expenses. During the three months ended October 31, 2012, the Company incurred expenditures totaling \$44,713 (three months ended October 31, 2011: \$371,790) for cash settlement of asset retirement obligations and made a cash payment of \$149,194 to settle certain obligations relating to liquidated damages assumed as part of the acquisition of Concentric Energy Corp. (three months ended October 31, 2011: \$Nil).

*Financing Activities*

Net cash provided by financing activities during the three months ended October 31, 2012 was \$6,302 (three months ended October 31, 2011: \$990,102 net cash used) resulting from common shares issued for cash of \$39,748 from the exercise of stock options (three months ended October 31, 2011: \$Nil), offset by a decrease in due to related parties of \$33,446 (three months ended October 31, 2011: \$61,752 increase). During the three months ended October 31, 2011, cash paid for settlement of convertible debentures totaled \$1,051,854.

*Investing Activities*

Net cash used in investing activities during the three months ended October 31, 2012 and 2011 was \$112,634 and \$1,265,240, respectively, resulting from the acquisition of mineral rights and properties of \$7,396 (three months ended October 31, 2011: \$685,044), purchase of property, plant and equipment of \$103,190 (three months ended October 31,

2011: \$340,543) and an increase in reclamation deposits of \$2,048 (three month ended October 31, 2011: \$239,653).

### *Stock Options and Warrants*

At October 31, 2012, the Company had stock options outstanding to purchase 9,347,521 shares and share purchase warrants outstanding to purchase 1,558,812 shares. The outstanding stock options have a weighted average exercise price of \$1.99 per share and the outstanding warrants have a weighted average exercise price of \$4.95 per share. At October 31, 2012, outstanding stock options and warrants totaled 10,906,333 shares issuable for gross proceeds of approximately \$26,290,000 should these options and warrants be exercised in full. At October 31, 2012, outstanding in-the-money stock options and warrants totaled 3,768,250 shares issuable for gross proceeds of approximately \$2,126,000 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 our mineral projects. Subsequent to October 31, 2012, the Company received final authorization for initiating production at the Goliad Project.

At October 31, 2012, the Company had \$17.2 million in cash and cash equivalents and working capital of \$16.2 million. The Company realized revenue from uranium sales during the three months ended October 31, 2012, however, it has a history of operating losses and significant negative cash flow since inception. Planned principal operations have commenced and existing cash resources along with forecasted sales for the upcoming fiscal year are expected to provide sufficient funds to carry out our plan of operations for the next twelve months. The Company's continuation as a going concern for a period longer than twelve months will be dependent upon the Company's ability to obtain adequate financing, as future capital expenditures of the Company are expected to be substantial. 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, possibly leading to their abandonment. Other options would include entering into joint venture arrangements to continue advancing the Company's mineral projects, which would depend entirely on finding a suitable third party willing to enter into such an arrangement, typically involving an assignment of a percentage interest in the mineral project.

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.

### **Material Commitments**

Material commitments of the Company since the filing of the Form 10-K for the fiscal year ended July 31, 2012 changed by the following:

- Fixed contract commitments for office space have decreased by \$44,000 during the three months ended October 31, 2012; and
- Commitments for consulting agreements have decreased by \$139,000 as a result of terminating, entering into and renewing existing 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**

The Company's critical accounting policies are disclosed in Note 2: Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements in our Annual Report filed on Form 10-K for the fiscal year ended July 31, 2012.

**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 October 31, 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, other than as disclosed below, 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 record or beneficial owner of more than 5% of our common stock, or any associate or any such director, officer, affiliate or security holder, is (i) a party adverse to us or any of our subsidiaries in any legal proceeding or (ii) has an adverse interest to us or any of our subsidiaries 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 or about February 23, 2011, the Company received notification of a lawsuit filed in the State of Texas, in the County Court of Law No. 4 for Nueces County, against the Company by Everest Exploration, Inc. ( Everest ) for an unspecified amount relating to the Asset Purchase Agreement dated November 23, 2009 and effective December 18, 2009 (the Purchase Agreement ) for the acquisition of South Texas Mining Venture, L.L.P. ( STMV ). Pursuant to the terms of the Purchase Agreement, should actual reclamation costs incurred by the Company on the Mt. Lucas Property, a prior producing project, be less than \$2.2 million in total, Everest alleges that it would be entitled to the difference as a cash payment, subject to the prior receipt by STMV of a clearance certificate from the Texas Commission on Environmental Quality ( TCEQ ). The Company believes it has complied with all of the terms under the Purchase Agreement and that no such cash payment is required as the actual reclamation costs associated with the Mt. Lucas Property and incurred by the Company are greater than \$2.2 million. Furthermore, the clearance certificate to be provided from the TCEQ has not been issued. On August 12, 2011, a written discovery request was filed by Everest to which the Company responded in full and to which no further response from Everest has been received. The Company intends to vigorously defend against any and all claims under this lawsuit. Any potential judgment against the Company and awarded to the claimant is expected to be immaterial.

On or about May 25, 2012, the Company filed a lawsuit in the State of Texas, in the 94<sup>th</sup> Judicial District Court for Nueces County, against Everest, Everest Resource Company, Thomas M. Crain, Jr. and James T. Clark (collectively, the Everest Group ) for an unspecified amount of damages as a result of claimed material breaches of their representations, warranties and covenants under the Purchase Agreement. On or about June 19, 2012, the Company received notification of a counterclaim filed by the Everest Group disputing the Company's claims and asserting certain claims for an unspecified amount of damages as a result of claimed material breaches of the Company's representations, warranties and covenants under the Purchase Agreement. The Company intends to vigorously defend against any and all claims under this lawsuit. Any potential judgment against the Company and awarded to the claimant is expected to be immaterial.

On or about April 3, 2012, the Company received notification of a lawsuit filed in the State of Arizona, in the Superior Court for the County of Yavapai, by certain Petitioners (the Plaintiffs ) against a group of defendants, including the Company and former management and board members of Concentric. The lawsuit asserts certain claims relating to the Plaintiffs' 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 recorded as an accrued liability. In August 2012, the Company paid the liquidated damages portion of the lawsuit in full by a cash payment of \$149,194 to the Plaintiffs. The Company intends to vigorously defend against any and all remaining claims asserted under this lawsuit. Any potential judgment against the Company and awarded to the claimant is expected to be immaterial.

On or about May 17, 2012, the Company received notification of a lawsuit filed in the State of Texas, in the 229<sup>th</sup> District Court of Duval County, 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 contractor's general liability insurer has confirmed that it will defend and indemnify the Company against this lawsuit subject to available limits under the contractor's policy.

**Item 1A. Risk Factors**

*In addition to the information contained in our Form 10-K Annual Report for the fiscal year ended July 31, 2012 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. Refer to *Forward-Looking Statements* as disclosed in our Form 10-K Annual Report for the fiscal year ended July 31, 2012.*

*There is no assurance that we will be successful in preventing the material adverse effect 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 under the laws of the State of Nevada on May 16, 2003. Since 2004, we have been engaged in uranium exploration and development programs and mining operations on properties located in the United States and Paraguay. We commenced uranium production for the first time at our Palangana Mine in November 2010 and generated revenue from sales of uranium concentrates since then. 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 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 accumulated deficit since its inception to October 31, 2012 of \$128.1 million. Although we generated revenue of \$13.8 million from sales of uranium concentrates during the year ended July 31, 2012 and \$2.2 million for the three months ended October 31, 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. 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 of 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 environmental 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 these 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 as 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 Piedra Rica Mining S.A. and Transandes Paraguay S.A., both companies 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, our President and Chief Executive Officer, and Harry Anthony, our 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.

***Several 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 such directors or officers.***

Several 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 such directors and officers, or enforce within the U.S. any judgments obtained against such 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 such 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 MKT Equities Exchange (formerly known as the American Stock Exchange and the NYSE Amex Equities 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; and (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.***

Issuances of our common stock for additional financing, mergers and acquisitions and for other reasons may result in significant dilution to our existing stockholders, including a reduction in the proportionate ownership and voting power and a decrease in the market price of our 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 has been utilized.

***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 October 31, 2012, the trading price of our common stock closed at \$2.36 per share and was therefore classified as a penny stock. SEC Rule 15g-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**

We did not issue any equity securities during our fiscal quarter ended October 31, 2012 that were not registered under the Securities Act of 1933, as amended (the Securities Act ), except as follows: on August 21, 2012, we issued an aggregate of 75,000 unregistered, restricted common shares at a deemed issuance price of \$1.86 per share to two individuals as partial consideration pursuant to a settlement and release agreement. With respect to such issuance, we relied on an exemption from the registration requirements under the Securities Act pursuant to Regulation S and/or Section 4(a) (2) thereunder.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act ), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 ( Mine Safety Act ), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended October 31, 2012, the Company s Palangana project was not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

**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 the 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 the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</u>  |
| <u>32.1</u>    | <u>Certifications pursuant to the 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: December 5, 2012

/s/ Mark Katsumata

**Mark Katsumata**

Secretary, Treasurer and Chief Financial Officer

Date: December 5, 2012