



UEX CORPORATION

2010 ANNUAL REPORT



Message to Shareholders

In my 2010 annual letter to the shareholders I stated, "Amongst the many uranium exploration companies formed during the last decade, UEX Corporation has been one of the most successful at discovery and advancement of new uranium resources, the ultimate goal of any mineral exploration company. Our success reflects the early and well selected land positions the Company acquired in the prolific Athabasca Basin of Saskatchewan, strong relationships with the world's largest uranium companies, and effective management". During 2010 and into 2011 we have achieved several new milestones reflective of this comment.

In February 2010, we released the Preliminary Feasibility Study on our 100% owned West Bear deposit which reported a mineral reserve estimate in the probable category of 1,492,261 lbs. of U_3O_8 at an average grade of 0.94%.

In June 2010, we released the first independent National Instrument 43-101 compliant mineral resource estimate on our 49%-owned Shea Creek deposits. Golder Associates Ltd. reported to UEX that, based upon drilling to December 31, 2009, the Kianna, Anne and Colette deposits contained approximately 63.5 million pounds of U_3O_8 in the Indicated Mineral Resource category and 24.5 million pounds of U_3O_8 in the Inferred Mineral Resource category at a combined average grade of just under 1.5% U_3O_8 .

This resource estimate places Shea Creek into the top tier of Athabasca Basin deposits, as it now stands behind only McArthur River and Cigar Lake in size and continues to grow. In September 2010 we released the results which defined a fourth deposit, 58B, along the Shea Creek corridor which will further increase the resources at this already world class uranium system. These Shea Creek deposits remain open in almost all directions and the 2011 drilling programs will continue to expand these exceptional deposits, which represent the Basin's largest undeveloped uranium resource.

In February 2011, we announced the results of the Preliminary Assessment Report (PA") on the Horseshoe and Raven deposits, which are part of UEX's 100% owned Hidden Bay Project, prepared by SRK Consulting (Canada) Inc. ("SRK"). Using a mine design based upon cut-off grades defined by a \$60/lb (US) price of U_3O_8 and prices for U_3O_8 of \$70/lb (US), the PA calculated Earnings before Interest and Taxes ("EBIT") of \$394M. To evaluate the impact of higher uranium prices,, the PA estimated EBIT at approximately \$620M by using a mine design based upon lower cut-off grades defined by a \$80/lb (US) price of U_3O_8 together with a market price of a \$80/lb (US) U_3O_8 . The PA referred to the Hidden Bay project as "very robust" and SRK has made some specific recommendations to advance the project which the management of UEX is currently evaluating.

UEX is proud to say our two major projects represent the largest and the fifth largest undeveloped uranium resources in the Athabasca Basin.

During the later part of 2010 UEX raised \$9.075M by way of a flow-through share issue which will fully fund its 2011 exploration programs. In the absence of any additional share issue during this fiscal year, it is anticipated we will have approximately \$5.6 million in our treasury at our 2011 year end.

The natural disasters that struck Japan on March 11, 2011 and their resulting damage to the Fukushima nuclear facility, have introduced a degree of uncertainty into the long term demand for new nuclear generation. UEX believes that these events have not changed the need for several new high quality uranium mines to enter production within the next decade and beyond, and that UEX is well positioned through its exploration success to provide significant shareholder value by advancing our major projects.

"signed"

Graham C. Thody, President & CEO

March 24, 2011

UEX Corporation

Management's Discussion & Analysis

Year Ended December 31, 2010

(Expressed in Canadian Dollars, unless indicated otherwise.)

Introduction

This Management's Discussion and Analysis ("MD&A") of UEX Corporation ("UEX" or the "Company") is intended to provide a detailed analysis of the Company's business and compares its financial results with those of the previous year. This MD&A is dated March 24, 2011 and should be read in conjunction with the Company's audited annual financial statements and related notes for the year ended December 31, 2010. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Other disclosure documents of the Company, including its Annual Information Form, filed with the applicable securities regulatory authorities in Canada are available at www.sedar.com.

Overview

UEX's fundamental goal is to remain one of the leading uranium explorers in the Athabasca Basin of northern Saskatchewan and to advance its portfolio of uranium deposits and discoveries through the development stage to the production stage. Since being listed on the Toronto Stock Exchange in July of 2002, UEX has aggressively pursued exploration on a diversified portfolio of prospective uranium projects in three areas within the Athabasca Basin. The Company is focusing its main efforts on two advanced projects, the 100%-owned Hidden Bay Project including the Horseshoe, Raven and West Bear deposits in the eastern Athabasca Basin, and the Kianna, Anne, Colette and 58B deposits within the 49%-owned Shea Creek Project in the western Athabasca Basin.

UEX is actively involved in 18 uranium projects in the Athabasca Basin, including six that are 100% owned and operated by UEX, one joint venture with AREVA Resources Canada Inc. ("AREVA") that is operated by UEX, ten joint-ventured with AREVA and one under option from JCU (Canada) Exploration Company, Limited ("JCU"), which are operated by AREVA. AREVA is part of the AREVA Group, the world's largest nuclear energy company. The 18 projects, totaling 333,658 hectares (824,486 acres), are located on the eastern, western and northern perimeters of the Athabasca Basin, the world's richest uranium district which accounts for approximately 18% of global primary uranium production.

UEX's 100%-owned projects are the Hidden Bay Project ("Hidden Bay"), the Riou Lake Project, and the Northern Athabasca Projects. Hidden Bay includes the Horseshoe, Raven and West Bear deposits.

The National Instrument 43-101 ("N.I. 43-101") compliant Technical Report on the Hidden Bay Property details mineral resource estimates at a cut-off grade of 0.05% U₃O₈ as follows:

Deposit		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)
<i>Horseshoe</i>	Indicated	5,119,700	0.203	22,895,000	Inferred	287,000	0.166	1,049,000
<i>Raven</i>		5,173,900	0.107	12,149,000		822,200	0.092	1,666,000
<i>West Bear</i>		78,914	0.908	1,578,500		-	-	-
TOTAL		10,372,514	0.160	36,622,500		1,109,200	0.111	2,715,000

In February 2010, UEX received a Preliminary Feasibility Study ("PFS") of the West Bear Deposit prepared by Golder Associates reporting a mineral reserve estimate in the Probable Category of 1,492,261 pounds of U₃O₈ at an average grade of 0.94% U₃O₈. The PFS presents a base case scenario uranium price of \$77.73 per pound of U₃O₈, resulting in a Net Present Value of \$23.4 million and an Internal Rate of Return of 118% (See UEX news release dated February 18, 2010).

In February 2011, UEX received a Preliminary Assessment Technical Report for the Horseshoe and Raven deposits prepared by SRK Consulting (Canada) Inc. reporting Earnings Before Interest and Taxes ("EBIT") of \$394 million using a mine design based on cut-off grades defined by a \$60/lb (US) price of U₃O₈ and a \$70/lb (US) price of U₃O₈. The PA also estimated EBIT at approximately \$620 million by using a mine design based upon lower cut-off grades defined by an \$80/lb (US) price of U₃O₈ together with a market price of an \$80/lb (US) U₃O₈.

The Western Athabasca Projects, which include the Kianna, Anne, Colette and 58B deposits located at the Shea Creek Project, consist of ten joint ventures with UEX holding a 49% interest and AREVA holding a 51% interest. AREVA is the operator of the Western Athabasca Projects. UEX and AREVA are in the process of negotiating joint venture agreements for these projects.

The Shea Creek N.I. 43-101 compliant Technical Report on the Shea Creek Property details mineral resource estimates based upon drilling results to December 31, 2009 at a cut-off grade of 0.30% U₃O₈ as follows:

Deposit		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)
<i>Kianna</i>	Indicated	713,000	1.442	22,665,000	Inferred	573,100	1.360	17,184,000
<i>Anne</i>		484,500	2.368	25,295,000		299,300	0.674	4,448,000
<i>Colette</i>		675,100	1.049	15,613,000		196,500	0.668	2,893,000
TOTAL		1,872,600	1.540	63,572,000		1,068,900	1.041	24,525,000

UEX operates the Black Lake Project, a joint venture with AREVA under which UEX holds an 89.96% interest and AREVA holds a 10.04% interest. The Black Lake Project was the site of a uranium discovery made by UEX during a drilling program in September 2004.

UEX holds an option with JCU to acquire a 25% interest in the Beatty River Project ("Beatty River"), located in the western Athabasca Basin in northern Saskatchewan, by funding \$865,000 in exploration expenditures by December 31, 2011. Beatty River is located 40 kilometres south of the Shea Creek uranium deposits. At present, AREVA holds a 50.7% interest and JCU holds a 49.3% interest in Beatty River. At December 31, 2010, UEX's expenditures under the option were \$852,529.

Growth Strategy

The main growth strategies of UEX are:

- To continue the exploration and development work required to delineate and develop economic resources at the Shea Creek Project;
- To advance the development process at the Horseshoe, Raven and West Bear deposits to a production decision;
- To maintain, explore and advance to discovery its other uranium projects; and
- To pursue a diversified portfolio of projects from early exploration through to development and production.

Uranium Industry Trends

A number of trends in the nuclear industry have the potential to affect UEX's business environment. Most recently, the two natural disasters that struck Japan on March 11, 2011 and their effect on the Fukushima nuclear plants (together referred to as the "Event") have resulted in downward pressure on the spot price of U₃O₈. In the short term most companies in the uranium exploration and development industry have experienced a corresponding reduction in the trading value of their shares. It is too early to evaluate the long-term effect of this Event on UEX and the uranium industry.

At the beginning of 2010 the spot and long term prices of U₃O₈ were US\$44.50 per pound and US\$62.00 per pound respectively. During the latter part of the year, the spot price increased

substantially to US\$62.50 per pound as at December 31, 2010. As at our fiscal year end, the long-term uranium price had increased by \$3.00(US) to \$65.00(US) per pound. As at the date of this document the spot price is \$60.00(US) per pound of U₃O₈ and the long-term price is \$73.00(US) per pound of U₃O₈ (please refer to Long-Term Outlook). Spot and long-term uranium prices stated are as reported by The Ux Consulting Company, LLC at www.uxc.com.

In recent years, and prior to the Event, the nuclear industry had seen increased capacity at existing nuclear plants, extensions of plant licenses, and new plant planning and construction. Electricity demands are rising rapidly worldwide. Public opinion in many countries had moved in favour of nuclear power, and recent historically high oil prices had made nuclear energy the lowest-cost option in some countries. In the U.S., other than hydro, nuclear energy is the least expensive source of electricity, and several U.S. utilities had recently taken steps toward the planning and construction of new nuclear power plants. Global warming and clean energy concerns also supported increased interest in nuclear power. In view of the Event, several countries have publically stated they will review their existing and future plans related to nuclear energy. These reviews may have a significant effect on the demand for uranium and on the uranium industry.

Uranium Supply and Demand

Uranium supply sources include primary mine production and secondary sources. Principal primary producers of uranium include Cameco Corporation ("Cameco") and AREVA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2010, worldwide annual consumption was estimated at approximately 180 million pounds U₃O₈. World primary production in 2010 was estimated at approximately 140 million pounds U₃O₈. The resulting shortfall between consumption and production has been covered by several secondary sources including excess inventories held by utilities, producers, other fuel cycle participants, reprocessed uranium and plutonium derived from used reactor fuel, and uranium derived from the dismantling of Russian nuclear weapons. These secondary sources will likely decline in importance as excess inventories and recycled uranium from nuclear weapons are progressively consumed, resulting in the need for further primary mine supply.

Demand for uranium is directly linked to the level of electricity generated by nuclear power plants. As of January 2011, 441 reactors were in operation in 30 countries worldwide. Nuclear electricity generation worldwide has been growing, since world nuclear generating capacity has continued to expand as more reactors are built than are closed, and existing reactors are being operated at higher capacity. At the beginning of 2011 there were 60 reactors under construction and by the end of the current decade it has been estimated that there would be 104 additional reactors operating worldwide. As a result of the Event, these estimates and projected demand may be revised.

Long-Term Outlook

As at the date of this document the spot price of U₃O₈ is experiencing downward pressure due to the natural disasters that have struck Japan. The effect of the Event on the long-term price has not yet been determined and it is possible that it will take several months for both short-term and long-term pricing to stabilize.

Prior to the Event, the long-term uranium market outlook remained positive with projected increased consumption to be met by the continuing drawdown of secondary uranium sources and increased production, including production from new mine development. The lead time necessary to find and develop new mines to help meet the projected gap in supply and demand meant that uranium exploration would need to be accelerated in order to meet future demand. The effect of the Event on the future consumption of uranium or on future uranium mining exploration and development is not currently determinable.

Selected Financial Information

The following is selected financial data from the audited financial statements of UEX for the last three completed fiscal years. The data should be read in conjunction with the audited financial statements for the year ended December 31, 2010 and the notes thereto.

For the Years Ended December 31

	2010	2009	2008
	\$	\$	\$
Investment income	85,131	85,704	1,249,734
Net loss for the year	(5,730,183)	(8,020,216)	(8,803,994)
Basic and diluted loss per share	(0.03)	(0.04)	(0.05)
Capitalized exploration and development expenditures, net of non-cash items	7,468,425	14,503,291	28,852,805
Total assets	165,886,071	163,317,185	154,984,327

The following quarterly financial data is derived from the interim, unaudited financial statements of UEX as at (and for) the three-month periods ended on the dates indicated below. The data should be read in conjunction with UEX's interim, unaudited financial statements and the notes thereto.

For the Quarters Ended

	Dec. 2010	Sep. 2010	June 2010	March 2010	Dec. 2009	Sep. 2009	June 2009	March 2009
	\$	\$	\$	\$	\$	\$	\$	\$
Investment income	12,151	23,124	28,345	21,511	9,404	11,981	18,389	45,930
Net loss for the period	(4,477,428)	(347,268)	(589,383)	(316,104)	(821,778)	(1,638,125)	(5,231,009)	(329,304)
Basic and diluted loss per share	(0.022)	(0.002)	(0.003)	(0.002)	(0.004)	(0.009)	(0.027)	(0.002)
Capitalized exploration and development expenditures, net of non-cash items	628,439	1,623,388	2,500,527	2,716,071	1,631,760	4,238,985	3,185,818	5,446,728
Total assets	165,886,071	162,480,803	162,662,703	163,299,342	163,317,185	160,901,363	160,778,872	152,469,623

Share Capital

The Company is authorized to issue an unlimited number of common shares without par value, of which 202,862,652 common shares were issued and outstanding as of December 31, 2010, and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares, none of which are issued and outstanding. As of March 24, 2011, the number of common shares outstanding is 203,067,652.

At December 31, 2010, the Company had a total of 16,554,700 stock options outstanding related to director, employee and consultant options, the details of which are as follows:

Exercise Prices	Number Outstanding, December 31, 2010	Weighted-Average Remaining Contractual Life
\$ 0.72	200,000	2.4 years
0.84	300,000	3.5 years
0.87	1,900,000	8.5 years
0.95	575,000	3.7 years
1.00	400,000	9.0 years
1.20	4,020,000	5.2 years
1.34	1,685,000	8.7 years
1.45	6,350,000	6.0 years
1.80	99,700	4.5 years
2.75	175,000	4.2 years
3.56	850,000	5.7 years
	16,554,700	6.2 years

Results of Operations for the Year Ended December 31, 2010

For the year ended December 31, 2010, the Company reported a net loss of \$5,730,183 compared to a net loss of \$8,020,216 for the year ended December 31, 2009. The lower net loss for the year ended December 31, 2010 was primarily due to a \$5,792,987 decrease in stock-based compensation and a \$675,803 decrease in salaries and retiring allowance, partially offset by a write-down of mineral properties of \$3,987,878 net of future income taxes.

During the year ended December 31, 2010, the Company wrote off the deferred mineral property costs of \$5,462,846 associated with its Northern Athabasca Projects, being the Jacques Point, Butler Lake, Munroe Lake and Fond du Lac projects, as there has been a delay in exploration activities extending beyond three years and future exploration activities are not currently being pursued. This \$5,462,846 write-off of mineral properties also resulted in a future income tax recovery of \$1,474,968. There was no write-off of mineral properties during the year ended December 31, 2009.

Investment income was \$85,131 for the year ended December 31, 2010 and was comprised of \$111,130 in interest income reduced by \$25,999 related to amounts payable related to the timing of flow-through expenditures renounced to shareholders for funds raised in 2009. Investment income was \$85,704 for the year ended December 31, 2009 and was comprised solely of interest income. The increase in interest income during the year ended December 31, 2010 was due to higher average interest rates during 2010 than those existing during the year ended December 31, 2009.

During the year ended December 31, 2010, the Company granted 2,100,000 stock options with a weighted-average fair value of \$0.50 per option, compared to the granting of 10,135,000 stock options with a weighted-average fair value of \$0.82 during the year ended December 31, 2009. The granting and vesting of stock options during the year ended December 31, 2010 resulted in total stock-based compensation expense of \$1,493,960, of which \$526,613 was allocated to mineral property expenditures and the remaining \$967,347 was charged to operations. The granting and vesting of stock options during the year ended December 31, 2009 resulted in total stock-based compensation expense of \$7,737,515, of which \$977,271 was allocated to mineral property expenditures and \$6,760,244 was charged to operations.

The future income tax recovery for the year ended December 31, 2010 was \$1,760,170, and was comprised of \$1,474,968 of future income tax recovery resulting from the 2010 write-down of the carrying value of mineral properties and a future income tax recovery of \$285,202 reflecting the benefit of the increase in future income tax assets during the year. The future income tax recovery for the year ended December 31, 2009 was \$464,703 reflecting the benefit of the increase in future income tax assets during that year.

Operating expenses before stock-based compensation expense for the year ended December 31, 2010 were \$1,145,291, compared to \$1,810,379 for the year ended December 31, 2009. This

decrease of \$665,088 is mainly due to the payment of \$630,000 to the Company's previous President and CEO upon his retirement on November 1, 2009, pursuant to a retirement agreement. In addition, increases during 2010 of \$75,208 for general and administration and \$19,864 for travel and promotion due to an increase in corporate activity during the year were offset by an aggregate decrease of \$78,736 in legal and audit fees.

The continuity of expenditures on UEX's uranium projects is as follows:

Project	2009		2010		Write-down of Mineral Properties	Balance December 31, 2010
	Balance December 31, 2008	Exploration & Development Expenditures	Balance December 31, 2009	Exploration & Development Expenditures		
Hidden Bay	\$ 59,337,816	\$ 9,702,937	\$ 69,040,753	\$ 2,982,022	\$ -	\$ 72,022,775
Western Athabasca	40,454,607	5,948,784	46,403,391	4,941,276	-	51,344,667
Black Lake	15,253,114	156,780	15,409,894	41,060	-	15,450,954
Riou Lake	8,931,497	80,301	9,011,798	23,824	-	9,035,622
Northern Athabasca	5,413,862	24,771	5,438,633	24,213	(5,462,846)	-
Beatty River	597,581	7,216	604,797	247,732	-	852,529
	\$129,988,477	\$ 15,920,789	\$145,909,266	\$ 8,260,127	\$ (5,462,846)	\$148,706,547

For further information regarding exploration and development expenditures on the projects shown in the above table, please refer to "Exploration Activities" below.

During the year ended December 31, 2010, the Company incurred exploration and development expenditures totaling \$7,468,425, before non-cash stock-based compensation, future income taxes and amortization totaling \$791,702. Exploration and development expenditures during the year ended December 31, 2009 totaled \$14,503,291, before non-cash stock-based compensation, future income taxes and amortization totaling \$1,417,498. This \$7,034,866 decrease in expenditures, before non-cash items, is due to lower overall exploration and development budgets for 2010 relating to the Hidden Bay Project, compared to 2009. The Company conducted extensive drilling programs at its Hidden Bay Project during the year ended December 31, 2009 while performing the necessary drilling for the purposes of obtaining N.I. 43-101 resource estimates on its Horseshoe and Raven deposits, which were received during 2009. As a result, drilling conducted in 2010 was considerably reduced when compared to 2009.

Results of Operations for the Three Months Ended December 31, 2010

During the three months ended December 31, 2010, the Company incurred a net loss of \$4,477,428.

During the three-month period ended December 31, 2010, the Company wrote off the deferred mineral property costs of \$5,462,846 associated with its Northern Athabasca Projects, being the Jacques Point, Butler Lake, Munroe Lake and Fond du Lac projects, as there has been a delay in exploration activities extending beyond three years and future exploration activities are not currently being pursued. This \$5,462,846 write-off of mineral properties also resulted in a future income tax recovery of \$1,474,968.

There were no other significant non-recurring year-end adjustments affecting the Company's fourth quarter results.

Financing Activities

On November 26, 2010, the Company issued 5,500,000 flow-through common shares at \$1.65 per share for gross proceeds of \$9,075,000, pursuant to a brokered private placement. A commission of \$453,750 was paid to the broker and \$89,039 of additional issuance costs were incurred.

On April 15, 2009, the Company issued 8,700,000 flow-through common shares at \$1.00 per share for gross proceeds of \$8,700,000, pursuant to a brokered private placement. A commission of \$348,000 was paid to the broker and \$78,968 of additional issuance costs were incurred.

On December 17, 2009, the Company issued 3,628,100 flow-through common shares at \$1.12 per share and 975,000 non-flow-through common shares at \$1.02 per share for aggregate gross proceeds of \$5,057,972, pursuant to a non-brokered private placement. The Company incurred issuance costs of \$36,270.

The Company realized \$200,000 from the exercise of stock options during the year ended December 31, 2010, compared to \$12,520 received from stock options exercised during the year ended December 31, 2009.

Subsequent Events

Subsequent to December 31, 2010, the Company issued 205,000 common shares on the exercise of stock options for proceeds of \$192,350.

Liquidity and Capital Resources

As UEX has not begun production on any of its exploration and development properties, the Company does not generate cash from operations. As at December 31, 2010 the Company had current assets of \$17,047,825, including \$16,798,832 in cash and cash equivalents, compared to current assets as at December 31, 2009 that totaled \$17,243,131. Working capital at December 31, 2010 was \$16,714,607, compared to working capital of \$16,548,206 at December 31, 2009. At December 31, 2010, the Company's cash balances were invested in highly liquid term deposits redeemable within 90 days or less. The Company had sufficient cash resources at December 31, 2010 to fund its approved 2011 budgets of approximately \$11.2 million for exploration and development and administrative costs.

Accounts payable and accrued liabilities at December 31, 2010 were \$333,218, which is lower than the amount at December 31, 2009 of \$694,925 due to a lower amount of exploration and development activities during December 2010 compared to December 2009.

The Company has an obligation under operating leases for its office premises until November 30, 2015. The future minimum lease payments are as follows: 2011 - \$56,197; 2012 - \$57,653; 2013 - \$59,110; 2014 - \$60,566; and 2015 - \$56,743. The Company has no other financial commitments or obligations beyond those required to fund exploration and development related to the maintenance and title of its mineral dispositions and its option agreement obligations to JCU.

The Company's net future income tax liability of \$16,564,164 at December 31, 2010 is comprised of an \$18,305,850 future income tax liability related to the tax effect of the difference between the carrying value of the Company's mineral properties and their tax values, offset by the Company's future income tax assets totaling \$1,741,686. At December 31, 2009, the Company's net future income tax liability was \$14,829,975.

All acquisition, exploration, development and start-up costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated ore reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the capitalized amounts represent costs to date and are not intended to represent present or future values. The underlying value of all properties is entirely dependent on the existence and economic recovery of reserves in the future, and the ability to obtain sufficient financing to put the project into production.

Off-Balance Sheet Arrangements

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

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents are designated as held for trading and carried at fair value, with the unrealized gain or loss recorded in the statement of operations. Interest income is recorded in the statement of operations. Amounts receivable is classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities, and recorded at amortized cost using the effective interest rate method. In addition, any impairment of loans and receivables is deducted from amortized cost. The Company does not hold any derivative financial instruments.

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

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

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

The Company is subject to interest rate risk on its cash and cash equivalents.

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

Related Party Transactions

The Company did not have any related party transactions during the years ended December 31, 2010 and 2009.

Exploration and Development Activities

The following is a general discussion of UEX's exploration and development activities during the year ended December 31, 2010. Mineral resources that are not mineral reserves do not have demonstrated economic viability. For more detailed information regarding UEX's exploration projects, please refer to UEX's current Annual Information Form, available at www.sedar.com, or to UEX's website at www.uex-corporation.com.

Western Athabasca Projects: 2010 Exploration and Development Programs

AREVA acts as operator on the ten Western Athabasca Projects, which include the Shea Creek exploration and development project, and the Douglas River, Erica, Alexandra, Mirror River, Laurie, Nikita, Uchrich, James Creek and Brander Lake exploration projects totaling 154,301 hectares (381,286 acres).

UEX approved budgeted exploration expenditures of \$8.7 million for the Western Athabasca Projects, of which \$7.96 million was allocated to Shea Creek. A budget of approximately \$750,000 was approved for development expenditures related to Shea Creek. Expenditures under the joint venture are funded 49% by UEX and 51% by AREVA.

Shea Creek Project

The Shea Creek Project ("Shea Creek") hosts the Kianna, Anne, Colette and 58B deposits, and consists of 11 claims totaling 19,581 hectares (48,386 acres).

Directional drilling, first introduced in the Athabasca Basin by AREVA, is utilized at Shea Creek. This technology, which uses a steerable drill bit to allow several target intersections to be completed from one pilot hole, reduces the cost while improving targeting precision when drilling deep targets. A pilot hole is strategically positioned within a target area and subsequent directional cuts from the pilot hole are made towards specific targets. For example, a vertical pilot hole may reach the unconformity at a depth of 700 metres and continue into the basement for another 150 metres. Directional drilling from that pilot hole could begin in the sandstone at the 400-metre level, angling in a new direction to a different unconformity impact location and beyond, thus saving the time and expense of "re-drilling" the 400-metre length to the point where the directional hole begins.

As a result, a unique nomenclature is used for the Shea Creek drill holes. For example, "SHE-109" refers to a vertical pilot hole, with subsequent directional cuts from that pilot hole numbered "SHE-109-1", "SHE-109-2", etc.

The Kianna, Anne, Colette and 58B deposits within Shea Creek are distributed along a strike length of over three kilometres of the north-northwest trending Saskatoon Lake graphitic conductor. The Saskatoon Lake Conductor is coincident with a southwest-dipping reverse fault that displaces the flat-lying unconformity with the overlying Athabasca Group sandstone by several tens of metres. Depths to the unconformity typically range from 700 to 740 metres.

Mineralized areas along the Saskatoon Lake Conductor at Shea Creek occur often in areas where northeast-trending discordant faults offset the northwest-trending conductive graphitic unit. Three styles and settings of mineralization are present:

- Basement-hosted mineralization ("B") is found in zones up to 200 metres below the unconformity. Drilling at the Kianna Deposit ("Kianna") has outlined a zone of this style of mineralization with a strike length of 225 metres and a downdip extension of 200 metres which includes intercepts such as SHE-114-11 grading 4.09% U_3O_8 over 45.0 metres, including 18.07% U_3O_8 over 6.0 metres. This mineralization style is also seen at the Anne Deposit ("Anne") and the Colette Deposit ("Colette"), which includes intercepts such as SHE-122-1 at Anne, grading 4.21% U_3O_8 over 36.0 metres, including 23.17% U_3O_8 over 3.5 metres, and SHE-111-6 at Colette, grading 3.23% U_3O_8 over 8.0 metres. The basement mineralization at Colette has been traced over a strike length of 240 metres, and is largely open. In the 58B Deposit ("58B"), basement mineralization includes intercepts such as 2.21% U_3O_8 over 2.6 metres, including 6.73% U_3O_8 over 0.7 metres in SHE-58B.
- Unconformity-type mineralization ("UC") is disseminated, nodular and massive mineralization in close proximity to the unconformity. Drilling between Kianna and Anne has established that mineralization at the unconformity is continuous between the deposits, indicating a strike length of at least 1,000 metres of mineralization which is open in all directions. Intercepts of this style include SHE-115-3, grading 9.34% U_3O_8 over 12.2 metres, including 21.15% U_3O_8 over 4.3 metres at Kianna and SHE-99-2, grading 5.65% U_3O_8 over 17.9 metres, including 14.55% U_3O_8 over 6.5 metres at Anne. The unconformity mineralization at Colette has been traced over a strike length of 650 metres, and is open in all directions. Intercepts at Colette include SHE-52 grading 2.34% U_3O_8 over 16.8 metres. Unconformity mineralization at 58B has now been traced over a strike length of 400 metres and occurs over a width of up to 110 metres in plan view. Intercepts at 58B include SHE-133-4 grading 6.55% U_3O_8 over 2.4 metres.

- Perched mineralization (“P”) is sandstone-hosted pervasive and fracture-controlled pitchblende-bearing mineralization found in discrete zones tens of metres above the unconformity. At Kianna, the largest of these pods has a defined strike length of 80 metres and a width of 60 metres, and includes intercepts such as SHE-114-5, grading 20.72% eU₃O₈ over 10.2 metres, including 27.73% eU₃O₈ over 7.60 metres. This mineralization style at Colette includes intercepts such as SHE-111-11, grading 1.43% U₃O₈ over 6.0 metres. Fracture/fault-controlled perched mineralization is also developed within the Anne area; however, such intersections cannot be correlated between drill holes with the current density of drill information.

Mineralization of these styles is open in many parts of the deposits. The zones may be stacked with additional underlying zones successively beneath a zone at or above the unconformity. For example, at Kianna, high-grade uranium mineralization has been intersected in multiple zones at depths from 662 metres to 922 metres, a vertical distance of approximately 260 metres. Areas of low-grade mineralization intersected near the unconformity in widely spaced holes between the deposits suggest the potential for additional mineralized zones in areas which are largely untested, or where historical drill holes did not penetrate sufficiently deeply to test for all mineralization settings. In addition, excellent exploration potential occurs along the extensions of the Saskatoon Lake conductor in southern and central parts of the property, as well as along parallel conductors to the west.

Uranium grades reported below are calculated from gamma probe logging. True widths of mineralized intervals have not yet been determined. The probe results are reported as uranium equivalent (eU₃O₈). Equivalent uranium probe results are obtained using a DHT-27 gamma probe which collects continuous readings along the length of the drill hole. Probe results are converted into equivalent uranium grade using a relationship derived from the comparison of probe results against geochemical analyses in previous drill holes in the Shea Creek area. The reader is referred to UEX’s news release of March 24, 2009 for further discussion of probe calibration and comparative treatment of geochemical and probe data.

Shea Creek Resource Estimate

The National Instrument 43-101 (“N.I. 43-101”) compliant independent mineral resource estimate for the Kianna, Anne and Colette deposits at Shea Creek was commissioned by UEX, and completed by Golder Associates Ltd. (“Golder”) of Burnaby, B.C. (see UEX’s news release of May 26, 2010). A supporting technical report entitled “Technical Report on the Shea Creek Property, Saskatchewan, Canada, Including Mineral Resource Estimates for the Kianna, Anne and Colette Deposits” by K. Palmer, P.Geo. with an effective date of May 26, 2010 was filed on SEDAR on July 9, 2010.

The resource estimate for Shea Creek incorporates resources from the Kianna, Anne and Colette deposits based on drilling information up to December 31, 2009. Mineralization encountered during the 2010 program is therefore not included.

At a cut-off grade of 0.30% U₃O₈, Indicated Mineral Resources for the three deposits comprise 1,872,600 tonnes grading 1.54% U₃O₈ containing 63.57 million pounds of U₃O₈, and an additional 1,068,900 tonnes grading 1.04% U₃O₈ in the Inferred category containing 24.53 million pounds of U₃O₈.

This estimate confirms Shea Creek as the largest undeveloped uranium resource in the Athabasca Basin. It also ranks as the third largest uranium resource in the Basin, exceeded in size only by McArthur River and Cigar Lake. Since the largest areas of the existing resource, including the Kianna and Colette basement zones, continue to be open along most dimensions, there is significant potential to expand these resources. In addition, new areas of mineralization exist, such as the 58B Deposit that was outlined in 2010.

Shea Creek resources at various cut-off grades are summarized in Table 1. Significantly, at higher cut-off grades most of the contained uranium is retained at substantially higher grades. For example, at a 1.5% U₃O₈ cut-off grade, the contained uranium and 3.79% Indicated grade are

comparable to the Cameco Corporation operated pre-development stage Millennium Deposit resource which is calculated at a substantially lower cut-off of 0.5% U₃O₈.

TABLE 1

Shea Creek Mineral Resources, Tonnes and Grade at Various U₃O₈ % Cut-offs.

These mineral resources were completed in May 2010 (incorporating drilling information up to December 31, 2009) using CIM standards of estimation of mineral resources and reserves.

Category	Cut-off U ₃ O ₈ (%)	Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)
Indicated	0.10	2,733,900	1.118	67,414,000
	0.30	1,872,600	1.540	63,572,000
	0.50	1,383,000	1.946	59,342,000
	1.00	785,200	2.885	49,948,000
	1.50	509,500	3.786	42,527,000
Inferred	0.10	1,862,800	0.674	27,688,000
	0.30	1,068,900	1.041	24,525,000
	0.50	746,700	1.323	21,776,000
	1.00	322,700	2.159	15,360,000
	1.50	188,700	2.829	11,771,000

The majority of the resources are from the Kianna and Anne deposits, where a significant portion of the resources lie in basement rocks beneath the Athabasca unconformity. A breakdown of resources by deposit at a cut-off grade of 0.3% U₃O₈ is provided in Table 2 and at a cut-off grade of 1.0% U₃O₈ in Table 3.

TABLE 2

Breakdown of the Contribution of Each Deposit at Shea Creek to the Total Resources at a 0.3% U₃O₈ Cut-off.

Deposit		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)
Kianna	Indicated	713,000	1.442	22,665,000	Inferred	573,100	1.360	17,184,000
Anne		484,500	2.368	25,295,000		299,300	0.674	4,448,000
Colette		675,100	1.049	15,613,000		196,500	0.668	2,893,000
TOTALS		1,872,600	1.540	63,572,000		1,068,900	1.041	24,525,000

TABLE 3

Breakdown of the Contribution of Each Deposit at Shea Creek to the Total Resources at a 1.0% U₃O₈ Cut-off.

Deposit		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)		Tonnes	Grade U ₃ O ₈ (%)	U ₃ O ₈ (lbs)
Kianna	Indicated	297,400	2.687	17,621,000	Inferred	256,000	2.329	13,143,000
Anne		232,300	4.321	22,130,000		43,100	1.402	1,332,000
Colette		255,600	1.811	10,205,000		23,600	1.700	884,000
TOTALS		785,200	2.885	49,948,000		322,700	2.159	15,360,000

The Shea Creek resource estimate was prepared by K. Palmer, P.Geol., of Golder, an independent Qualified Person as defined by N.I. 43-101, and peer reviewed by G. Greenough, P.Geol. and O. Tavchandjian, P.Geol., both of Golder. The resource calculation utilized 361 diamond drill holes (totaling 292,100 metres) which were drilled from 1992 to 2009. Drill spacing across the deposits

is variable, ranging from about 7 metres to more than 50 metres, which is reflected in the different resource categories.

The mineralized wireframe models from the Kianna, Anne and Colette deposits which form the basis of the resource outlines were constructed using a minimum cut-off grade of 0.05% U₃O₈. The resource estimate utilized a geostatistical-block model technique with ordinary kriging methods and the DATAMINE Studio 3 software package. Log histogram and log probability plots were created for uranium geochemical data for each mineralized zone in order to define a capping strategy, and as a result a total of 52 samples were capped at various grades for the different zones.

The resource database utilized primarily uranium geochemical analyses from the Saskatchewan Research Council (SRC) Geoanalytical Laboratories in Saskatoon, Saskatchewan. In addition to AREVA's internal quality controls, duplicate and independent check analyses were performed by UEX on sample suites representing approximately 5% of the mineralized assay database since mineralization was discovered in 1992. In cases where geochemical analyses were not available due to incomplete sampling or core recovery issues, downhole gamma probe data were used to calculate equivalent uranium grades based on correlation of assays with previous probe results. A total of 678 dry bulk density samples, representing all rock types and mineralization styles from the three Shea Creek deposits, form a comprehensive basis for the density component of the resource estimate.

2010 Drilling and Exploration Program at Shea Creek

The 2010 exploration program at Shea Creek began in mid-January and consisted of diamond drilling utilizing up to four drills focused on the Kianna Deposit as well as the 58B area between the Kianna and Colette deposits. Drilling was completed at the end of August.

The drilling program met its objectives to test open areas of the Kianna Deposit basement mineralization, test for hanging wall mineralization in new zones which lie to the north of Kianna, and further expand and delineate the newly identified 58B Deposit. Highlights of the program were as follows:

- Confirmation that the 58B target area represented a new uranium deposit along the Shea Creek trend;
- Discovery of a new mineralized structure immediately to the north of the Kianna Deposit intersected by SHE-136 series drill holes; and
- Expansion of the footprint of higher-grade areas of the Kianna unconformity mineralization.

Kianna Deposit

The 2010 program at Kianna consisted of 25 drill holes in the SHE-118, SHE-134, SHE-135 and SHE-136 series drilling. Significant mineralization developed both at the unconformity ("UC") and in underlying basement rocks ("B") has consistently been intersected at Kianna (see UEX's news release of September 21, 2010). The drilling included both infill and stepout drill holes, the latter which expanded the overall footprint of the Kianna mineralization beyond the limits that were used to calculate the recently reported resource estimate.

Drill results from the Kianna Deposit with a grade-thickness product of greater than 5.0 and grades of greater than 0.5% eU₃O₈ are:

- | | | |
|---------------|---|---|
| • SHE-118-19: | (UC) 12.40% eU ₃ O ₈ over | 3.7 metres, including |
| | 30.37% eU ₃ O ₈ over | 1.4 metres; |
| • SHE-103-3: | (B) 5.52% eU ₃ O ₈ over | 1.9 metres; |
| • SHE-134-2: | (B) 0.96% eU ₃ O ₈ over | 5.9 metres, including |
| | 4.36% eU ₃ O ₈ over | 1.2 metres; |
| • SHE-135-1: | (UC) 1.57% eU ₃ O ₈ over | 7.9 metres; |
| • SHE-135-4: | (B) 1.39% eU ₃ O ₈ over | 34.3 metres, including |
| | 2.06% eU ₃ O ₈ over | 8.8 metres and 1.70% eU ₃ O ₈ over 16.2 metres; |

- SHE-135-5: (UC) 1.36% eU₃O₈ over 9.1 metres;
- SHE-135-7: (B) 1.50% eU₃O₈ over 6.7 metres, and
(B) 1.02% eU₃O₈ over 5.1 metres;
- SHE-135-8: (B) 1.25% eU₃O₈ over 9.6 metres;
- SHE-136-1: (B) 1.84% eU₃O₈ over 16.6 metres; and
- SHE-136-3: (B) 0.86% eU₃O₈ over 10.4 metres.

Uranium grades reported here have been calculated from gamma probe logging. True widths of mineralized intervals have not yet been determined.

The infill drill holes, which include holes from the SHE-134 and SHE-135 series drilling, confirm the position, grade and continuity of the modeled Kianna basement and unconformity mineralization from the recent resource model, and will increase both the confidence level and the grade, with mineralization remaining open.

Drill hole SHE-118-19 was targeted to extend the Kianna unconformity mineralization southward into an untested area. The high-grade intercept in this hole successfully extended the Kianna high-grade unconformity mineralization by approximately 25 metres to the southwest.

Intercepts from the SHE-136 series drill holes tested northwestern parts of the Kianna mineralization and have intersected new, open areas of structurally controlled mineralization in the hanging wall of the main Kianna basement zone.

Overall, much of the Kianna mineralization remains open and the new drilling, particularly in the SHE-136 series drill holes, has emphasized the significant potential for new sub-parallel mineralized zones adjacent to the existing Kianna Deposit.

58B Deposit

The 58B Deposit lies between the Kianna and Colette deposits along a one-kilometre strike length of the Shea Creek conductive trend. Previous drilling intersected multiple intervals of basement-hosted mineralization in 58B located 700 metres northwest of Kianna. In 1997, drill hole SHE-58B intersected unconformity mineralization grading 0.44% eU₃O₈ over 8.1 metres and basement-hosted mineralization grading 2.21% U₃O₈ over 2.6 metres, including 6.73% U₃O₈ over 0.7 metres.

Drilling at 58B during 2009 intersected basement-hosted mineralization grading 1.34% eU₃O₈ over 3.2 metres and 0.88% eU₃O₈ over 1.1 metres in drill hole SHE-133-2 (see UEX's news release of November 19, 2009). This basement-hosted mineralization occurs in steeply dipping vein systems, suggesting the potential for Kianna-style structurally controlled mineralization in the basement.

The 2010 drilling program at 58B utilized previously drilled pilot holes SHE-133 and SHE-104. Fourteen directional cuts were completed from these pilot holes (see UEX's news releases of March 17, 2010, June 14, 2010 and September 21, 2010).

Drilling intercepts from the 58B Deposit with a grade-thickness product of greater than 1.0 and grades of greater than 0.5% eU₃O₈ are:

- SHE-133-3: (UC) 1.81% eU₃O₈ over 7.6 metres, including
2.65% eU₃O₈ over 4.8 metres, and
(B) 4.80% eU₃O₈ over 0.9 metres; and
(B) 1.02% eU₃O₈ over 1.1 metres;
- SHE-133-4: (UC) 6.55% eU₃O₈ over 2.4 metres:
(B) 1.08% eU₃O₈ over 1.6 metres, and
(B) 1.21% eU₃O₈ over 1.3 metres;
- SHE-133-5: (UC) 3.00% eU₃O₈ over 2.9 metres, and
(B) 6.53% eU₃O₈ over 1.6 metres;
- SHE-133-6: (UC) 1.48% eU₃O₈ over 0.8 metres, and
(B) 6.17% eU₃O₈ over 1.6 metres;
- SHE-133-7: (UC) 2.13% eU₃O₈ over 10.6 metres;

- SHE-133-8: (P) 0.20% eU₃O₈ over 4.5 metres;
(UC) 2.57% eU₃O₈ over 1.5 metres;
- SHE-133-9: (UC) 1.90% eU₃O₈ over 1.1 metres;
- SHE-133-11: (UC) 1.32% eU₃O₈ over 5.8 metres;
- SHE-133-12: (B) 1.51% eU₃O₈ over 3.6 metres.
- SHE-104-5: (B) 1.18% eU₃O₈ over 0.9 metres;
- SHE-104-6: (UC) 2.10% eU₃O₈ over 1.2 metres;
- SHE-104-7: (UC) 0.82% eU₃O₈ over 3.0 metres, and
(B) 1.51% eU₃O₈ over 1.9 metres; and
- SHE-104-8: (B) 1.16% eU₃O₈ over 3.8 metres.

Mineralization at 58B has now been traced over a strike length of 400 metres and occurs over a width of up to 110 metres in plan view. The mineralization displays the same stacking of basement, unconformity and perched mineralization as is seen at the Kianna Deposit.

The mineralization in the 58B Deposit was not included in the May 2010 N.I. 43-101 compliant resource estimate and consequently will increase the overall Shea Creek resource.

A significant aspect of the basement intercepts in the 58B Deposit is that many occur in a set of east-northeast-trending, steeply dipping pitchblende veins which drilling has intersected to a depth of at least 100 metres below the Athabasca unconformity. This mineralization style and orientation at 58B are comparable to the Kianna Deposit basement mineralization, which forms a large part of the overall Shea Creek resource, and which itself is still open. The 58B Deposit remains a high-priority area for future exploration and resource expansion, with emphasis on testing downdip and lateral extensions of basement mineralization given its similarities to the Kianna style of deposit.

The presence of all three styles of mineralization (basement, unconformity and perched) in 58B is encouraging, and is typical of the Kianna, Anne and Colette deposits. These three deposits and the 58B Deposit lie along the same structural trend, which is underlain by the 33-kilometre long graphitic Saskatoon Lake Conductor. 58B occurs within the sparsely drilled 800-metre strike length of this trend situated between the Kianna and Colette deposits, including a 400-metre interval having only one reconnaissance drill hole. Consequently, there is room for identification of additional deposits and a high potential for interconnectivity of mineralization such as exists along the greater than one-kilometre strike length comprising the Kianna and Anne deposits.

2010 Development Work at Shea Creek

Development work at Shea Creek was carried out to update surface infrastructure including a review of options regarding power generation. The work also included the collection of geotechnical and hydrogeological information in the new areas of exploration. AREVA, the joint venture operator, had previously considered the possibility of sinking an exploration shaft to facilitate the exploration of the Shea Creek deposits from underground. Upon further review, it was decided that the rate of resource expansion achieved using surface drilling was significantly faster, and at a lower cost, than the exploration shaft alternative and hence surface drilling has been adopted as the best approach for this phase of the project.

2010 Exploration Program at the Mirror River Project

The Mirror River Project is one of the ten 49%-owned Western Athabasca Uranium Projects joint-ventured with AREVA, the operator. A \$581,000 ground geophysical program of IP/DC resistivity was carried out. This ground geophysical program was completed on April 22, 2010 and consisted of 52.5 line-kilometres of Dipole-Pole-Dipole resistivity over conductive areas outlined by a previous airborne MEGATEM® and ground Moving Loop TEM surveys. Resistivity data was acquired over seven lines of 7.5-kilometre length at 800-metre spacing from line 50+00E to 98+00E.

The 2D resistivity inversion models of the Dipole-Pole-Dipole data characterize the apparent resistivity of the subsurface to approximately 550 metres depth. The results of the 2010 DC resistivity survey correlate well with historical airborne and ground EM data. The 2D resistivity

inversion models of lines 50+00E, 58+00E and 66+00E show well-defined low-resistivity features at basement depths that could be associated with graphitic conductors. Generally, the outlined low resistivity signatures at basement depths are not linked with noticeable resistivity signatures in the sandstone that could be associated with alteration halos.

Beatty River Project: 2010 Exploration Program

Beatty River consists of seven claims totaling 6,688 hectares (16,526 acres) located in the western Athabasca Basin approximately 40 kilometres south of the Shea Creek deposits. At present, AREVA owns a 50.7% interest and JCU owns a 49.3% interest in Beatty River. UEX entered into an agreement dated June 15, 2004 with JCU wherein JCU granted UEX an option to acquire a 25% interest in Beatty River. Under the agreement, UEX can earn a 25% interest in Beatty River by funding \$865,000 in exploration expenditures by December 31, 2011.

A 2010 diamond drilling program consisting of three holes (BR-27, BR-28 and BR-29) totaling 1,164 metres was completed. Holes BR-27 and BR-29, drilled on section with previous hole BR-09, intersected psammopelitic and weakly to strongly graphitic pelitic gneiss in a broad antiformal structure characterized by tight isoclinal folding. Hole BR-28 encountered strongly folded and faulted orthogneiss and aluminous paragneiss with local weakly to strongly graphitic pelitic gneiss. No significant mineralization was intersected.

Hidden Bay Project: 2010 Exploration and Development Programs

UEX operates its 100%-owned Hidden Bay Project, which consists of 41 claims totaling 57,024 hectares (140,909 acres). The Horseshoe, Raven and West Bear deposits are located within the Hidden Bay Project.

Winter 2010 Drilling Program at Telephone Lake

A winter 2010 diamond drilling program in the Telephone Lake area ("Telephone") of the Hidden Bay property consisting of 21 holes totaling 6,531 metres commenced on February 1st and was completed on March 1st. Telephone is located immediately south of the Sue and McClean Lake deposits and has the potential for the discovery of Sue C, D and E or Eagle Point style basement-hosted mineralization along the Telephone Lake Fault, or where fault systems intersect the sub-Athabasca unconformity.

The drilling program was designed to test potential downdip continuation of known mineralization, to test along strike for extensions of unconformity mineralization, and to test gaps where widely-spaced sections have geology favourable for basement-hosted mineralization.

Drilling intercepts obtained at Telephone during 2010 with a grade-thickness product of greater than 0.05 and grades of greater than 0.05% U₃O₈ are:

- **SP-217: 0.078% U₃O₈ over 5.0 metres from 266.0 to 271.0 metres, including 0.180% U₃O₈ over 1.0 metre from 267.0 to 268.0 metres;**
- **SP-222: 0.116% U₃O₈ over 4.7metres from 240.0 to 244.7 metres including 0.399% U₃O₈ over 0.9 metres from 242.8 to 243.7 metres; and**
- **SP-229: 0.145% U₃O₈ over 0.5 metres from 310.5 to 311.0 metres.**

True thickness of mineralization has not yet been determined.

The Telephone drilling has highlighted three anomalously mineralized areas that contain a combination of unconformity-hosted and basement-hosted mineralization. Additional mineralized drilling intercepts are also present periodically along the four-kilometre length of the Telephone Lake trend and extend southward into the Shamus Lake area.

Winter 2010 Geophysical Program in the Telephone-Shamus Area

A geophysical program consisting of approximately 200 line-kilometres of linecutting and 120 line-kilometres of DC Resistivity and gravity was completed in May 2010. This geophysical survey extended from the southwestern parts of the Telephone Lake area southwesterly to the Hidden

Bay property boundary and tested for areas of alteration potentially associated with uranium mineralization. Areas of anomalous alteration and low-grade mineralization have previously been intersected in several drill holes on the Shamus grid, and mineralization occurs to the southwest on adjacent properties along the same trend. The geophysical results show several prospective anomalies along the Telephone Lake Fault. The central zone of the survey grid shows areas of discontinuity in the conductors. A strongly conductive area in the southwestern portion of the survey grid may be related to an alteration zone.

Summer 2010 Compilation Program on the Hidden Bay Project

A small field program was carried out by UEX geological personnel to examine and evaluate historical drill core on the Hidden Bay Project. This program was part of a comprehensive property-wide compilation of previous exploration data. This compilation resulted in the generation of new drill targets that will form part of future drilling programs.

Uranium Deposits

Hidden Bay is host to the Horseshoe, Raven and West Bear deposits which have estimated N.I. 43-101 compliant resources. West Bear is a classic unconformity-hosted deposit at very shallow depths, while Horseshoe and Raven are basement-hosted varieties of the unconformity type. In July 2009, UEX received updated N.I. 43-101 resources based on additional drilling and expansion of the known area of deposits from the late fall 2008 and winter 2009 drilling programs. A N.I. 43-101 compliant report with an effective date of July 15, 2009 was filed on SEDAR on September 8, 2009. The updated resources using a 0.05% U₃O₈ cut-off grade are provided in Tables 4 and 5 below:

Table 4
July 2009 N.I. 43-101 Compliant Indicated Mineral Resources on the Hidden Bay Project at a Cut-off Grade of 0.05% U₃O₈

Deposit	Tonnes	U₃O₈ (%)	U₃O₈ (lbs)
Horseshoe	5,119,700	0.203	22,895,000
Raven	5,173,900	0.107	12,149,000
West Bear	78,914	0.908	1,578,500
Total	10,372,514	0.160	36,622,500

Table 5
July 2009 N.I. 43-101 Compliant Inferred Mineral Resources on the Hidden Bay Project at a Cut-off Grade of 0.05% U₃O₈
(There are no Inferred resources for the West Bear Deposit)

Deposit	Tonnes	U₃O₈ (%)	U₃O₈ (lbs)
Horseshoe	287,000	0.166	1,049,000
Raven	822,200	0.092	1,666,000
Total	1,109,200	0.111	2,715,000

The resource estimates were calculated using a minimum cut-off grade of 0.01% U₃O₈ utilizing a geostatistical-block model technique with ordinary kriging methods and the DATAMINE Studio 3 software package.

Horseshoe and Raven Deposits

The Horseshoe and Raven deposits ("Horseshoe and Raven") are basement-hosted deposits and are located approximately five kilometres southeast of the edge of the Athabasca Group sandstones, which normally cover uranium deposits in the Athabasca Basin.

UEX received a report on metallurgical test work for the Horseshoe and Raven deposits. Representative samples derived from composited drill core assay rejects from the Horseshoe Deposit and from three HQ-diameter metallurgical holes, two from Horseshoe and one from Raven, have undergone testing for leach and effluent treatment conditions and grindability

analysis under the direction of Melis Engineering Ltd. of Saskatoon, Saskatchewan at SGS Lakefield Research Limited in Lakefield, Ontario. These tests indicate that uranium in both deposits is easily leached under relatively mild atmospheric leach conditions, producing leach extractions of 95%, and lacking any significant concentrations of deleterious elements such as arsenic, molybdenum, selenium or base metals.

Horseshoe and Raven mineralization is comprised of pitchblende and other uranium oxides and silicates without the potentially deleterious nickel-arsenide minerals that may affect extraction and pose tailings disposal problems. Initial effluent treatment test work indicates that regulatory discharge limits will be achievable. Tailings aging tests of waste raffinate and leach residue suggest that while molybdenum and residual uranium levels in the tailings supernatant increase upon aging, excess tailings water would be re-used and/or treated in the mill process and waste treatment circuits under normal operating conditions to potentially mitigate these effects. These results suggest that methods for treatment of waste and effluent generated by the processing of this mineralization would be comparable to those in use at operating mines in the area.

Nine composites were submitted for Bond ball mill work index (BWI) and SPI[®] determinations. The Horseshoe and Raven composites were categorized as medium in hardness from the perspective of SAG milling, and moderately hard for ball mill grinding.

As part of the advancement of development on Horseshoe and Raven, environmental baseline studies carried out by Golder to collect biological, hydrogeological and other environmental data were completed in 2009. During the 2007 and 2008 drilling programs, geotechnical studies were completed to assess rock properties and the hydrogeology of the Horseshoe and Raven deposits area.

Preliminary Assessment for Horseshoe and Raven

With a high proportion of the Horseshoe and Raven resource base in the Indicated category, UEX engaged SRK Consulting (Canada) Inc. of Vancouver, British Columbia and Saskatoon, Saskatchewan to perform a preliminary assessment of the potential economic viability of mining the deposits. The results of the Preliminary Assessment Technical Report (the "PA" or the "Report") on the Horseshoe and Raven deposits were reported in UEX's news release of February 23, 2011. A supporting technical report entitled "Preliminary Assessment Technical Report on the Horseshoe and Raven Deposits, Hidden Bay Project" by G. Doerksen, P.Eng., L. Melis, P.Eng., M. Liskowich, P.Geo., B. Murphy, FSAIMM, K. Palmer, P.Geo. and D. Pilotto, P.Eng. with an effective date of February 15, 2011 was filed on SEDAR at www.sedar.com on February 23, 2011. and is posted on UEX's website at www.uex-corporation.com.

The N.I. 43-101 compliant Report found the economics of mining the Horseshoe and Raven deposits to be very robust and recommended the project be advanced to a preliminary feasibility level, and that this next phase of study also include the West Bear Deposit.

The PA assumed that uranium processing and tailings management would be conducted through a toll arrangement at one of the two nearby mills, one operated by Cameco Corporation and the other by AREVA Resources Canada Inc. As Cameco's Rabbit Lake mill is located within 4 km of Horseshoe and Raven and has excess capacity, the Report has focused on this facility.

The PA was conducted utilizing cut-off grades calculated on the basis of \$60 (US) per pound ("lb") of U₃O₈ in the mine optimization plan under which 16.6 million pounds ("Mlbs") of uranium resources would be extracted over a seven-year mine life (the "Base Case"). References to currencies herein are in Canadian dollars unless otherwise stated.

Sensitivity Analysis

Under the Base Case and at \$70 (US) /lb of U₃O₈ the Horseshoe and Raven deposits would have Earnings Before Interest and Taxes ("EBIT") of \$394 million, a pre-tax Net Present Value ("NPV") at a 5% discount rate of \$267 million and a pre-tax Internal Rate of Return ("IRR") of 55%. The

Report presented three economic scenarios utilizing the Base Case and using uranium prices ranging from \$60 (US) to \$80 (US) /lb of U₃O₈ as shown in the following price sensitivity table:

Uranium Price Sensitivity (Base Case)

Price U ₃ O ₈	Pre-Tax		
	EBIT (\$M)	NPV _{5%} (\$M)	IRR (%)
\$60 (US) /lb	246	163	42
\$70 (US) /lb	394	267	55
\$80 (US) /lb	542	371	66

The Report showed that the NPV is most sensitive to uranium price and grade. Under the Base Case an increase in the price of uranium of 20% [for example, from \$70(US)/ lb to \$84(US) /lb] will result in an increase in NPV_{5%} of over 55% (\$267 million to \$413 million). A 20% increase in grade will produce an identical increase in NPV. Conversely a drop in either uranium price or grade will reduce the NPV. The PA also concluded that the economics are moderately sensitive to operating costs and are not particularly sensitive to capital costs.

A detailed Base Case sensitivity analysis using EBIT NPV_{5%} is provided in the Report as follows:

Sensitivity Analysis Results (using the Base Case mine plan)

Price U ₃ O ₈	Variable	EBIT NPV _{5%} (\$M)		
		-20% Variance	0% Variance	20% Variance
\$60 (US) /lb	Capital Cost	187	163	138
	Operating Cost	232	163	94
	Metal Price	38	163	288
	Grade	38	163	288
\$70 (US) /lb	Capital Cost	291	267	242
	Operating Cost	336	267	198
	Metal Price	121	267	413
	Grade	121	267	413
\$80 (US) /lb	Capital Cost	396	371	346
	Operating Cost	440	371	302
	Metal Price	205	371	537
	Grade	205	371	537

In addition to the Base Case sensitivity tables shown above, which are estimated using \$60 (US) /lb U₃O₈ in the cut-off grade calculation, the PA also contained a simple, preliminary exercise which was conducted to estimate the potential increase in mineable tonnes and NPV_{0%} if lower cut-off grades established by a price of \$80 (US) /lb U₃O₈ were used in the mine optimization plan and the economic model. This exercise showed an increase to 23.6 Mlbs of potentially mineable U₃O₈ together with a potential increase in the EBIT NPV_{0%} from \$542 million (Base Case) to approximately \$620 million. This expanded tonnage contains a small proportion of Inferred Mineral Resources which are considered speculative and have no guarantee of being converted into Measured or Indicated Mineral Resources.

Project Opportunities

The Hidden Bay Project has many opportunities for improvement of economics including:

- Expansion of mineable tonnes due to an increase in U₃O₈ price or a reduction in operating costs which would result in a lower cut-off grade and thus the conversion of a higher proportion of the existing resource base to reserves;
- Expansion through discovery of additional resources and potential inclusion of Raven underground mineralization in the mine plan;
- The potential use of the Raven pit as a regional toll tailings management site and potential use of tailings as underground backfill thereby further increasing regional tailings capacity; and
- The inclusion of UEX's 100%-owned West Bear Deposit in the overall project mine plan and economics.

The PA noted there is a shortage of tailings storage volume in the region and the use of the mined-out Raven pit could provide a minimum of four to five million cubic metres of tailings storage and potentially much more. The Report assumed a tailings deposition cost of \$35 per tonne milled by using Cameco's facilities. The use of the Raven pit to store tailings, and elimination of the toll tailings deposition fee, could significantly reduce the tailings deposition costs, potentially up to \$50 million over the life of the mine. These savings could be further increased if the improved economics allowed for use of a lower cut-off grade, which in turn would allow economic extraction of a significantly larger open pit resource.

Mine Plan

Horseshoe and Raven are proposed to be developed by conventional ramp access underground methods and open pit mining methods, respectively. Total blended operating costs, including mining, trucking, ground support, ventilation, toll milling, general and administrative expenses, water treatment and tailings management, based on late 2010 figures, are estimated at \$201 per tonne.

Under the Base Case (cut-off grade calculated using \$60 (US) /lb U₃O₈) scenario, mining of the deposits is proposed to produce a total of 2.49 million tonnes of mill feed and 15.0 million tonnes of waste over a seven-year mine operating life at a cut-off grade of 0.15% U₃O₈ and a diluted average mining grade of 0.30% U₃O₈ containing 16.6 Mlbs of U₃O₈. The preliminary \$80 (US) /lb U₃O₈ mine optimization case is estimated to a lower cut-off grade of 0.12% U₃O₈ and a diluted average mining grade of 0.21% U₃O₈, which would potentially allow profitable mining and processing of mineralization containing 23.6 Mlbs U₃O₈.

Capital Requirements

Capital and owner's costs for pre-production, inclusive of a 25% contingency, are estimated to be approximately \$88 million and \$28 million, respectively. Owner's costs include environmental studies and permitting, engineering, design, resource upgrade and data collection. Sustaining capital costs and mine closure costs, inclusive of a contingency, are estimated at \$29 million. In all three scenarios the capital payback occurs within a one-year period from the commencement of production.

Working capital is anticipated to be the equivalent of four months operating costs in the first production year, or \$20.4 million. The working capital costs will be recovered in the final production year.

Recommendations

The PA has found the economics of mining the Horseshoe and Raven deposits to be very robust and recommends the project be advanced to a preliminary feasibility level, which would include the West Bear Deposit.

The PA also recommended that UEX conduct an infill drilling program at the Raven Deposit to upgrade Inferred resources to Indicated resources. This is particularly important as the price of

U₃O₈ increases, thereby allowing for the lower grade mineralization, some of which is in the Inferred category, to be included in the mine plan. The Report also recommended that further expansion drilling be conducted at the Raven Deposit where it appears the resource could be increased. UEX is currently planning a summer drilling program in 2011 to follow up on these recommendations.

In furtherance of the recommended Preliminary Feasibility Study (“PFS”), UEX intends to conduct additional field work and information gathering for geotechnical, environmental, metallurgical and hydrological studies. The PA further recommended that the project description be compiled and submitted to the government for review and advisement of specific guideline requirements. It is anticipated that the PFS and associated information gathering will cost up to \$1.5 million.

West Bear Deposit

On January 5, 2009, UEX announced it had received a N.I. 43-101 compliant resource estimate report from Golder for the West Bear Deposit. The mineral resource estimate contains 78,914 tonnes grading 0.908% U₃O₈ in the Indicated category containing 1.58 million pounds U₃O₈ at a cut-off grade of 0.05% U₃O₈. A supporting technical report entitled “Technical Report on the Hidden Bay Property, Saskatchewan, Canada, Including Mineral Resource Estimates for Horseshoe, Raven and West Bear Deposits” by K. Palmer, P.Geo. with an effective date of January 23, 2009 was filed on SEDAR on February 19, 2009.

West Bear Preliminary Feasibility Study

UEX received the results of the Preliminary Feasibility Study (the “Study”) on the West Bear Deposit prepared by Golder (see UEX’s news release of February 18, 2010). The Study has been filed on SEDAR at www.sedar.com and posted on UEX’s website at www.uex-corporation.com.

The Study has upgraded the previously released West Bear resource estimate to a Probable Mineral Reserve estimate of 1,492,261 pounds of U₃O₈ grading 0.94% U₃O₈ at a cut-off of 0.18% U₃O₈ which represents 96% of the mineral resource. The high conversion rate reflects the near-surface nature of the West Bear mineralization which is amenable to open-cast mining in a shallow pit.

The Study presents a base case scenario uranium price of \$77.73 per pound of U₃O₈, resulting in a Net Present Value of \$23.4 million and an Internal Rate of Return of 118%. The feasibility of mining West Bear is most sensitive to the uranium price and is moderately sensitive to capital and operating costs. A detailed uranium price sensitivity analysis is provided in the Study as follows:

Uranium Price Sensitivity

Price U ₃ O ₈	Pre-tax		Post-tax	
	NPV (\$M)	IRR (%)	NPV (\$M)	IRR (%)
\$50.00 /lb	-2.8	n/a	-3.1	n/a
\$75.00 /lb	32.6	161	20.8	105
\$77.73 /lb (base case)	36.5	180	23.4	118
\$100.00 /lb	68.0	332	44.6	223
\$125.00 /lb	103.5	502	68.5	340

The uranium price sensitivity analysis is presented on an undiscounted basis as West Bear would be mined within a period of approximately 12 months. Potentially economic material would be mined using open-pit methods and then transported off-site to an existing processing facility for custom milling. Capital costs are estimated to be approximately \$20.8 million and mine closure costs are estimated at \$8.75 million. Working capital requirements are estimated to be approximately \$0.5 million per month over the life of the operation. The Study concludes with various recommendations regarding environmental, socio-economic, toll milling and mining matters.

Other Athabasca Projects

During 2010, UEX's major focus was to expand on the successes of exploration and development on its Hidden Bay and Western Athabasca Projects. Consequently, no significant exploration work was conducted on its Black Lake, Riou Lake or Northern Athabasca Projects.

Black Lake Project

The Black Lake Project ("Black Lake") is located within the northern part of the Athabasca Basin and consists of 12 claims totaling 30,381 hectares (75,073 acres). The centre of the property is approximately 15 kilometres south of the town of Stony Rapids, Saskatchewan.

Riou Lake Project

The Riou Lake Project ("Riou Lake") consists of 12 claims totaling 32,306 hectares (79,830 acres) and is located within the northern Athabasca Basin near the town of Stony Rapids, Saskatchewan.

Northern Athabasca Projects

UEX's 100%-owned Northern Athabasca Projects consist of four projects totaling 52,661 hectares (130,128 acres) in 16 claims located on the northern rim of the Athabasca Basin near Stony Rapids, Saskatchewan.

Qualified Person

The disclosure of technical information regarding UEX's properties in this MD&A has been reviewed and approved by R. Sierd Eriks, P.Geo., UEX's Vice-President of Exploration, who is a Qualified Person as defined by N.I. 43-101.

Risks and Uncertainties

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

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

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

Joint ventures

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

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

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

Reliance on other companies as operators

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

Uranium price fluctuations could adversely affect UEX

The market price of uranium is the most significant market risk for companies exploring for and producing uranium. The marketability of uranium is subject to numerous factors beyond the control of UEX. The price of uranium may experience volatile and significant price movements over short periods of time. Factors impacting price include demand for nuclear power, political and economic conditions in uranium producing and consuming countries, reprocessing of spent fuel and the re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants and production levels and costs of production in countries such as Russia, Africa and Australia.

Competition for properties could adversely affect UEX

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

Resource estimates are based on interpretation and assumptions

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

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

In addition, certain of the resource estimates presented in this document and in UEX's filings with securities regulatory authorities, news releases and other public statements that may be made from time to time are based on historical estimates. These historical estimates were not made using current Canadian Institute of Mining, Metallurgy and Petroleum categories and no current resource or reserve confidence categories were applied. As a result, these estimates are not compliant with N.I. 43-101. UEX has not independently verified the results of these historical resource estimates and they may not be reliable.

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

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

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

Competition from other energy sources and public acceptance of nuclear energy

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

Dependence on key management employees

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

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

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures

requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Dilution from further equity financing

If UEX raises funds by issuing additional equity securities, such financing could substantially dilute the interests of existing shareholders of UEX and reduce the value of their investment.

Conflicts of interest

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

Accounting policies

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and they may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with Canadian GAAP. Management of UEX exercises judgement in applying accounting methods to ensure that, while GAAP compliant, they reflect the most appropriate manner in which to record the Company's financial condition and operating results. In certain instances, Canadian GAAP allows accounting policies and methods to be selected from two or more alternatives, any of which might be reasonable but may result in UEX reporting materially different amounts. Management regularly re-evaluates its assumptions but the choice of method or policy employed may have a significant impact on the actual values reported.

Internal controls

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

Market price of shares

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

investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of UEX at any given point in time may not accurately reflect the long-term value of UEX. Securities class-action litigation has been brought against companies following periods of volatility in the market price of their securities. UEX may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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

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

International Financial Reporting Standards ("IFRS")

The use of IFRS for financial reporting in Canada will be applicable for the fiscal year beginning January 1, 2011. The Company's IFRS transition plan consists of three main phases – Scoping, Analysis and Implementation. The Scoping phase involves a high-level analysis of the significant accounting differences between IFRS and Canadian GAAP and determining the potential impact of the new accounting standards on business areas such as information technology, internal controls and disclosure controls. The Analysis phase involves a more comprehensive analysis of the accounting standards, including the development of accounting policies and the quantification of the conversion impact. The Implementation phase executes the changes identified in the Analysis phase.

The Company has completed the Scoping phase, and both the Analysis and Implementation phases are in progress. The Company has made the determination of which IFRS 1 optional elections will be utilized. In addition, the Company is making the final determination of which accounting policies will be adopted under IFRS. The Company is still analyzing how IFRS will impact financial statement disclosure. A more in-depth discussion of the expected accounting changes follows after the transition plan summary.

The following table highlights some of the key activities in the transition plan and what has been accomplished as of December 31, 2010.

Key Activity	Milestones	Status
<i>Financial Statement Preparation</i>		
<ul style="list-style-type: none"> • Identification of significant accounting differences 	Identification of major differences and accounting policy choices made during the third quarter of 2010	Identification of areas of major accounting differences completed
<ul style="list-style-type: none"> • Selection of accounting policy choices 		Completed review of accounting changes
<ul style="list-style-type: none"> • Selection of choices available under IFRS 1 (first-time adoption) 	Quantification and development of disclosure	Completed review of probable utilization of IFRS 1 optional elections
<ul style="list-style-type: none"> • Financial statement format 		Detailed analysis required for financial statement disclosure
<ul style="list-style-type: none"> • Changes in disclosure 		

Key Activity	Milestones	Status
<i>Infrastructure</i>		
<ul style="list-style-type: none"> • Development of knowledge and resources • IT impact assessment and conversion 	<p>Major knowledge training completed by end of 2009; new developments monitored throughout 2010</p> <p>IT systems ready to process information in parallel in 2010</p>	<p>Formal course training completed and more courses being attended on an ongoing basis</p> <p>Regular updates provided to the audit committee</p> <p>IASB activity being monitored on ongoing basis</p> <p>IT system ready to account for the Company's activities under both Canadian GAAP and IFRS for 2010</p>
<i>Control Environment</i>		
<ul style="list-style-type: none"> • Assessment of impact on ICFR and DC&P • Changes in processes to accommodate IFRS • Documentation requirements 	<p>Processes and documentation complete by end of 2010</p>	<p>Impact assessment completed</p> <p>Processes and policies evaluated and amended to accommodate accounting policy choices</p>
<i>Business Policy</i>		
<ul style="list-style-type: none"> • Assessment of impact on capital adequacy 	<p>Assessment complete in 2010</p>	<p>Impact assessment to be monitored on an ongoing basis</p>

Financial Statement Impact – IFRS 1

The Company has chosen to use the IFRS 1 optional election related to Stock-based Compensation available to first time adopters of IFRS.

IFRS – Accounting Policy Choices

To date, the Company has identified one accounting policy choice which, if selected would be significantly different from the Company's current accounting policy. Under *IFRS 6 Exploration for and Evaluation of Mineral Resources*, there are two options for the recognition and measurement of exploration and evaluation expenditures. Should the Company select the accounting policy to expense exploration and evaluation expenditures through the statement of operations as they are incurred, it would be a departure from the Company's current accounting practice of capitalizing mineral property exploration costs until such time as the project to which they relate is put into commercial production, sold, abandoned or the recovery of costs is determined to be unlikely. This different accounting would also impact recognition and measurement of future income taxes in accordance with *IAS 12, Income Taxes*.

The Company is currently evaluating the two options under this policy, but has not yet decided on which of these two options it will adopt.

In addition, the Company is currently evaluating the effect on Share Capital to reflect the accounting of the issuance of flow-through shares under IFRS.

The Company has assessed the IFRS conversion adjustments, and does not expect any significant changes from the adoption of the following IFRS:

- *IFRS 2 – Share Based Payments;*
- *IAS 16 - Property, Plant and Equipment;*
- *IAS 36 - Impairment of Assets; and*
- *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.*

Critical Accounting Estimates

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

Valuation of Mineral Properties - The amounts shown for mineral properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves. All acquisition, exploration, development and start-up costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely by management.

Asset Retirement Obligations - The Company's mining, exploration and development activities are subject to various environmental government regulations, including those for asset retirement obligations. The Company's judgements and estimates are made when estimating the discounted future cash settlement of an asset retirement obligation. In some cases, these obligations could be incurred many years from the date of estimate. These estimates may be revised as a result of changes in government regulations, or as a result of escalation of exploration properties to development or production stage.

Stock-Based Compensation - UEX uses the Black-Scholes Option-Pricing Model to determine the fair value of options granted. Option-pricing models require management to estimate and input highly subjective assumptions including the expected future price volatility and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted.

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the disclosure controls and procedures as required under Canadian Securities Administration regulations, as at December 31, 2010. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed by the Company in its annual filings and other reports that it files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified and that such information is accumulated and communicated to the Company's management, including the certifying officers, as appropriate to allow for timely decisions regarding required disclosure.

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

Internal Controls Over Financial Reporting

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision in order

to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There were no changes in these controls during the most recent interim period ending December 31, 2010 that had materially affected, or are reasonably likely to materially affect, such controls.

Based upon the *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* by *The Committee of Sponsoring Organization of the Treadway Commission (COSO)* framework, the Company's certifying officers have evaluated or caused to be evaluated under their supervision the effectiveness of the Company's internal controls over financial reporting. Based upon this assessment, management has concluded that as at December 31, 2010, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the preparation of the Company's financial statements in accordance with Canadian GAAP.

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

Caution Regarding Forward-Looking Information

Certain statements contained in this MD&A, or incorporated by reference herein, may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements appear in a number of different places in this MD&A and can be identified by words such as "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words. Forward-looking information includes statements regarding the outlook for our future operations, plans and timing for the commencement or advancement of exploration activities on our properties, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of any legal proceedings, and other expectations, intention and plans that are not historical fact. Forward-looking information is based on certain factors and assumptions including expected economic conditions, uranium prices, results of operations, performance and business prospects and opportunities. UEX considers the factors and assumptions on which this forward-looking information is based to be reasonable at the time it was prepared, but cautions readers that these assumptions may ultimately prove to be incorrect. Forward-looking information by its nature necessarily involves risks, uncertainties and other factors including without limitation, the risk that uranium price fluctuations could adversely affect UEX, the risks associated with UEX's participation in joint ventures, that UEX's exploration activities may not result in profitable commercial mining operations, that competition from other energy sources and public acceptance of nuclear energy may affect UEX's prospects, that competition in the uranium industry could adversely affect UEX, that failure to obtain additional financing on a timely basis could cause UEX to reduce its interest in its properties, that compliance with and changes to environmental and other regulatory laws could adversely affect UEX, and other factors all as more particularly described herein under the heading "Risk Factors" and include unanticipated and unusual events. These and other factors could cause actual results to differ materially from future results expressed or implied by such forward-looking information. Many of these factors are beyond the control of UEX. Except as required by applicable securities law, UEX disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise. Consequently, all forward-looking information in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by UEX will be realized. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

Financial Statements of

UEX CORPORATION

Years ended December 31, 2010 and 2009



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Chartered Accountants
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of UEX Corporation

We have audited the accompanying financial statements of UEX Corporation, which comprise the balance sheets as at December 31, 2010 and 2009, the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UEX Corporation as at December 31, 2010 and 2009, and its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

March 22, 2011
Vancouver, Canada

UEX CORPORATION

Balance Sheets

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,798,832	\$ 16,938,416
Amounts receivable	76,665	200,152
Prepaid expenses	172,328	104,563
	<u>17,047,825</u>	<u>17,243,131</u>
Equipment (note 3)	131,699	164,788
Mineral properties (note 4)	148,706,547	145,909,266
	<u>\$ 165,886,071</u>	<u>\$ 163,317,185</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 333,218	\$ 694,925
Future income taxes (note 5)	16,564,164	14,829,975
Shareholders' equity:		
Share capital (note 6)	143,692,774	138,144,108
Contributed surplus (note 7)	38,428,116	37,050,195
Deficit	<u>(33,132,201)</u>	<u>(27,402,018)</u>
	<u>148,988,689</u>	<u>147,792,285</u>
	<u>\$ 165,886,071</u>	<u>\$ 163,317,185</u>

Nature of operations and going concern (note 1)
Commitments (notes 4 and 8)
Subsequent event (notes 6(d) and 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Graham C. Thody" Director

"Emmet McGrath" Director

UEX CORPORATION

Statements of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2010 and 2009

	2010	2009
Expenses:		
Amortization	\$ 10,736	\$ 11,840
Bank charges and interest	2,761	2,779
Filing fees and stock exchange	91,463	97,671
General and administration	278,604	203,396
Insurance	44,672	44,957
Legal and audit	125,310	204,046
Rent	91,282	88,375
Salaries and retiring allowance	440,569	1,116,372
Stock-based compensation (note 6(c))	967,347	6,760,244
Telephone	9,012	9,925
Travel and promotion	50,882	31,018
Loss before the undernoted items	(2,112,638)	(8,570,623)
Investment income	85,131	85,704
Write-down of mineral property (note 4(e))	(5,462,846)	-
Loss before income taxes	(7,490,353)	(8,484,919)
Future income tax recovery (note 5)	1,760,170	464,703
Net loss and comprehensive loss for the year	(5,730,183)	(8,020,216)
Deficit, beginning of year	(27,402,018)	(19,381,802)
Deficit, end of year	\$ (33,132,201)	\$ (27,402,018)
Basic and diluted loss per share	\$ (0.03)	\$ (0.04)
Basic and diluted weighted average number of shares outstanding	197,721,556	190,161,338

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used for):		
Operations:		
Net loss for the year	\$ (5,730,183)	\$ (8,020,216)
Items not involving cash		
Amortization	10,736	11,840
Future income tax recovery	(1,760,170)	(464,703)
Stock-based compensation	967,347	6,760,244
Write-down of mineral property	5,462,846	-
Changes in non-cash operating working capital:		
Amounts receivable	88,959	90,322
Prepaid expenses	(67,765)	82,207
Accounts payable and accrued liabilities	(20,709)	(107,990)
	(1,048,939)	(1,648,296)
Investments:		
Mineral property expenditures	(7,774,895)	(18,841,980)
Purchase of equipment	(47,961)	(44,867)
	(7,822,856)	(18,886,847)
Financing:		
Common shares issued, net of share issuance costs	8,732,211	13,307,254
Decrease in cash and cash equivalents	(139,584)	(7,227,889)
Cash and cash equivalents, beginning of year	16,938,416	24,166,305
Cash and cash equivalents, end of year	\$ 16,798,832	\$ 16,938,416
Supplementary information:		
Interest received	\$ 84,162	\$ 102,755
Non-cash transactions:		
Decrease in accounts payable and accrued liabilities relating to mineral property expenditures	(340,998)	(4,480,458)
Decrease in amounts receivable relating to mineral property expenditures	34,528	141,769
Non-cash stock-based compensation included in mineral property expenditures	526,613	977,271
Increase in mineral properties due to future income taxes	194,775	361,456
Amortization included in mineral properties	70,314	78,771

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

1. Nature of operations and going concern:

The Company was incorporated under the Canada Business Corporations Act on October 2, 2001. On October 23, 2001, the Company entered into an agreement with Pioneer Metals Corporation (Pioneer) and Cameco Corporation (Cameco) to establish the Company as a public uranium exploration company. On July 17, 2002, under a plan of arrangement with Pioneer, Pioneer transferred to the Company its uranium exploration properties and all related assets, including the Riou Lake and Black Lake Projects. On the same date, Cameco transferred its Hidden Bay uranium exploration property and certain related assets, in exchange for shares of the Company.

The Company is in the business of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from the disposition of its mineral properties. Based on the Board approved 2011 budgets of approximately \$11.2 million for exploration and development and administrative costs, the Company has sufficient funding to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

(b) Adoption of new accounting standards:

(i) Business combinations:

Effective January 1, 2010, the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- CICA Handbook Section 1582, *Business Combinations* which replaces CICA Handbook Section 1581, *Goodwill and Business Combinations*, and establishes revised standards for the recognition, measurement, presentation and disclosure of business acquisitions and aligns Canadian GAAP with International Financial Reporting Standards.
- CICA Handbook Section 1601, *Consolidated Financial Statements* and CICA Handbook Section 1602, *Non-Controlling Interests*, which replace Handbook Section 1600, *Consolidated Financial Statements*, and establish revised standards for the preparation of consolidated financial statements.

The adoption of these standards had no impact on these financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties, determination of valuation allowances for future income tax assets and assumptions used in determining the fair value of non-cash stock-based compensation. Actual amounts may differ from such estimates.

(d) Cash equivalents:

Cash equivalents are highly liquid investments having a maturity of three months or less at the date of acquisition and are readily convertible to contracted amounts of cash.

(e) Equipment:

Equipment is stated at cost less accumulated amortization. Amortization is provided on a declining-balance basis over the expected useful lives of the assets, using the following rates:

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

In the year of acquisition, amortization is provided at one-half the declining balance rate.

(f) Mineral properties:

All acquisition, exploration and development costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or the recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated ore reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The underlying value of all properties is dependent on the existence and economic recovery of reserves in the future. All administrative costs are expensed in the year incurred.

(g) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it incurs a legal obligation, if a reasonable estimate of fair value can be made, based on the discounted estimated future cash settlement of an asset retirement obligation. The asset retirement obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. This asset retirement cost will be depreciated over the life of the related asset. The liability is accreted, through operating expense, over a period ending when the liability is finally settled in cash, subject to annual adjustments for changes in estimates. The Company has assessed each of its mineral projects and determined that no material asset retirement obligations exist as at December 31, 2010 and 2009.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(h) Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Cash and cash equivalents are designated as held for trading and carried at fair value, with the unrealized gain or loss recorded in the statement of operations as interest income. Amounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities, and recorded at amortized cost using the effective interest rate method. In addition, any impairment of loans and receivables is deducted from the amortized cost. The Company does not hold any derivative financial instruments.

(i) Stock-based compensation:

The Company has a share option plan which is described in note 6(c). The Company records all stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(j) Income taxes:

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period the substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

The future income tax benefit on eligible mineral property expenditures which are renounced to investors due to the issuance of flow-through shares is charged to share capital at the time the tax credits associated with the expenditures are renounced to shareholders, provided there is reasonable assurance that the expenditures will be made.

(k) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury stock method is used to calculate diluted earnings per share. However, the Company's outstanding stock options have no dilutive effect on basic loss per share for 2010 and 2009.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(l) Variable interest entities:

The Company applies CICA Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15). AcG-15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity (VIE). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. Management has determined the Company does not have any variable interest entities for the years ended December 31, 2010 and 2009.

(m) Adoption of International Financial Reporting Standards (IFRS):

In February 2008, the Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. As a result, the Company will publish its first financial statements, prepared in accordance with IFRS, for the quarter ending March 31, 2011. The Company will provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010.

3. Equipment:

2010	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 315,264	\$ 246,475	\$ 68,789
Computer equipment	307,063	251,403	55,660
Furniture and fixtures	13,218	5,968	7,250
	\$ 635,545	\$ 503,846	\$ 131,699

2009	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 313,198	\$ 217,437	\$ 95,761
Computer equipment	261,503	201,161	60,342
Furniture and fixtures	12,883	4,198	8,685
	\$ 587,584	\$ 422,796	\$ 164,788

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

Project	Balance December 31, 2009	Exploration and development expenditures	Write-down of mineral property	Balance December 31, 2010
Hidden Bay	\$ 69,040,753	\$ 2,982,022	\$ -	\$ 72,022,775
Western Athabasca	46,403,391	4,941,276	-	51,344,667
Black Lake	15,409,894	41,060	-	15,450,954
Riou Lake	9,011,798	23,824	-	9,035,622
Northern Athabasca	5,438,633	24,213	(5,462,846)	-
Beatty River	604,797	247,732	-	852,529
	\$ 145,909,266	\$ 8,260,127	\$ (5,462,846)	\$ 148,706,547

Project	Balance December 31, 2008	Exploration and development expenditures	Write-down of mineral property	Balance December 31, 2009
Hidden Bay	\$ 59,337,816	\$ 9,702,937	\$ -	\$ 69,040,753
Western Athabasca	40,454,607	5,948,784	-	46,403,391
Black Lake	15,253,114	156,780	-	15,409,894
Riou Lake	8,931,497	80,301	-	9,011,798
Northern Athabasca	5,413,862	24,771	-	5,438,633
Beatty River	597,581	7,216	-	604,797
	\$ 129,988,477	\$ 15,920,789	\$ -	\$ 145,909,266

A summary of the company's mineral property interests is as follows:

(a) Hidden Bay Project:

The Company's 100%-owned Hidden Bay Project, including the Horseshoe, Raven and West Bear deposits, is located in the eastern Athabasca Basin of northern Saskatchewan, Canada.

(b) Western Athabasca Projects:

The Western Athabasca Projects, located in the western Athabasca Basin, which include the Kianna, Anne, Colette and 58B deposits, are ten joint ventures with the Company holding a 49% interest and AREVA Resources Canada Inc. (AREVA) holding a 51% interest as at December 31, 2010 and 2009. The Company is in the process of preparing joint venture agreements with AREVA.

The Kianna, Anne, Colette and 58B deposits are subject to a royalty of US\$0.212 per pound of U₃O₈ sold to a maximum royalty of US\$10,000,000.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

4. Mineral properties (continued):

(c) Black Lake Project:

The Black Lake Project, located in the northern Athabasca Basin, is a joint venture with the Company holding an 89.96% interest and AREVA holding a 10.04% interest as at December 31, 2010 and 2009.

(d) Riou Lake Project:

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

(e) Northern Athabasca Projects:

The Company holds a 100% interest in the Northern Athabasca Projects located in the northern Athabasca Basin. During the year ended December 31, 2010, the Company wrote off the deferred mineral property costs of \$5,642,846 associated with its Northern Athabasca Projects, being the Jacques Point, Butler Lake, Munroe Lake and Fond du Lac projects, as there has been a delay in exploration activities extending beyond three years and future exploration activities are not currently being pursued.

(f) Beatty River Project:

The Company holds an option with JCU (Canada) Exploration Company, Limited (JCU) to acquire a 25% interest in the Beatty River Project, located in the western Athabasca Basin, by funding \$865,000 in exploration expenditures by December 31, 2011.

5. Income taxes:

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2010 and 2009 are presented below:

	2010	2009
Future tax assets:		
Losses carried forward	\$ 1,506,687	\$ 1,055,763
Equipment	42,712	39,813
Share issuance costs	192,287	214,356
	1,741,686	1,309,932
Future tax liabilities:		
Mineral properties	(18,305,850)	(16,139,907)
Net future tax liabilities	\$ (16,564,164)	\$ (14,829,975)

At December 31, 2010, the Company has non-capital losses available for income tax purposes totaling approximately \$5,558,070 (2009 - \$3,890,000) which may be carried forward to reduce future years' taxable income. These losses, if not utilized, will expire by 2030.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

5. Income taxes (continued):

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Loss before income taxes	\$ (7,490,353)	\$ (8,484,919)
Statutory rates	28.5%	30%
Income tax recovery at statutory rates	\$ 2,134,750	\$ 2,545,476
Non-deductible expenses and permanent differences	(276,795)	(2,029,130)
Future corporate tax rate differences	(97,785)	(51,643)
Future income tax recovery	\$ 1,760,170	\$ 464,703

6. Share capital:

(a) Authorized:

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares.

(b) Issued and outstanding - common shares:

	Number of shares	Value
Balance, December 31, 2008	183,703,052	\$ 124,699,739
Issued in 2009:		
For cash by way of private placements, net of share issuance costs	13,303,100	13,294,734
For cash on exercise of stock options (note 6(c))	156,500	12,520
Contributed surplus transferred on exercise of stock options	-	12,041
Future income taxes on share issuance costs	-	125,074
Balance, December 31, 2009	197,162,652	138,144,108
Issued in 2010:		
For cash by way of private placements, net of share issuance costs	5,500,000	8,532,211
For cash on exercise of stock options (note 6(c))	200,000	200,000
Contributed surplus transferred on exercise of stock options	-	116,039
Future income taxes on share issuance costs	-	146,553
Future income taxes on flow-through expenditures renounced to shareholders	-	(3,446,137)
Balance, December 31, 2010	202,862,652	\$ 143,692,774

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

6. Share capital (continued):

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

On November 26, 2010, the Company issued 5,500,000 flow-through common shares at \$1.65 per share for gross proceeds of \$9,075,000, pursuant to a brokered private placement. A commission of \$453,750 was paid to the broker and \$89,039 of additional issuance costs were incurred.

On April 15, 2009, the Company issued 8,700,000 flow-through common shares at \$1.00 per share for gross proceeds of \$8,700,000, pursuant to a brokered private placement. A commission of \$348,000 was paid to the broker and \$78,968 of additional issuance costs were incurred.

On December 17, 2009, the Company issued 3,628,100 flow-through common shares at \$1.12 per share and 975,000 non-flow-through common shares at \$1.02 per share for aggregate gross proceeds of \$5,057,972, pursuant to a non-brokered private placement. The Company incurred issuance costs of \$36,270.

(c) Stock-based compensation:

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

A summary of the status of the Company's stock-based compensation plan as at December 31, 2010 and 2009 and changes during the years ended on these dates are presented below.

	Number of options	Weighted average exercise price
Outstanding, December 31, 2008	11,051,200	\$ 2.65
Granted during the year	10,135,000	1.41
Exercised during the year	(156,500)	0.08
Surrendered during the year	(6,375,000)	3.46
Outstanding, December 31, 2009	14,654,700	1.47
Granted during the year	2,100,000	0.86
Exercised during the year	(200,000)	1.00
Outstanding, December 31, 2010	16,554,700	\$ 1.39
Exercisable, December 31, 2010	14,171,368	\$ 1.44

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

6. Share capital (continued):

(c) Stock-based compensation (continued):

As at December 31, 2010, the Company had a total of 16,554,700 stock options outstanding related to director, employee and consultant options, the details of which are as follows:

Exercise price	Number outstanding, December 31, 2010	Weighted average remaining contractual life
\$ 0.72	200,000	2.4 years
0.84	300,000	3.5 years
0.87	1,900,000	8.5 years
0.95	575,000	3.7 years
1.00	400,000	9.0 years
1.20	4,020,000	5.2 years
1.34	1,685,000	8.7 years
1.45	6,350,000	6.0 years
1.80	99,700	4.5 years
2.75	175,000	4.2 years
3.56	850,000	5.7 years
	16,554,700	6.2 years

The estimated fair value of all options granted and vested during 2010 is \$1,493,960 (2009 - \$7,737,515). Of this amount, included in deferred exploration and development expenditures for the year is \$526,613 (2009 - \$977,271). The unamortized balance of stock-based compensation expense for options that were not vested at December 31, 2010 is \$1,042,406 (2009 - \$1,022,703).

The weighted average fair value of options granted during the year ended December 31, 2010 was \$0.50 (2009 - \$0.82) per option using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Volatility	92%	91%
Risk-free interest rate	2.2%	1.7%
Dividend yield	-	-
Expected life of options	3 years	3 years

(d) Flow-through shares:

In February 2010, the Company renounced \$12,763,472 of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds raised in 2009, and the Company recorded a future income tax liability of \$3,446,137, with a corresponding reduction in share capital.

Subsequent to December 31, 2010, the Company renounced \$9,075,000 of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds raised in 2010, and the Company will record a future income tax liability of \$2,450,250, with a corresponding reduction in share capital.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

7. Contributed surplus:

The continuity of the Company's contributed surplus is as follows:

	2010	2009
Contributed surplus, beginning of year	\$ 37,050,195	\$ 29,324,721
Fair value of options granted and vested during the year	1,493,960	7,737,515
Transferred to share capital on exercise of options	(116,039)	(12,041)
Contributed surplus, end of year	\$ 38,428,116	\$ 37,050,195

8. Commitments:

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

2011	\$ 56,197
2012	57,653
2013	59,110
2014	60,566
2015	56,734

Other commitments in respect of the Company's mineral properties are disclosed in note 4.

9. Management of capital:

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

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

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2010 and 2009

10. Management of financial risk:

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in note 9 of these financial statements. Accounts payable and accrued liabilities are due within the current operating period.

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

The Company is subject to interest rate risk on its cash and cash equivalents.

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

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

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

Cash and cash equivalents are classified as held-for-trading and are therefore recorded at fair value. At December 31, 2010 and 2009, the Company's cash and cash equivalents of \$16,798,832 (2009 - \$16,938,416) are classified as Level 1 within the fair value hierarchy.

11. Subsequent events:

Subsequent to December 31, 2010, the Company issued 205,000 common shares on the exercise of stock options for proceeds of \$192,350.



Corporate Information

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Emmet A. McGrath

Director

R. Sierd Eriks

Vice-President, Exploration

E. Louie Zioulas

Vice-President, Finance and Corporate Secretary