

URANIUM ENERGY CORP  
Form 10-Q  
March 12, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ [X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended **January 31, 2009**

or

☐ [ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-33706**

URANIUM ENERGY CORP.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation of  
organization)

98-0399476

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

9801 Anderson Mill Road, Suite 230, Austin, Texas

(Address of principal executive offices)

78750

(Zip Code)

(512) 828-6980

(Registrant's telephone number, including area  
code)

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

Yes S No ☐ ☒

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

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☐ Large accelerated filer

☐ S

☐ Accelerated filer

☐ Non-accelerated filer (Do not check if smaller reporting company)

☐ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☐ S

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **46,420,778** shares of common stock outstanding as of **March 12, 2009**.

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URANIUM ENERGY CORP.

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PART I

- FINANCIAL INFORMATION

**Item 1. Financial Statements**

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY 31, 2009**

**(Unaudited)**

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

**CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**COMMITMENTS AND CONTINGENCIES**

(Notes 4 and 10)

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

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

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

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URANIUM ENERGY, CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(Unaudited)

All share amounts have been restated to reflect the 2:1 reverse share consolidation in January 2005 and the 1.5:1 forward share split as of the date of record, February 28, 2006.

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

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

SUPPLEMENTAL CASH FLOW INFORMATION AND

NONCASH INVESTING  
AND FINANCING ACTIVITIES (Note 11)

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

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URANIUM ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2009 (Unaudited)

NOTE 1: NATURE OF OPERATIONS

Uranium Energy Corp. (the "Company") was incorporated on May 16, 2003 in the State of Nevada. The Company owns a 100% interest in UEC Resources Ltd. ("UEC Resources"), a private company incorporated in the province of British Columbia, Canada on December 21, 2007. Since November 1, 2004, the Company has acquired mineral leases and entered into joint venture agreements, directly or by way of option, for the purposes of exploring for economic deposits of uranium in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming. As at January 31, 2009 the Company has interests in approximately 54,700 net acres of mineral properties which have been staked, leased or optioned.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The Company commenced operations on May 16, 2003 and has not realized any significant revenues since inception. As at January 31, 2009 the Company has working capital of \$7,173,058 and an accumulated deficit of \$46,928,011. Existing cash resources are currently expected to provide sufficient funds through the upcoming year. The continuation of the Company as a going concern for a period of longer than the upcoming year is dependent upon the ability of the Company to obtain necessary financing to continue operations. The Company is in the exploration stage of its mineral property development and to date has not yet established any proven mineral reserves on its existing properties (refer to Note 2). The continued operations of the Company and the recoverability of the carrying value of its assets are ultimately dependent upon the ability of the Company to achieve profitable operations. As at January 31, 2009 the Company has completed private placements and received funding through the exercise of stock options and share purchase warrants for net proceeds of \$46,452,592 from the issuance of shares of the Company's common stock.

Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. They may not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements, however, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the audited consolidated financial statements for the year ended July 31, 2008 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. The interim unaudited consolidated financial statements should be read in conjunction with those consolidated financial statements included in the Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended January 31, 2009 are not necessarily indicative of the results that may be expected for the year ending July 31, 2009.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements include the accounts of Uranium Energy Corp. (incorporated in the State of Nevada, USA) and its wholly-owned subsidiary, UEC Resources Ltd. (incorporated in the province of British Columbia, Canada). All significant inter-company transactions and balances have been eliminated upon consolidation.

#### Cash and Cash Equivalents

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

#### Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral rights and property acquisitions, databases, land use agreements, and property and equipment, and the valuation of stock-based compensation. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

#### Mineral Property Costs

The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. Periodically, the Company assesses the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

#### Databases

Costs related to internally developed databases are expensed as incurred. Costs of acquired mineral property databases are capitalized upon acquisition. Mineral property databases are tested for impairment whenever events or changes indicate the carrying value amount may not be recoverable. An impairment loss is recognized if it is determined that the carrying amount is not recoverable and exceeds fair value. Mineral property databases are amortized over five years using the straight-line method.

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

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

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

In accordance with Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations," the Company will capitalize the measured fair value of asset retirement obligations to mineral rights and properties. The asset retirement obligations would be accreted to an undiscounted value until the time at which it they are expected to be settled. Actual retirement costs will be recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

#### Impairment of Long-Lived Assets

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

#### Financial Instruments

The fair values of cash and cash equivalents, restricted cash, other current monetary assets, accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's operations and financing activities are conducted primarily in United States dollars, and as a result the Company is not subject to significant exposure to market risks from changes in foreign currency rates. Management has determined that the Company is not exposed to significant credit risk.

#### Loss per Common Share

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

#### Foreign Currency Translation

The functional currency of the Company, including its subsidiary, is United States dollars. In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of the Company's subsidiary is translated into United



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States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than the Company's functional currency are included in the determination of net income in the period.

### Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at January 31, 2009 the Company had net operating loss carry forwards; however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these losses carry forwards.

### Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning January 1, 2006, the first day of the Company's fiscal year 2006. Stock-based compensation expense for employee awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. On a quarterly basis, the Company estimates expected forfeitures and updates the valuation accordingly.

### Property and Equipment

Property and equipment are recorded at cost and are amortized using the straight-line method over their estimated useful lives at the following rates:

|                        |               |
|------------------------|---------------|
| Computer Equipment     | 3 years       |
| Exploration Equipment  | 5 years       |
| Furniture and Fixtures | 5 years       |
| Leasehold Improvements | term of lease |
| Vehicles               | 5 years       |

## Recent Accounting Pronouncements

In February 2008 the FASB released FSP No. FAS 157-2. FSP No. FAS 157-2 defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. It does not defer recognition and disclosure requirements for financial assets and financial liabilities, or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. The Company does not anticipate that this statement will have an impact on its consolidated financial statements.

## NOTE 3: RESTRICTED CASH

Restricted cash included certificates of deposit issued to the Wyoming Department of Environmental Quality, Land Quality Division ("Wyoming DEQ, LQD"), in lieu of a surety bond. The certificates of deposit accrue interest at 3.5% and 2.0% per annum, are automatically renewable and are protected by federal insurance up to \$100,000. Additionally, the Company has deposits of \$15,000 with the Arizona State Land Department pursuant to exploration activities in the State of Arizona, and a deposit of \$5,418 with the State of Colorado pursuant to exploration activities in that state. During the six months ended January 31, 2009 the Company was notified that the two certificates of deposits held as surety bonds by the Wyoming Department of Environmental Quality, Land Quality Division would be released to the Company as the majority of land reclamation was completed to the satisfaction of the Wyoming DEQ, LQD. Accordingly a total of \$138,658 has been removed from restricted cash. An amount of \$5,300 remains held by the Wyoming DEQ, LQD.

## NOTE 4: MINERAL RIGHTS AND PROPERTIES

### Uranium Exploration

Since November 1, 2004, the Company has been acquiring mineral leases for the purpose of exploring for economic deposits of uranium in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming.

As at January 31, 2009 the Company has interests in 62,228 gross acres (54,700 net mineral acres) of mineral properties that have been staked, leased or optioned pursuant to agreements by the Company in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming for the purposes of uranium exploration for a total cost of \$13,758,903 including \$8,207,500 representing the fair value of non-cash compensation. The totals include 3,291 net acres (6,717 gross acres leased by Cibola Resources LLC of which the Company holds a 49% interest). These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium. As at January 31, 2009 total yearly recurring maintenance payments of \$230,579 are required to maintain existing mineral leases.

### Goliad Project

On October 11, 2005, the Company entered into a mineral asset option agreement (the "Moore Option") granting the Company the option to acquire certain mineral property leases in the State of Texas for total consideration of \$200,000 and 3,000,000 post-split restricted common shares at a fair value of \$0.33 per share. In consideration for the Moore Option and its partial exercise over the option term, the Company has made cash payments totaling \$200,000 and issued 3,000,000 post-split shares of restricted common stock. Upon completion of the terms of the Moore Option title to the leases were transferred to the Company.

Acquisition costs for the Moore Option total \$8,407,500 as at January 31, 2009 and include the following: (i) cash payments of \$200,000, (ii) 750,000 restricted common shares issued on October 11, 2005 with a fair value of \$250,000, (iii) 500,000 restricted common shares issued on April 10, 2006 with a fair value of \$1,150,000, (iv) 250,000 restricted common shares issued on September 28, 2006 with a fair value of \$462,500, (v) 750,000 restricted common shares issued on October 10, 2006 with a fair value of \$975,000, and (vi) 750,000 restricted common shares issued on April 11, 2007 with a fair value of \$5,370,000. Additionally, the Company has incurred \$284,498 in other mineral right and property acquisition charges on the Goliad project, for a cumulative cost of \$8,691,998 as at January 31, 2009.

#### Holley Option

On March 28, 2007 the Company entered into a letter option agreement (the "Holley Option") granting the Company the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of \$1,594,690. Under the terms of the Holley Option, and in order to maintain its option to acquire the assets, the Company is required to make the following option payments totaling \$1,500,000 to the order and direction of the Holley Option holders in the following manner:

- a. an initial payment of \$25,000 on the execution date (paid);
- b. a payment of \$100,000 on March 28, 2007 (paid);
- c. a payment of \$475,000 on or before April 27, 2007 (paid);
- d. a further payment of \$500,000 on or before April 27, 2008 (\$475,000 paid); and
- e. a final payment of \$400,000 on or before April 27, 2009.

Upon execution of the Holley Option the Company also reimbursed the Holley Option holders with approximately \$95,000 in prior regulatory fees and property payments. In addition, the Company will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any uranium or vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, the Company may elect to purchase the royalty interest at a base cost of \$300,000 for each 1% interest it wishes to acquire. Additionally, the Company has incurred \$12,068 in other mineral right and property acquisition charges related to the Holley Option, for a cumulative cost of \$1,181,758 as at January 31, 2009.

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#### Cibola Resources LLC

On April 27, 2007, with a reference date of April 26, 2007, the Company entered into a joint venture with Neutron Energy Inc. ("NEI"), a Wyoming corporation, in connection with the exploration of a property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the joint venture, Cibola Resources LLC ("Cibola"), a limited liability company under the laws of the State of Delaware, was formed to undertake the exploration activities as contemplated by the parties.

NEI acquired a ten year mining lease (the "Lease") to the Property from La Merced del Pueblo de Cebolleta ("Cebolleta"), a private entity that has the authority over the natural resources of the Property, pursuant to a Mining Lease and Agreement between Cebolleta and NEI effective April 6, 2007 (the "Mining Lease Agreement"), and has contributed the Lease to Cibola. Terms of the Lease provide for:

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- a. initial payments of \$3,000,000 (paid by NEI, of which 49% was reimbursed to NEI by the Company);
- b. an additional cash payment of \$2,000,000 six months from the effective date of the Lease (\$980,000 paid, being the Company's 49% portion);
- c. every year after April 6, 2007 until uranium production begins, an advance royalty of \$500,000 (to be deducted from any royalties paid in that same year);
- d. a recoverable reserve payment of \$1 per pound of recoverable uranium reserves upon the completion of a feasibility study by an independent mining engineering firm, which will be reduced by all prior payments as described in clause (a) through (c) above;
- e. a production royalty of between 4.50% and 8.0% depending upon the sale price of uranium; and
- f. the funding of a \$30,000 per year scholarship program.

The Company has reimbursed an aggregate of \$2,450,000 to NEI (49%) of the capital invested to date. As a result, NEI and the Company hold a 51% and 49% interest, respectively, in Cibola and the Company is obligated to pay 49% of all future commitments under the terms of the Lease. Additionally, the Company has paid \$662,505 in exploration costs on behalf of Cibola for a cumulative contribution of \$3,112,505. As an exploration stage company, Cibola has no liabilities as at January 31, 2009 and accordingly, \$2,450,000 in mineral right and property acquisition costs in addition to \$36,750 in database acquisition costs have been capitalized while other contributions of exploration costs have been charged to mineral property expenditures.

In December 2003, FASB issued FIN 46(R) "Consolidation of Variable Interest Entities" which requires investors to consolidate the financial information of investees in which they are the primary beneficiary. The Company is not the primary beneficiary in Cibola and accordingly, no consolidated financial information is required.

### New River Project

Effective November 1, 2007, the Company entered into a binding letter Agreement to Purchase Assets (the "Agreement") with Melvin O. Stairs, Jr. ("Mr. Stairs"), whereby the Company acquired from Mr. Stairs an undivided 100% legal, beneficial and registered interest in and to a certain mineral exploration claim represented by permit number 08-111678, which is located at T7N R3E, Section 32, in Maricopa County, Arizona (the "Mineral Claim"), together with a certain database containing various material information respecting the subject Mineral Claim (the Mineral Claim and its database, collectively, the "Assets").

On August 25, 2008 the Company entered into an agreement amending the underlying Agreement to Purchase Assets from Melvin O. Stairs, Jr. Under the terms of the Amending Agreement, the Purchase Price Payment has been amended to the following:

- a) Purchase Price Payments: pay to the order and direction of Mr. Stairs the following Purchase Price Payments in the aggregate sum of U.S. \$300,000 in the following manner and at the following times:
  - i) an initial and non-refundable Purchase Price Payment of U.S. \$10,000 immediately upon the Acceptance Date of the Agreement (paid);
  - ii) a further non-refundable Purchase Price Payments of U.S. \$95,000 on or before January 10, 2008 (paid); and

iii) a further non-refundable Purchase Price Payment of U.S. \$95,000 immediately upon the Acceptance Date of the Amending Agreement in the following manner:

- a. an initial U.S. \$57,000 cash payment (paid); and
- b. the U.S. \$38,000 balance by way of issuance of an aggregate of 19,000 fully paid and non-assessable restricted common shares at a deemed issuance price of \$2.00 per share (issued); and

iv) a further non-refundable Purchase Price Payment of U.S. \$100,000 payable on or before October 31, 2009 in the following manner:

- a. an initial U.S. \$50,000 cash payment; and
- b. the U.S. \$50,000 balance by way of issuance of an aggregate number of fully paid and non-assessable restricted common shares at a deemed issuance price calculated as the previous five-day trading average immediately prior to October 31, 2009, which would equate to the said balance of U.S. \$50,000; and

b) Purchase Price Maintenance Payments: pay, or cause to be paid, all outstanding, existing and future underlying regulatory and governmental fees, payments and assessment work required to keep the Mineral Claim interests comprising the Assets in good standing during the continuance of the Agreement and prior to our satisfaction of the entire Purchase Price consideration and including, without limitation, all permitting costs, transfer fees and any reclamation costs associated in any manner with the Mineral Claim interests comprising the Assets.

Pursuant to the terms of the Agreement, in order to secure the complete and timely payment of our purchase price obligations to Mr. Stairs under the Agreement, the Company granted a security interest in and to, a lien upon and a right of set-off against its right, title and interest in and to the Assets.

Additionally, the Company has incurred \$16,600 in other mineral right and property acquisition charges on the New River project, for a cumulative cost of \$188,670 as at January 31, 2009.

#### F-33 Acquisition (Todilto)

On November 13, 2007, the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, the Company paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date. On December 12, 2008 the Company entered into an agreement amending the aforementioned underlying agreement to acquire mineral leases to the following: 1) \$5,000 on or before December 31, 2008 (paid) and \$45,000 on or before December 31, 2009. At the Company's option, the final installment may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date.

Additionally, the Company has incurred \$91,203 in other mineral right and property acquisition charges on the Todilto project, for a cumulative cost of \$296,203 as at January 31, 2009.

During the six months ended January 31, 2009 the Company decided not to renew or continue certain lease and option agreements in Arizona, New Mexico and Texas. Accordingly, \$40,942 in mineral rights and properties have been written down to impairment.

Mineral property exploration costs on a regional basis are as follows:

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NOTE 5: DATABASES

Database acquisition costs consist of the following:

NOTE 6: LAND USE AGREEMENTS

Land use acquisition costs, including right-of-way and easement agreements consist of the following:

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

NOTE 8: RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2009 the Company had transactions with certain officers and directors of the Company as follows:

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- (a) incurred \$449,564 in management fees paid to directors and officers during the period, of which \$46,676 is outstanding as at January 31, 2009 and reported as due to related parties;
- (b) incurred \$170,250 in stock based compensation for the incremental fair value of options granted to directors and officers that were repriced during the period; and
- (c) incurred \$21,966 in general and administrative costs paid to companies controlled by a direct family member of a current officer.

All related party transactions involving provision of services or tangible assets were recorded at the exchange amount, which is the value established and agreed to by the related parties. As at January 31, 2009 a balance of \$3,640 for the reimbursement of administrative costs is due from companies controlled by direct family members of a current officer and a current director.

NOTE 9: STOCKHOLDERS

EQUITY

Share Capital

The Company's capital stock as at January 31, 2009 was 750,000,000 authorized common shares with a par value of \$0.001 per share. On January 9, 2006, a majority of shareholders voted to amend the Company's Articles of Incorporation to increase the authorized capital from 75,000,000 shares of common stock to 750,000,000 shares of common stock. The increase in authorized capital was effective on February 1, 2006.

On February 14, 2006, the Company's Board of Directors, pursuant to minutes of written consent in lieu of a special meeting, authorized and approved a forward stock split on a 1.5 new for one old basis of the Company's total issued and outstanding shares of common stock (the "Forward Stock Split"). The Forward Stock Split was effectuated with a record date of February 28, 2006, upon filing the appropriate documentation. The Forward Stock Split increased the Company's issued and outstanding shares of common stock from 14,968,222 to approximately 22,452,338 shares of common stock. The common stock continued to have a \$0.001 par value after the Forward Stock Split.

2009 Share Transactions

On August 13, 2008 the Company issued 7,500 restricted common shares pursuant to a financial consulting agreement. At the time of issuance, the shares had a value of \$2.06 per share and \$15,450 was recorded as stock-based consulting fees. Additionally, on October 23, 2008 the Company issued 7,500 restricted common shares pursuant to the same agreement. At the time of issuance, the shares had a value of \$0.53 per share and \$3,975 was recorded as stock-based consulting fees.

On October 23, 2008 the Company issued 19,000 restricted common shares pursuant to an asset purchase agreement (refer to Note 4). At the time of issuance, the shares had a value of \$0.53 per share and \$10,070 was recorded as stock-based mineral rights and properties acquisitions.

On December 5, 2008 the Company issued 25,000 restricted common shares pursuant to a land use agreement. At the time of issuance, the shares had a value of \$0.21 per share and \$5,250 was recorded as stock-based land use agreements.

During the six months ended January 31, 2009 a total of 30,000 common stock options were exercised for aggregate proceeds of \$10,000.

Share Purchase Warrants

The December 12, 2007 private placement included a registration rights agreement, requiring a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. Under the terms of the registration rights agreement, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than three years from the original date of issuance. If the Company fails to maintain the effectiveness of the registration statement for the three year period, additional warrants could be issuable as liquidated damages. Any additional warrant issuance is provided for under the terms of

the registration rights agreement whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. As at January 31, 2009 1,551,980 additional warrants could be issuable as liquidated damages through the three year period expiring December 12, 2010.

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The July 7, 2008 and July 18, 2008 private placements included a registration rights agreement, requiring a registration statement respecting the investors' securities within the Company declared effective by the SEC by September 25, 2008. Under the terms of the registration rights agreement, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than two years from the original date of issuance. If the Company fails to maintain the effectiveness of the registration statement for the two year period, additional warrants could be issuable as liquidated damages. Any additional warrant issuance is provided for under the terms of the registration rights agreement whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. As at January 31, 2009 2,798,028 additional warrants could be issuable as liquidated damages through the two year period expiring July 7, 2010 and July 18, 2010.

A summary of the Company's common share purchase warrants as at January 31, 2009 and changes during the period is presented below:

The aggregate intrinsic value ("AIV") under the provisions of SFAS No. 123R of the 500,000 compensation warrants previously issued to consultants as at January 31, 2009 was estimated at \$Nil.

#### Stock Options

On December 19, 2005 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,250,000 options. On April 10, 2006 the Company amended its 2005 Stock Option Plan whereby, subject to adjustment from time to time as provided in Article 11.1, whereby the number of common shares available for issuance under the Plan was increased from 5,250,000 shares to 7,500,000 shares. On October 10, 2006 the Company ratified the 2006 Stock Incentive Plan whereby, subject to adjustment from time to time as provided in Article 18.1, the number of common shares available for issuance under the Plan was increased to 10,000,000 shares.

On October 10, 2006, a total of 650,000 stock options were granted to employees, consultants, directors and officers at an exercise price of \$1.30 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$754,000 was estimated using the Black-Scholes option pricing model with an expected life of 1 year, a risk free interest rate of 4.09%, a dividend yield of 0%, and an expected volatility of 264.00%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$5.70 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$31,500 value of the options repriced during the period has been recorded as stock based consulting fees and management fees.

On January 2, 2007, a total of 565,000 stock options were granted to employees, consultants, and officers at an exercise price of \$3.30 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,548,100 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.22%, a dividend yield of 0%, and an expected volatility of 113%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$5.70 per share to \$0.95 and



\$0.45 respectively. During the six months ended January 31, 2009 the \$63,900 value of the options repriced during the period has been recorded as stock based consulting fees, management fees and wages.

On March 30, 2007, a total of 415,000 stock options were granted to employees, consultants, and officers at an exercise price of \$5.70 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,962,950 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.26%, a dividend yield of 0%, and an expected volatility of 116%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$5.70 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$91,555 value of the options earned and repriced during the period has been recorded as stock based consulting fees and wages.

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On November 1, 2007 a total of 660,000 stock options were granted to employees, consultants and a director at an exercise price of \$3.80 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,762,200 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 4.33%, a dividend yield of 0%, and an expected volatility of 87%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$3.80 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$336,519 value of the options earned and repriced during the period has been recorded as stock based consulting fees, management fees and wages.

On January 25, 2008 a total of 100,000 stock options were granted to consultants at an exercise price of \$2.45 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$162,000 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 3.50%, a dividend yield of 0%, and an expected volatility of 80%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$2.45 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$8,354 value of the options earned and repriced during the period has been recorded as stock based consulting fees.

On February 11, 2008 a total of 65,000 stock options were granted to consultants at an exercise price of \$2.68 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$125,450 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 3.00%, a dividend yield of 0%, and an expected volatility of 92%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$2.68 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$5,325 value of the options earned and repriced during the period has been recorded as stock based consulting fees.

On April 7, 2008 a total of 1,150,000 stock options were granted to employees, directors and officers at an exercise price of \$2.50 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,874,500 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 2.23%, a dividend yield of 0%, and an expected volatility of 80%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$2.50 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$118,449 value of the options earned and repriced during the period has been recorded as stock based management fees and wages.

On May 15, 2008 a total of 90,000 stock options were granted to employees at an exercise price of \$2.35 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$127,800 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 1.96%, a dividend yield of 0%, and an expected volatility of 73%. On November 1, 2008 and December 19, 2008 the Company approved the repricing of certain stock options from \$2.35 per share to \$0.95 and \$0.45 respectively. During the six months ended January 31, 2009 the \$33,442 value of the options earned and repriced during the period has been

recorded as stock based wages.

On November 7, 2008 a total of 240,000 stock options were granted to consultants and an employee at an exercise price of \$0.95 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$57,600 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 0.28%, a dividend yield of 0%, and an expected volatility of 105.16%. On December 19, 2008 and January 14, 2009 the Company approved the repricing of certain stock options from \$0.95 per share to \$0.45. During the six months ended January 31, 2009 the \$25,628 value of the options earned and repriced during the period has been recorded as stock based consulting fees and wages.

On January 14, 2009 a total of 20,000 stock options were granted to a consultant at an exercise price of \$0.45 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$7,400 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 0.10%, a dividend yield of 0%, and an expected volatility of 136.59%. During the six months ended January 31, 2009 the \$2,183 value of the options earned during the period has been recorded as stock based consulting fees and wages.

On November 1, 2008, December 19, 2008 and January 14, 2009 the Company approved the repricing of certain stock options issued to consultants, management and employees. On November 1, 2008 options with exercise prices ranging from \$2.35 to \$5.70 per share were repriced to \$0.95 per share. The fair value of the repricing was estimated using the Black-Scholes option pricing model with an expected life ranging from 3.2 to 4.6 years, a risk free interest rate of 0.24%, a dividend yield of 0%, and an expected volatility of 105%. On December 19, 2008 options with exercise prices ranging from \$0.95 to \$3.80 per share were repriced to \$0.45 per share. The fair value of the repricing was estimated using the Black-Scholes option pricing model with an expected life ranging from 2.9 to 4.9 years, a risk free interest rate of 0.11%, a dividend yield of 0%, and an expected volatility of 117%. On January 14, 2009 options with an exercise price of \$0.95 per share were repriced to \$0.45 per share. The fair value of the repricing was estimated using the Black-Scholes option pricing model with an expected life of 4.8 years, a risk free interest rate of 0.10%, a dividend yield of 0%, and an expected volatility of 137%. As at January 31, 2009 the remaining unvested incremental fair value of repriced options issued to employees was \$45,978.

A summary of the Company's stock options as at January 31, 2009 and changes during the period is presented below:

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The AIV under the provisions of SFAS No. 123R of all outstanding options as at January 31, 2009 was estimated at \$258,563. The AIV of options exercised during the six months ended January 31, 2009 was estimated at \$31,300.

#### Stock Based Compensation

A summary of stock based compensation expense for the six months ended January 31, 2009:

#### NOTE 10      COMMITMENTS

On September 6, 2007 the Company entered into an agreement for media distribution services valued at approximately \$270,000. Under the terms of the agreement, the Company paid a retainer of \$100,000, with the balance of the agreement due upon completion of the services. As at January 31, 2009 no services have been provided and accordingly, the \$100,000 retainer is classified as a prepaid expense.

On November 1, 2007 the Company entered into an asset purchase agreement for a mineral exploration claim and related database information located in Maricopa County, Arizona. On August 25, 2008 the Company entered into an agreement amending the underlying Agreement to Purchase Assets. Under the terms of the Amending Agreement, the Company will pay total consideration of \$300,000 including i) a \$10,000 deposit upon execution (paid), ii) an installment of \$95,000 cash on January 10, 2008 (paid), iii) an installment of \$95,000 on August 25, 2008 consisting of \$57,000 cash (paid) and the issuance of 19,000 fully paid and non-assessable restricted common shares (issued), and iv) a further installment totaling \$100,000 on or before October 31, 2009 consisting of \$50,000 cash and the \$50,000 balance by way of issuance of an aggregate number of fully paid and non-assessable restricted common shares at a deemed issuance price calculated as the previous five-day trading average immediately prior to October 31, 2009. Additionally, the Company has granted the seller security interest on the acquired assets until the agreement is paid in full.

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On November 13, 2007 the Company entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, the Company paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At the Company's option, the final two installments may be paid in stock, based on the average trading price of the Company's common stock over the 10 days immediately preceding the due date. On December 12, 2008, the Company entered into an agreement amending the aforementioned underlying agreement to acquire mineral leases to the following: 1) \$5,000 on or before December 31, 2008 (paid) and \$45,000 on or before December 31, 2009. At the Company's option, the final installment may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date.

The Company is committed to pay its key executives a total of approximately \$445,000 per year for management services.

The Company is currently leasing office premises in New Mexico, Texas, and Wyoming with total monthly payments of \$8,298 with all agreements having a remaining term of no more than two years. Additionally, the Company is renting office space in Vancouver, Canada on a month to month basis at approximately \$4,100 per month.

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

#### Goliad County Notice

As disclosed in the Company's Current Report on Form 8-K filed on March 20, 2008 with the SEC, a lawsuit has been filed in U.S. District Court by Goliad County, Texas and an individual landowner alleging infractions of the United States Safe Drinking Water Act of 1974 in connection with its exploration activities in Goliad County. The Company believes this claim regarding its exploration activities to be completely without merit and will be vigorously defended. The responsible state agency with sole jurisdiction over the Company's exploration activities previously thoroughly investigated a similar claim by the County and found the Company to be in compliance with all applicable regulatory and environmental requirements.

Specifically, as the agency noted in an April 2007 letter to the County's attorney, the state agency hydrologist "concluded from the available information that no ground-water contamination has occurred as a result of the drilling activities." The state agency concluded its letter by noting that "[t]o date, the Commission's investigation of your complaint has not revealed any practice or activity within the approved permit area that has adversely affected the wells identified in your complaint or the related aquifer, or is out of compliance with the Texas Uranium Mining

Regulations...". Later in a September 2007 letter to the Goliad groundwater district, the agency reiterated its findings stating the agency's "investigation of your complaint has not revealed any practice or activity at UEC's Uranium Exploration Permit No. 123 that is out of compliance... We consider this investigation to be closed."

The Company's Goliad Project has been inspected on a monthly basis since the close of the investigation, and no violations have been noted. In fact, an inspection report from November of 2007 observed that "prompt attention" to site restoration during exploration was apparent and "the area inspected looked very good". The Company is dedicated to full compliance with all aspects of the state regulatory process and will continue to focus its attention and efforts on obtaining all necessary authorizations for its Goliad Project.

The lawsuit, which was commenced by the filing of the plaintiffs' Original Complaint on or about March 17, 2008, follows on a notice of intent to file litigation issued by counsel for Goliad County which was disclosed in the Company's current report filed with the SEC on Form 8-K on March 3, 2008. The plaintiffs have requested that the Court grant the following relief: (a) that the Court exercise jurisdiction over the lawsuit; (b) an order enjoining the Company from further exploration activities in the Weesatche Project in Goliad County; (c) an order requiring the Company to clean up the alleged contamination of the aquifer; (d) an order enjoining initiation of the aquifer exemption process until the Company has cleaned up the alleged contamination; (e) an order prohibiting the Company from using any water quality data for purposes of establishing baseline water quality if such data was collected after initiation of mining activity (although the Company has not commenced any mining activity); (f) an order granting Goliad County payment of its expert fees incurred in the prosecution of the lawsuit; (g) an order granting Goliad County payment of its attorney fees; and (h) such additional relief as the Court may deem just, proper and equitable, including an award of reasonable attorneys' fees, expenses and costs.

**NOTE 11            SUPPLEMENTAL CASH FLOW INFORMATION AND  
NONCASH INVESTING AND FINANCING ACTIVITIES**

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On October 23, 2008 the Company issued 19,000 restricted common shares pursuant to an asset purchase agreement (refer to Note 4). At the time of issuance, the shares had a value of \$0.53 per share and \$10,070 was recorded as stock-based mineral rights and properties acquisitions.

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On December 5, 2008 the Company issued 25,000 restricted common shares pursuant to a land use agreement. At the time of issuance, the shares had a value of \$0.21 per share and \$5,250 was recorded as stock-based land use acquisitions.

**NOTE 12            SUBSEQUENT EVENTS**

On January, 14, 2009, the Company entered into an option and joint venture agreement (the "Agreement") with Uran Limited ("Uran") of Perth, Australia, in connection with the proposed exploration and development of certain tenements comprising the Company's "Grants Ridge" uranium project project located in New Mexico. The Agreement was subject to Uran's satisfactory completion of due diligence work on the Grants Ridge project which was completed in February of 2009 in accordance with terms of the Agreement. Upon completion of the following terms of the Agreement, Uran can earn a 65% interest in the Grants Ridgeproject by: (a) making an initial cash payment of \$75,000 (now received); (b) incurring project exploration expenditures of \$100,000 in year one, \$200,000 in year two, \$300,000 in year three, \$400,000 in year four and \$500,000 in year five, for total aggregate exploration expenditures of \$1,500,000 over the 5 year option period; (c) completing a feasibility study; and (d) issuing and delivering an initial 1,000,000 Uran ordinary shares to the Company (now received) plus issue a further 750,000 shares staged over the next 3 years for total aggregate issuance of 3,250,000 Uranordinary shares. Uran can withdraw from the Agreement

after expenditures of \$250,000.

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

**FORWARD-LOOKING STATEMENTS**

This Form 10-Q for the quarterly period ended January 31, 2009 contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this document include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties set forth in reports and other documents we have filed with or furnished to the SEC, including, without limitation, our Form 10-K for the period ended July 31, 2008. These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this document. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this document are made as of the date of this document and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

**OVERVIEW**

As used in this Quarterly Report: (i) the terms "we", "us", "our", "Uranium Energy" and the "Company" mean Uranium Energy Corp. and its wholly owned subsidiary, UEC Resources Ltd., unless the context otherwise requires; (ii) "SEC" refers to the Securities and Exchange Commission; (iii) "Securities Act" refers to the Securities Act of 1933, as amended; (iv) "Exchange Act" refers to the Securities Exchange Act of 1934, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

The following discussion of our plan of operations, results of operations and financial condition as at and for the six months ended January 31, 2009 should be read in conjunction with our unaudited interim consolidated financial statements and related notes for the six months ended January 31, 2009 included in this Quarterly Report, as well as our Annual Report on Form 10-K for the year ended July 31, 2008.

**General**

Our company was incorporated under the laws of the State of Nevada on May 16, 2003 under the name "Carlin Gold Inc." During 2004 we changed our business operations and focus from precious metals exploration in the State of

Nevada to the exploration for economic reserves of uranium throughout the United States. On January 24, 2005, we filed an amendment to our Articles of Incorporation changing our name to "Uranium Energy Corp.". On December 31, 2007, UEC Resources Ltd., a wholly-owned subsidiary of Uranium Energy Corp. was incorporated under the laws of the Province of British Columbia, Canada.

On January 24, 2004, we completed a reverse stock split of our shares of common stock on the basis of one share for each two outstanding shares. Effective February 28, 2006, we completed a forward split of our shares of common stock on the basis of 1.5 shares for each outstanding share to increase liquidity for our shares of common stock. Effective February 28, 2006, we amended our Articles of Incorporation with the Nevada Secretary of State increasing our authorized capital stock from 75,000,000 shares of common stock, with a \$0.001 par value, to 750,000,000 shares of common stock with a similar par value.

In June 2007, we determined to change our fiscal year end from December 31 to July 31. Accordingly, on October 29, 2007, we filed a Transition Report on Form 10-KSB for the period year ended July 31, 2007, as subsequently amended, with the SEC and commenced a new reporting period.

Our principal offices are located at 9801 Anderson Mill Road, Suite 230, Austin Texas, U.S.A., 78750, and our telephone number is (512) 828-6980, and our web site address is [www.uraniumenergy.com](http://www.uraniumenergy.com).

## Our Business Operations

We are a natural resource exploration and development company engaged in the exploration and development of properties that may contain uranium minerals in the United States. Our strategy is to acquire properties that are thought to contain economic quantities of uranium ore and have undergone some degree of uranium exploration but have not yet been mined. As of the date of this Quarterly Report, we have interests in uranium exploration mineral properties totaling 62,228 gross acres (54,700 net mineral acres) of leased, staked or optioned mineral properties, consisting of claim blocks located in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming, which we intend to explore for economic deposits of uranium. These properties are subject to varying royalty interests, some of which are indexed to the sale price of uranium. The totals include 3,291 net acres (6,717 gross acres) leased by Cibola Resources LLC in which the Company holds a 49% interest. Many of these properties have been the subject of historical exploration by other mining companies. We believe that our properties are prospective for mineral exploration based on either prior exploration conducted by other companies, or management information and work products derived from various reports, maps, radioactive rock samples, exploratory drill logs, state organization reports, consultants, geological study, and other exploratory information.

Our principal mineral properties are the Goliad project in Goliad County, Texas and the Cibola Resources LLC, Cebolleta joint venture project in Cibola County, New Mexico.

The acreage and location of our mineral properties are summarized as follows:

(\*) Certain of our interests in our mineral properties in Texas and New Mexico are less than 100%. Accordingly, we have presented the acreage of our mineral properties on a net acre basis.

We use our database of exploration data in order to target additional exploration properties for acquisition. For the remainder of the 2009 fiscal year, we may acquire further acres of mineral properties consisting of claim blocks located in, but not limited to the states of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming. Our ability to complete these acquisitions will be subject to obtaining sufficient financing and being able to conclude agreements

with the property owners on terms that are acceptable to us. See "Risk Factors" below. These potential acquisition properties have not yet been specifically identified.

Our properties do not have any known reserves. We plan to conduct exploration programs on these properties with the objective of ascertaining whether any of our properties contain economic concentrations of uranium that are prospective for mining. As such, we are considered an exploration or exploratory stage company. Since we are an exploration stage company, there is no assurance that a commercially viable mineral deposit exists on any of our properties, and a great deal of further exploration will be required before a final evaluation as to the economic and legal feasibility for our future exploration is determined. We have no known reserves of uranium or any other type of mineral. Since inception, we have not established any proven or probable reserves on our mineral property interests.

#### Our Mineral Exploration Properties

We are participating in our mineral properties in the States of Arizona, Colorado, New Mexico, Texas, Utah and Wyoming by way of mining claims and mineral leases. Certain properties were staked and claimed by us and registered with the United States Bureau of Land Management ("BLM"). Claim blocks acquired in this manner exist in Arizona, Colorado, New Mexico and Wyoming. We have surface access and complete mineral rights to an unlimited depth below surface. The claims are in effect for an indefinite period provided the claims are kept in good standing with the BLM and the counties. Annual maintenance fees to be paid to the BLM are relatively nominal. We will also be required to remediate the land upon release of the claim - bringing the land back into the state it was originally, prior to the commencement of our exploration activities. These costs are determined by the BLM and bonded accordingly.

In the States of New Mexico, Utah and Texas, we are participating in our mineral properties by way of property lease directly from the owners of the land/mineral rights. These leases give us similar access and privileges as described above, however with some important differences. Although we will have access to the surface, the mineral rights below surface are restricted to uranium and associated fissionable minerals only, with any other minerals and hydrocarbons, including, for example, petroleum, retained by the lessor. The lease terms are for five years, and include five-year renewal periods. After the expiration of the second five-year term, the leases will be either held by production or the leases will be terminated. These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium at the time of production. Royalty payments must be made to the lessor in the event that we extract uranium ore from the properties. All royalties are based on the gross sales revenue less certain charges and fees.

These properties do not have any indicated or inferred minerals or reserves. We plan to conduct exploration programs on these properties with the intent to prove or disprove the existence of economic concentrations of uranium. Since inception, we have not established any proven or probable reserves on our mineral property interests.

#### Recent Exploration Activities

##### Goliad

During the 2009 fiscal year and through the date of this Quarterly Report, we continued the initial confirmation drilling at our 100% controlled Goliad project in Goliad County, Texas (the "Goliad Lease"). Our drilling program consists of ongoing drilling in order to confirm and expand the existence of historically drill-indicative resources on the property (as identified by Moore Energy Corporation during the 1980's) and extending historically identified mineralized trends.

As of the date of this Quarterly Report, current drilling is filling in gaps and defining boundaries within the historically delineated ore bodies as originally developed by Moore Energy Corporation in the 1980s based on 190,000 feet of drilling in approximately 450 holes. To date, we have completed a further 901 exploration, confirmation and delineation holes totaling 332,354 feet, 36 new core holes totaling 9,408 feet, 66 monitor wells totaling 13,636 feet and 8 fault pump testing wells totaling 1,702 feet.

We have received an updated technical report (the "Technical Report") in accordance with the provisions of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"), of the Canadian Securities Administrators for our Goliad Project located in Goliad County, Texas. The complete Technical Report has been filed under our company's profile on the Canadian Securities Administrators public disclosure website, at [www.sedar.com](http://www.sedar.com). The Technical Report is authored by Thomas A. Carothers, P.Geo., a qualified person as defined in NI 43-101, who has over 30 years of uranium experience, substantially in the South Texas Uranium trend. His experience includes working directly for two operating ISR mining companies in South Texas, US Steel and Tenneco Uranium, during the 1970s and 1980s.

As required by NI 43-101, the Technical Report contains certain disclosure relating to measured, indicated and inferred mineral resource estimates for the Company's Goliad Project. Such mineral resources have been estimated in accordance with the definition standards on mineral resources of the Canadian Institute of Mining, Metallurgy and Petroleum referred to in NI 43-101. Measured mineral resources, indicated mineral resources and inferred mineral resources, while recognized and required by Canadian regulations, are not defined terms under the SEC's Industry Guide 7, and are normally not permitted to be used in reports and registration statements filed with the SEC. Accordingly, we have not reported them in this report or otherwise in the United States.

Investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. In particular, it should be noted that mineral resources which are not mineral reserves do not have demonstrated economic viability. It cannot be assumed that all or any part of measured mineral resources, indicated mineral resources or inferred mineral resources discussed in the news release and Technical Report will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. Investors are cautioned not to assume that any part of the reported measured mineral resources, indicated mineral resources or inferred mineral resources referred to in this news release and in the Technical Report are economically or legally mineable.

## RESULTS OF OPERATIONS

Three Months Ended January 31, 2009 Compared to Three Months Ended January 31, 2008

We are an exploration stage company and net production revenues during the three months ended January 31, 2009 and 2008 were \$Nil.

Operating expenses incurred during the three months ended January 31, 2009 decreased to \$2,819,863 from \$4,511,886 over the same period ended January 31, 2008. The decrease is primarily due to a reduction in consulting, administration and exploration costs, in addition to a decrease in stock-based compensation expenses. Significant expenditures and changes are outlined as follows:



- Consulting fees decreased to \$57,854 during the three months ended January 31, 2009 from \$147,169 during the same period ended January 31, 2008 due primarily to a reduction in the reliance on third party service providers as we reduced some of our operations.
- Consulting fees - stock based decreased to \$68,311 during the three months ended January 31, 2009 from \$213,279 during the same period ended January 31, 2008. The current and prior period expense consists of the fair value of option grants earned during the period. Additionally, the current period expense includes the fair value of option grants issued to consultants that were repriced during the quarter.
- Depreciation increased to \$135,127 during the three months ended January 31, 2009 from \$81,011 during the same period ended January 31, 2008 due to significant investments in property, equipment and databases during the prior fiscal year that were not subject to amortization in the comparable period.
- General and administrative costs decreased to \$704,814 during the three months ended January 31, 2009 from \$1,358,014 during the same period ended January 31, 2008 due to the general reduction in some of our operations and personnel, including salary reductions, in the current period as compared to the prior period.
- Impairment loss increased to \$40,942 during the three months ended January 31, 2009 from \$Nil during the same period ended January 31, 2008. During the quarter, we opted not to renew certain mineral claims and leases in the States of Arizona, New Mexico and Texas. Accordingly, an impairment loss was recorded as of January 31, 2009 to reflect the change in valuation.

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- Management fees decrease to \$232,679 during the three months ended January 31, 2009 from \$286,455 during the same period ended January 31, 2008 due primarily to bonuses incurred in the prior year, which was partially offset by increases in executive compensation from the comparable period.
- Management fees - stock based decreased to \$170,250 during the three months ended January 31, 2009 from \$267,000 during the same period ended January 31, 2008. The current period expense consists of the incremental fair value of option grants issued to management that were repriced during the quarter. The prior period expense consists of the fair value of option grants earned during the period.
- Mineral property expenditures decreased to \$1,124,116 during the three months ended January 31, 2009 from \$1,431,894 during the same period ended January 31, 2008 due to the reduction in some of our exploration activities over the prior period.
- Professional fees decreased to \$53,711 during the three months ended January 31, 2009 from \$201,974 during the same period ended January 31, 2008. The decrease results primarily from the reduction in some of our operations over the prior period.
- Wages and benefits - stock based decreased to \$232,059 during the three months ended January 31, 2009 from \$525,090 during the same period ended January 31, 2008. The current and prior year expenses consist of the fair value of option grants earned during the period. The current period expense also consists of the incremental fair value of option grants issued to employees that were repriced during the quarter.

Interest and other income decreased to \$8,826 during the three months ended January 31, 2009 from \$63,386 during the same period ended January 31, 2008 due to significantly lower investment rates during the current period.

Deferred tax expense decreased to \$Nil during the three months ended January 31, 2009 from \$90,101 during the same period ended January 31, 2008. The deferred tax benefit was calculated on the estimated unrealized gain on available-for-sale securities in the prior fiscal period which was reflected in other comprehensive income.

Our net loss during the three months ended January 31, 2009 was \$2,811,037 or (\$0.06) per share compared to a net loss of \$4,538,601 or (\$0.12) per share during the same period ended January 31, 2008. The weighted average number of shares outstanding was 46,398,228 for the three months ended January 31, 2009 compared to 38,751,900 for the same period ended January 31, 2008.

#### Transactions with Officers and Directors

Of the \$2,819,863 incurred as operating expenses during the three months ended January 31, 2009 an aggregate of \$232,679 was incurred payable to certain officers and directors and recorded as management fees, and \$170,250 was recorded as stock based compensation for the incremental fair value of option grants issued to management that were repriced during the quarter. At January 31, 2009 a balance of \$46,676 in accrued vacation is owing to some of our officers. A balance of \$3,640 for the reimbursement of administrative costs at January 31, 2009 is due from companies controlled by direct family members of a current officer and a current director.

#### Six Months Ended January 31, 2009 Compared to Six Months Ended January 31, 2008

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We are an exploration stage company and net production revenues during the six months ended January 31, 2009 and 2008 were \$Nil.

Operating expenses incurred during the six months ended January 31, 2009 decreased to \$6,576,613 from \$8,329,861 over the same period ended January 31, 2008. The decrease is primarily due to a reduction in consulting, administration and exploration costs, in addition to a decrease in stock-based compensation expenses. Significant expenditures and changes are outlined as follows:

- Consulting fees decreased to \$118,540 during the six months ended January 31, 2009 from \$302,058 during the same period ended January 31, 2008 due primarily to a reduction in the reliance on third party service providers as we reduced some of our operations.
- Consulting fees - stock based decreased to \$79,715 during the six months ended January 31, 2009 from \$318,233 during the same period ended January 31, 2008. The current and prior period expense consists of the fair value of option grants earned during the period. Additionally, the current period expense includes the fair value of option grants issued to consultants that were repriced during the quarter.
- Depreciation increased to \$267,120 during the six months ended January 31, 2009 from \$150,954 during the same period ended January 31, 2008 due to significant investments in property, equipment and databases during the prior fiscal year that were not subject to amortization in the comparable period.
- General and administrative costs decreased to \$1,748,670 during the six months ended January 31, 2009 from \$2,506,007 during the same period ended January 31, 2008 due to the general reduction in some of our operations and personnel, including salary reductions, in the current period as compared to the prior period.

- Impairment loss increased to \$40,942 during the six months ended January 31, 2009 from \$Nil during the same period ended January 31, 2008. During the period, we opted not to renew certain mineral claims and leases in the States of Arizona, New Mexico and Texas. Accordingly, an impairment loss was recorded as of January 31, 2009 to reflect the change in valuation.

- Management fees increased to \$449,564 during the six months ended January 31, 2009 from \$430,153 during the same period ended January 31, 2008 due to increases in executive compensation from the comparable period, which was partially offset by bonuses incurred in the prior year.
- Management fees - stock based decreased to \$170,250 during the six months ended January 31, 2009 from \$267,000 during the same period ended January 31, 2008. The current period expense consists of the incremental fair value of option grants issued to management that were repriced during the period. The prior period expense consists of the fair value of option grants earned during the period.
- Mineral property expenditures decreased to \$2,938,301 during the six months ended January 31, 2009 from \$3,280,627 during the same period ended January 31, 2008 due to the reduction in some of our exploration activities over the prior period.
- Professional fees decreased to \$292,647 during the six months ended January 31, 2009 from \$322,107 during the same period ended January 31, 2008 due primarily to the reduction in some of our operations over the prior period.
- Wages and benefits - stock based decreased to \$470,864 during the six months ended January 31, 2009 from \$752,722 during the same period ended January 31, 2008. The current and prior year expenses consist of the fair value of option grants earned during the period. Additionally, the current period expense includes the incremental fair value of option grants issued to employees that were repriced during the period.

Interest and other income decreased to \$48,490 during the six months ended January 31, 2009 from \$141,782 during the same period ended January 31, 2008 due to significantly lower investment rates during the current period.

Deferred tax expense decreased to \$Nil during the six months ended January 31, 2009 from \$117,879 during the same period ended January 31, 2008. The deferred tax benefit was calculated on the estimated unrealized gain on available-for-sale securities in the prior fiscal period which was reflected in other comprehensive income.

Our net loss during the six months ended January 31, 2009 was \$6,528,123 or (\$0.14) per share compared to a net loss of \$8,305,958 or (\$0.22) per share during the same period ended January 31, 2008. The weighted average number of shares outstanding was 46,372,367 for the six months ended January 31, 2009 compared to 38,185,316 for the same period ended January 31, 2008.

#### Transactions with Officers and Directors

Of the \$6,576,613 incurred as operating expenses during the six months ended January 31, 2009 an aggregate of \$449,564 was incurred payable to certain officers and directors and recorded as management fees, and \$170,250 was recorded as stock based compensation for the incremental fair value of option grants issued to management that were repriced during the period. At January 31, 2009 a balance of \$46,676 in accrued vacation is owing to some of our officers. A balance of \$3,640 for the reimbursement of administrative costs at January 31, 2009 is due from companies controlled by direct family members of a current officer and a current director.

## LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

At January 31, 2009 we had \$7,482,400 in cash and working capital of \$7,173,058. Generally, we have financed our operations through proceeds from the private placement of equity securities and debt instruments and the exercise of stock options and warrants. We used \$5,654,918 net cash during the six months ended January 31, 2009 compared to \$2,294,484 net cash during the same period ended January 31, 2008. See "Plan of Operation and Funding" below.

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#### Operating Activities

Net cash used in operating activities during the six months ended January 31, 2009 was \$5,756,515 compared to \$6,626,094 during the same period ended January 31, 2008. Significant operating expenditures during the current period included mineral property expenditures, and general and administrative costs.

#### Financing Activities

Net cash provided by financing activities during the six months ended January 31, 2009 was \$63,193 compared to \$6,632,758 during the same period ended January 31, 2008. During the current period, we received net proceeds of \$10,000 from the exercise of stock options. In the prior period, we completed a private placement for gross proceeds of \$6,750,000.

#### Investing Activities

Net cash provided by investing activities during the six months ended January 31, 2009 was \$38,404 compared to net cash used of \$2,301,148 in the same period ended January 31, 2008. In the current period we recovered \$138,658 in restricted cash. Significant investing expenditures during the prior period included mineral property acquisitions, including a \$980,000 payment related to the Cibola Resources LLC agreement.

#### Stock Options and Warrants

As at January 31, 2009 we had 5,323,000 stock options and 3,940,898 share purchase warrants outstanding. The outstanding stock options have a weighted average exercise price of \$0.65 per share and the outstanding warrants have a weighted average exercise price of \$2.89 per share. Accordingly, as at January 31, 2009 the outstanding options and warrants represented a total of 9,263,898 shares issuable for proceeds of approximately \$14,849,000 if these options and warrants were exercised in full. The exercise of these options and warrants is at the discretion of the holders and, accordingly, there is no assurance that any of these options or warrants will be exercised.

#### Plan of Operation and Funding

We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments and the exercise of stock options and warrants. In connection with our business plan, management anticipates to incur operating expenses and capital expenditures relating to: (i) uranium exploration operating activities; (ii) possible future reserve definition; (iii) possible future mining initiatives on current and future properties; and (iv) future possible property acquisitions. We

intend to finance these expenses with further issuances of securities, and debt issuances. We may need to raise additional capital to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

#### Going Concern

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

We commenced operations on May 16, 2003, and have not realized any significant revenues since inception. As at January 31, 2009 we have working capital of \$7,173,058 and an accumulated deficit of \$46,928,011. Existing cash resources are currently not expected to provide sufficient funds through the upcoming year. The continuation of the Company as a going concern for greater than 12 months is dependent upon the ability of the Company to obtain necessary financing to continue operations. We are in the exploration stage of our mineral property development and to date have not yet established any known mineral reserves on any of our existing properties (refer to Note 2). Our continued operations and the recoverability of the carrying value of our assets are ultimately dependent upon our ability to achieve profitable operations. To date we have completed private placements and exercised stock options and warrants for net proceeds of \$46,452,592 from the issuance of shares of our common stock. See "Risk Factors" below.

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#### Material Commitments

##### Holley Option

On March 28, 2007, we entered into the Holley Option granting us the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of \$1,594,690. Under the terms of the Holley Option, and in order to maintain our option to acquire the assets, we are required to make the following option price payments totaling \$1,500,000 to the order and direction of the Holley Option holders in the following manner:

- a. an initial payment of \$25,000 on the execution date (paid);
- b. a payment of \$100,000 on March 28, 2007 (paid);
- c. a payment of \$475,000 on or before April 27, 2007 (paid);
- d. a further payment of \$500,000 on or before April 27, 2008 (\$475,000 paid); and
- e. a final payment of \$400,000 on or before April 27, 2009.

Upon execution of the Holley Option, we also reimbursed the Holley Option holders approximately \$95,000 for prior regulatory property payments having been made to the New Mexico Bureau of Land Management. In addition, we will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any Uranium or Vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the

option period or thereafter, we may elect to purchase the royalty interest at a base cost of \$300,000 for each 1% royalty interest it wishes to acquire.

#### Cibola Resources LLC

On April 27, 2007, we entered into a joint venture (the "Joint Venture") with Neutron Energy Inc., a Wyoming corporation ("NEI") in connection with exploration of property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the Joint Venture, Cibola Resources LLC, a Delaware limited liability company ("Cibola"), was formed for purposes of undertaking exploration activities contemplated by the Joint Venture.

On April 6, 2007, NEI and La Merced del Pueblo de Cebolleta, a private entity that has authority over the natural resources of the Property ("Cebolleta"), entered into a mining lease agreement (the "Mining Lease Agreement"), pursuant to which NEI acquired the mining lease to the Property from Cebolleta (the "Lease") for cash payments of \$3,000,000. As of June 30, 2007, we have reimbursed NEI an aggregate of \$1,470,000. As a result, we have a 49% equity interest in Cibola and NEI has a 51% equity interest in Cibola, respectively. NEI contributed the Lease to Cibola Resources LLC.

Under terms of a Letter Agreement (the "Letter Agreement") between Cebolleta and NEI, further payments to the order and direction of Cebolleta are required as follows:

- a. \$2,000,000 six months from the effective date of the Letter Agreement (paid \$980,000, being the Company's portion);
- b. \$500,000 representing an advanced royalty, every 12 months from the effective date of the Letter Agreement until uranium production begins (to be deducted from any royalties paid in that same year);
- c. \$1.00 per pound upon an independent mining engineering firm's completion of a feasibility study, and all prior payments made to Cebolleta will be credited to the recoverable reserve payment;
- d. 4.50% to 8.00% production royalty payments depending upon the uranium sale price; and
- e. \$30,000 per year towards a scholarship fund.

We are required to contribute 49% of the aforementioned payments in order to retain our interest in the Joint Venture. Through the date of this Quarterly Report, the Company has paid \$2,450,000 in acquisition costs and an additional \$662,505 in exploration costs on behalf of Cibola for a cumulative contribution of \$3,112,505.

#### Consulting Agreement

On September 6, 2007 we entered into an agreement for media distribution services valued at approximately \$270,000. Under the terms of the agreement, we paid a retainer of \$100,000, with the balance of the agreement due upon completion of the services.

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#### New River Project Acquisition

On November 1, 2007 we entered into a binding letter Agreement to Purchase Assets with Melvin O. Stairs, Jr. ("Mr. Stairs") for a mineral exploration claim and related database information located in Maricopa County, Arizona. On

August 25, 2008 we entered into an agreement amending the underlying Agreement to Purchase Assets. Under the terms of the Amending Agreement, the Company will pay total consideration of \$300,000 including i) a \$10,000 deposit upon execution (paid), ii) an installment of \$95,000 cash on January 10, 2008 (paid), iii) an installment of \$95,000 on August 25, 2008 consisting of \$57,000 cash (paid) and the issuance of 19,000 fully paid and non-assessable restricted common shares (issued), and iv) a further installment totaling \$100,000 on or before October 31, 2009 consisting of \$50,000 cash and the \$50,000 balance by way of issuance of an aggregate number of fully paid and non-assessable restricted common shares at a deemed issuance price calculated as the previous five-day trading average immediately prior to October 31, 2009. Additionally, we have granted Mr. Stairs security interest on the acquired assets until the agreement is paid in full.

#### F-33 Acquisition

On November 13, 2007, we entered into an agreement to acquire certain mineral property leases located in Cibola County, New Mexico for total consideration of \$400,000. Under the terms of the agreement, we paid an initial deposit of \$100,000 upon closing with the remaining balance due in three installments of \$100,000 due on March 31, 2008 (paid), December 31, 2008, and December 31, 2009. At our option, the final two installments may be paid in stock, based on the average trading price of our common stock over the 10 days immediately preceding the due date. On December 12, 2008 we entered into an agreement amending the aforementioned underlying agreement to acquire mineral leases to the following: 1) \$5,000 on or before December 31, 2008 (paid) and \$45,000 on or before December 31, 2009. At our option, the final installment may be paid in stock, based on the average trading price of its common stock over the 10 days immediately preceding the due date.

#### Management Fees

We are committed to pay our key executives a total of approximately \$445,000 per year for management services.

#### Office Leases

We are currently leasing office premises in New Mexico and Texas for monthly payments totaling \$6,298. All office lease agreements have maximum remaining terms of no more than two years.

#### Off-Balance Sheet Arrangements

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

#### Critical Accounting Policies

##### Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral property acquisitions, valuation of stock-based compensation, and valuation of available-for-sale securities. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

## Mineral Property Costs

We are primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. At the end of each fiscal quarter end, we assess the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

As of the date of this Quarterly Report, we have not established any proven or probable reserves on our mineral properties and incurred only acquisition and exploration costs.

## Databases

Costs related to internally developed databases are expensed as incurred. Costs of acquired mineral property databases are capitalized upon acquisition. Mineral property databases are tested for impairment whenever events or changes indicate the carrying value amount may not be recoverable. An impairment loss is recognized if it is determined that the carrying amount is not recoverable and exceeds fair value. Mineral property databases are amortized over five years using the straight-line method.

## Restoration and Remediation Costs (Asset Retirement Obligations)

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

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

In accordance with Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations," we will capitalize the measured fair value of asset retirement obligations to mineral rights and properties. The asset retirement obligations would be accreted to an undiscounted value until the time at which they are expected to be settled. Actual retirement costs will be recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

## Impairment of Long-Lived Assets

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



measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

#### Financial Instruments

The fair values of cash and cash equivalents, restricted cash, other current monetary assets, accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Our operations and financing activities are conducted primarily in United States dollars, and as a result we are not subject to significant exposure to market risks from changes in foreign currency rates. Management has determined that we are not exposed to significant credit risk.

#### Foreign Currency Translation

Our functional currency, including our subsidiary, is United States dollars. UEC Resources Ltd. maintains its accounting records in their local currency (Canadian dollar). In accordance with SFAS No. 52, "Foreign Currency Translation", the financial statements of our subsidiary is translated into United States dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign exchange translations and foreign currency exchange gains and losses on transactions occurring in a currency other than our functional currency are included in the determination of net income in the period.

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#### Stock-Based Compensation

On January 1, 2006, we adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning January 1, 2006, the first day of our 2006 fiscal year. Stock-based compensation expense for employee awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. On a quarterly basis, we estimate expected forfeitures and updates the valuation accordingly.

#### Recent Accounting Pronouncements

In February 2008, the FASB released FSP No. FAS 157-2. FSP No. FAS 157-2 defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. It does not defer recognition and disclosure requirements for financial assets and financial liabilities, or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. We do not anticipate that this statement will have an impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are currently not subject to any material market risks.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

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

Changes in Internal Controls

On October 22, 2008 we filed a Form 10-K for the period ended July 31, 2008. In the Form 10-K, management concluded that: (1) inadequate entity level controls due to: (i) weak tone at the top to implement an effective control environment, and (ii) failure in the operation of our whistle blower policy; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes represented material weaknesses in our internal control over financial reporting as at July 31, 2008. Accordingly, our management concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective as at July 31, 2008.

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We are committed to improving our financial organization. As part of this commitment, in August 2008 we hired additional staff and engaged consultants who assisted in the preparation, implementation and monitoring of sufficient written policies and checklists from August 2008 to present, including the redesign of staffing responsibilities, and set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements. Management believes that the preparation and implementation of sufficient written policies and checklists, including a redesign of staffing responsibilities, and the monitoring of those procedures from September 2008 to present have remedied the weaknesses of inadequate segregation of duties consistent with control objectives, insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements and, ineffective controls over period end financial close and reporting processes.

Management is in the process of remediating the deficiencies in our disclosure controls and procedures related to: (1) inadequate entity level controls; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and

application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes.

There have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II

### - OTHER INFORMATION

#### Item 1. Legal Proceedings

We have been informed that counsel for Goliad County, Texas has issued a notice of intent to file litigation citing us for alleged infractions of the United States Safe Drinking Water Act of 1974, in connection with our exploration activities in Goliad County. We believe this proposed claim regarding our exploration activities is without merit and will be vigorously defended by us. The responsible state agency with sole jurisdiction over our exploration activities has already thoroughly investigated the County's complaint and has found us to be in compliance with all applicable regulatory and environmental requirements. Specifically, as the agency noted in an April 2007 letter to the County's attorney, the State agency hydrologist "concluded from the available information that no ground-water contamination has occurred as a result of the drilling activities." The state agency concluded its letter by noting that "to date, the Commission's investigation of your complaint has not revealed any practice or activity within the approved permit area that has adversely affected the wells identified in your complaint or the related aquifer, or is out of compliance with the Texas Uranium Mining Regulations...." Later in a September 2007 letter to the Goliad groundwater district, the agency reiterated its findings: the agency's "investigation of your complaint has not revealed any practice or activity at UEC's Uranium Exploration Permit No. 123 that is out of compliance.... We consider this investigation to be closed." Our Goliad Project has been inspected on a monthly basis since the close of the investigation, and no violations have been noted. In fact, an inspection report from November of 2007 observed that "prompt attention" to site restoration during exploration was apparent and "the area inspected looked very good." We are dedicated to full compliance with all aspects of the state regulatory process and will continue to focus our attention and efforts on obtaining all necessary authorizations for our Goliad Project.

We were informed that we had been named as a defendant in a claim filed in the United States District Court for the Eastern District of New York for \$33,000 in legal fees in connection with our prior and amicable settlement of a short-swing profit matter under Section 16(b) of the United States Securities Exchange Act of 1934, as amended, by a non-management shareholder of the Company. The plaintiff acted as counsel for the shareholder. We believe that the legal fees sought were highly unreasonable for the work performed by the plaintiff. As of the date of this Quarterly Report the Company has settled this claim for legal fees in the amount of \$13,000 and considers the matter concluded.

As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceeding. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

Item 1A. Risk Factors

Except for the risk factor outlined below, there have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended July 31, 2008 which was filed with the SEC on October 22, 2008.

Recent market events and conditions, including disruptions in the U.S. and international credit markets and other financial systems and the deterioration of the U.S. and global economic conditions, has, among other things, impeded access to capital or increased the cost of capital, which has had an adverse effect on our ability to fund our working capital and other capital requirements.

In 2007 and into 2008, the U.S. credit markets began to experience serious disruptions due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, subprime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions have, among other things, made it more difficult for us to obtain, and have increased our cost of obtaining, capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all.

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Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

Consulting Services Agreements

On February 1, 2007 we entered into a one year consulting services agreement, which was renewed for a second term effective February 1, 2008. In accordance with the terms and provisions of the agreement, on August 13, 2008 we issued 7,500 shares of our restricted common stock, and on October 23, 2008 we issued an additional 7,500 shares of our restricted common stock, pursuant to Rule 506 of Regulation D to accredited investors.

Effective October 25, 2008 we entered into a consulting services agreement. In accordance with the terms of the agreement on February 13, 2009 we issued 13,039 shares of our restricted common stock pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

Asset Purchase Agreement

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Effective November 1, 2007 we entered into a binding letter Agreement to Purchase Assets, and on August 25, 2008 we entered into an agreement amending the underlying Agreement to Purchase Assets. In accordance with the terms of the amending agreement on October 23, 2008 we issued 19,000 shares of our restricted common stock pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

### Land Use Agreement

Effective October 13, 2008 we entered into a utility easement agreement. In accordance with the terms of the agreement on December 5, 2008 we issued 25,000 shares of our restricted common shares pursuant pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

### Item 5. Other Information

None.

### Item 6. Exhibits

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

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

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

URANIUM ENERGY CORP.

/s/ "Amir Adnani"

Amir Adnani

President, Chief Executive Officer and Principal Executive  
Officer

Date: March 12, 2009

/s/ "Pat Obara"

Pat Obara

Secretary, Treasurer and Chief Financial Officer

Date: March 12, 2009