UEX CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of UEX Corporation

We have audited the accompanying financial statements of UEX Corporation, which comprise the balance sheets as at December 31, 2016, December 31, 2015 and January 1, 2015, the statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UEX Corporation as at December 31, 2016, December 31, 2015 and January 1, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP (Signed)

Chartered Professional Accountants

March 14, 2017
Vancouver, Canada

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UEX CORPORATION

Balance Sheets

As at December 31, 2016, 2015 and January 1, 2015

	Notes	December 31 2016	December 31 2015	January 1, 2015
			Restated (see Note 21)	*Restated (see Note 21)*
Assets				
Current assets				
Cash and cash equivalents	3	$ 4,136,636	$ 5,139,814	$ 9,321,596
Amounts receivable	4	106,036	62,010	141,170
Prepaid expenses	5	142,357	100,177	106,540
Investments – current portion	8(v), 9, 15	144	126	-
		4,385,173	5,302,127	9,569,306
Non-current assets				
Deposits	6	44,377	44,704	-
Equipment	7	267,184	292,202	111,885
Mineral properties	8	9,233,565	5,485,065	5,211,809
Investments	8(v), 9, 15	21,000	7,182	22,187
Total assets		$ 13,951,299	$ 11,131,280	$ 14,915,187
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and other liabilities	10	$ 532,975	$ 476,537	$ 1,322,439
Total liabilities		532,975	476,537	1,322,439
Shareholders' equity				
Share capital	12(b)	186,603,862	178,279,744	175,498,302
Share-based payments reserve	12(c)	3,231,238	3,067,912	2,787,954
Accumulated other comprehensive income (loss)	15	14,000	-	(10,500)
Deficit		(176,430,776)	(170,692,913)	(164,683,008)
		13,418,324	10,654,743	13,592,748
Total liabilities and shareholders' equity		$ 13,951,299	$ 11,131,280	$ 14,915,187

Nature and continuance of operations	1
Commitments	8(iv)(vii), 12(d), 13
Subsequent events	8(v), 12(b)(c)(e)

See accompanying notes to the financial statements.

Approved on behalf of the Board and authorized for issue on March 14, 2017.

"signed" Director
Roger M. Lemaitre

"signed" Director
Emmet A. McGrath

UEX CORPORATION

Statements of Operations and Comprehensive Loss

Years ended December 31, 2016 and 2015

	Notes		2016		2015
					Restated (see Note 21)
Revenue					
Interest income		$	91,839	$	106,027
Expenses					
Bank charges and interest			4,126		5,308
Depreciation			30,109		19,282
Exploration and evaluation expenditures	17		4,825,953		4,570,878
Filing fees and stock exchange			78,743		85,147
Gain on sale of mineral property	8(iv)		(17,184)		-
Legal and audit			140,181		139,095
Loss on disposal of equipment			278		423
Maintenance			13,679		49,750
Office expenses	18		189,035		452,737
Project investigation			-		21,938
Rent			139,259		157,456
Salaries, net of project management fees	19		513,933		869,489
Share-based compensation	12(c)		367,808		361,095
Travel and promotion			119,925		223,198
Unrealized fair value loss on available-for-sale financial assets	8(v), 9, 15		-		22,750
Unrealized fair value loss on held-for-trading financial assets	8(v), 9, 15		164		2,629
Write-down of mineral properties	8(i)(iv)		1,500		1,528
			6,407,509		6,982,703
Loss before income taxes			(6,315,670)		(6,876,676)
Deferred income tax recovery	11		334,572		754,732
Loss for the year		$	(5,981,098)	$	(6,121,944)
Other comprehensive income (loss)					
Available-for-sale financial assets net change in fair value	8(v), 9, 15		14,000		10,500
Comprehensive loss for the year		$	(5,967,098)	$	(6,111,444)
Basic and diluted loss per share		$	(0.021)	$	(0.025)
Basic and diluted weighted-average number of shares outstanding			284,020,404		242,094,261

See accompanying notes to the financial statements.

UEX CORPORATION

Statements of Changes in Equity

Years ended December 31, 2016 and 2015

	Number of common shares	Share capital	Share-based payments reserve	Accumulated other comprehensive income	Deficit	Total
December 31, 2014 *(Restated – see note 21)*	*235,015,069*	$ 175,498,302	$ 2,787,954	$ (10,500)	$ (164,683,008)	$ 13,592,748
Loss for the year					(6,121,944)	(6,121,944)
Issued pursuant to private placements	*11,000,000*	3,300,000				3,300,000
Share issuance costs		(243,558)				(243,558)
Value attributed to flow-through premium on issuance		(275,000)				(275,000)
Other comprehensive income (loss)						
Fair value change in AFS financial assets				10,500		10,500
Share-based payment transactions			391,997			391,997
Transfer to deficit on expiry of share purchase options			(112,039)		112,039	-
December 31, 2015 *(Restated – see note 21)*	*246,015,069*	178,279,744	3,067,912	-	(170,692,913)	10,654,743
Loss for the year					(5,981,098)	(5,981,098)
Issued pursuant to private placements	*50,523,810*	9,250,000				9,250,000
Share issuance costs		(505,882)				(505,882)
Value attributed to flow-through premium on issuance		(420,000)				(420,000)
Other comprehensive income (loss)						
Fair value change in AFS financial assets				14,000		14,000
Share-based payment transactions			406,561			406,561
Transfer to deficit on expiry of share purchase options			(243,235)		243,235	-
December 31, 2016	*296,538,879*	$ 186,603,862	$ 3,231,238	$ 14,000	$ (176,430,776)	$ 13,418,324

See accompanying notes to the financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	Notes	2016	2015
			Restated (see Note 21)
Cash provided by (used for):			
Operating activities			
Loss for the year		$ (5,981,098)	$ (6,121,944)
Adjustments for:			
Depreciation		81,678	55,197
Deferred income tax recovery		(334,572)	(754,732)
Equipment charged to exploration on disposal		1,522	-
Interest income		(91,839)	(106,027)
Loss on disposal of equipment		278	423
Part XII.6 tax	12(d)	(2,043)	(940)
Share-based compensation		406,561	391,997
Unrealized fair value loss on AFS financial assets		-	22,750
Unrealized fair value loss on held-for-trading financial assets		164	2,629
Write-down of mineral properties	8(i)(iv)	1,500	1,528
Changes in non-cash operating working capital			
Amounts receivable		(35,377)	50,664
Prepaid expenses and deposits		(41,853)	(38,341)
Accounts payable and other liabilities		(28,990)	(366,170)
		(6,024,069)	(6,862,966)
Investing activities			
Interest received		85,233	135,463
Investment in mineral properties		(3,750,000)	(274,784)
Purchase of equipment		(58,737)	(236,756)
Proceeds on sale of furniture		277	819
		(3,723,227)	(375,258)
Financing activities			
Proceeds from common shares issued	12(b)	9,250,000	3,300,000
Share issuance costs	12(b)	(505,882)	(243,558)
		8,744,118	3,056,442
Decrease in cash and cash equivalents during the year		(1,003,178)	(4,181,782)
Cash and cash equivalents, beginning of year		5,139,814	9,321,596
Cash and cash equivalents, end of year		$ 4,136,636	5,139,814
Supplementary information			
Non-cash transactions			
Increase in other liabilities due to flow-through premiums		$ 420,000	275,000
Decrease in other liabilities due to partial extinguishment of flow-through premiums on December 31, 2016 renouncements		(183,320)	-
Decrease in other liabilities due to partial extinguishment of flow-through premiums on December 31, 2016 and 2015 renouncements		(151,252)	(123,748)
Decrease in other liabilities due to extinguishment of remaining 2014 flow-through premium on February 2, 2015 renouncement (Look-Back Rule)		-	(630,984)
Non-cash share-based compensation included in exploration and evaluation expenditures		38,753	30,902
Depreciation included in exploration and evaluation expenditures		53,092	35,915

See accompanying notes to the financial statements.

1. Nature and continuance of operations

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

The Company is currently engaged in the exploration and evaluation of its mineral properties located in the province of Saskatchewan. The Company's shares are listed on the Toronto Stock Exchange under the symbol UEX. The head office and principal address is located at 750 West Pender Street, Suite 1700, Vancouver, British Columbia, Canada V6C 2T8. The Company's registered office is 885 West Georgia Street, 19th Floor, Vancouver, British Columbia, Canada V6C 3H4.

The Company is exploring and evaluating its mineral properties and has not yet determined whether its mineral properties contain mineral resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral resources, the ability of the Company to obtain the necessary financing to complete explorations and development and upon future profitable production or proceeds from the disposition of its mineral properties. The Company performed an evaluation of impairment indicators under IFRS 6(20) for its exploration and evaluation assets (mineral properties) as at December 31, 2016 and has concluded that there are no indicators of impairment.

The Company has sufficient financial resources for exploration, evaluation, and administrative costs for at least, but not limited to, twelve months from the end of the reporting period. The Company will require additional financing and although it has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These financial statements, including comparative figures have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. During the year ended December 31, 2016, the Company changed its accounting policy related to exploration and evaluation expenditures on a retrospective basis (see Note 21). The financial statements of UEX Corporation were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 14, 2017.

(b) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. Transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Translation gains and losses are recorded in profit or loss.

2. Basis of preparation and significant accounting policies (continued)

(c) Use of estimates and judgments

The preparation of financial statements requires management to make accounting estimates and assumptions requiring judgment in applying the Company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual amounts may differ from such estimates. Information about judgment and estimates is contained in the notes to the financial statements, with the key areas summarized below.

Significant areas requiring the use of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to:

(i) Ongoing review for the support of the carrying value of mineral properties, including: consideration of ongoing and anticipated expenditures on the mineral properties; evaluation of the success of exploration to date and other general factors such as commodity prices and outlook; evaluation of UEX's market capitalization compared to the net assets of the Company (which are primarily mineral properties); and comparison to recent arm's length transactions for similar assets in order to evaluate the appropriateness of the carrying value presented in the financial statements (see Note 1 *Nature and continuance of operations*, Note 2(j) *Mineral properties* and Note 8 *Mineral properties*).

(ii) Review of asset carrying values and impairment assessments for the Company considering whether circumstances have occurred which have impacted the estimated useful life of the assets such as damage or obsolescence, as well as the timing of impairments and the determination of recoverable amounts (see Note 2(i) *Equipment* and Note 7 *Equipment*).

(iii) Evaluating company-specific facts and circumstances to determine whether accruals or recognition of liabilities may be required with respect to asset retirement obligations or other circumstances (see Note 2(k) *Provisions*).

(iv) Interpretation of new accounting guidelines and assessing their potential impact on the Company's financial statements requires judgment with respect to company-specific facts and circumstances.

Significant areas requiring assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year relate to:

(i) Estimates and/or assumptions used in determining the fair value of non-cash share-based compensation, including Black-Scholes inputs such as the expected forfeiture rate and the expected life of share-purchase options (see Note 12(c) *Share-based compensation*).

(ii) Assumptions used to estimate the useful lives of property, plant and equipment for determining appropriate depreciation rates (see Note 2(i) *Equipment* and Note 7 *Equipment*).

(iii) Estimates that would be used, should the recording of a rehabilitation provision or asset retirement obligation be required in the financial statements in the future. Estimates would relate to the expected inflation rate, estimated mine life and the discount rates applied (see Note 2(k) *Provisions*).

2. Basis of preparation and significant accounting policies (continued)

(d) Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

(i) *Joint operation* – when the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

(ii) *Joint venture* – when the Company has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The Company has an interest in several joint operations relating to the exploration and evaluation of various properties in the western and northern Athabasca Basin. The financial statements include the Company's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis from the date that the joint arrangement commences until the date that the joint arrangement ceases. These interests are governed by contractual arrangements but have not been organized into separate legal entities or vehicles.

The Company does not have any joint arrangements that are classified as joint ventures.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(f) Financial assets

The Company classifies its financial assets in the following categories:

(i) Financial assets at fair value through profit or loss ("FVTPL");
(ii) Held-to-maturity investments;
(iii) Available-for-sale financial assets; and
(iv) Loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is held for trading or is designated as FVTPL. A financial asset is classified as held for trading when it is purchased and incurred with the intention of generating profits in the near term, part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or a derivative that is not designated as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Financial assets at FVTPL include warrants (classified as held-for-trading) which are presented as non-current assets unless management intends to dispose of these assets within 12 months of the end of the reporting period.

2. Basis of preparation and significant accounting policies (continued)

(f) Financial assets (continued)

Held-to-maturity investments

Investments are measured at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the statement of operations over the life of the financial instrument on an effective yield basis. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale ("AFS") financial assets

Short-term investments are classified as available-for-sale and are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income ("OCI"). When financial assets classified as available-for-sale are sold or determined to be impaired, the cumulative fair value adjustments recognized in accumulated other comprehensive income are recognized in profit and loss. AFS assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's AFS assets include marketable securities that are not held for the purpose of trading.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current or non-current assets based on their maturity date and are measured initially at fair value and subsequently at amortized cost using the effective interest rate method. The Company has cash and cash equivalents, as well as trade and other amounts receivable classified as loans and receivables.

De-recognition of financial assets

A financial asset is de-recognized when the contractual right to the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2. Basis of preparation and significant accounting policies (continued)

(g) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

Financial liabilities

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified accounts payable and other liabilities as other financial liabilities.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(h) Impairment of non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

(i) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

2. Basis of preparation and significant accounting policies (continued)

(i) Equipment (continued)

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is provided over the expected useful lives of the assets.

Depreciation methods and expected useful lives are reviewed at each reporting date and adjusted as required. All assets are depreciated on a straight-line basis over their useful lives as follows:

Asset	Basis	Useful Life
Exploration camp	Straight line	5 - 20 years
Exploration equipment	Straight line	3 - 5 years
Computer equipment	Straight line	1 - 5 years
Office furniture	Straight line	3 - 5 years
Leasehold improvements	Straight line	Lesser of term of lease or 10 years

(j) Mineral properties

Exploration and evaluation assets and expenses

The Company capitalizes all costs relating to the acquisition of mineral claims. All exploration and evaluation costs are expensed until properties are determined to have economically recoverable resources. Once a decision to proceed with development has been approved, all subsequent costs incurred for development will be capitalized as a component of property and equipment. Expenditures incurred before the Company has obtained the legal rights to explore a specific area are expensed as incurred.

The recovery of amounts shown for mineral properties is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete exploration and development of the properties and on future profitable production or proceeds of disposition. The underlying value of all properties is dependent on the existence and economic recovery of mineral resources in the future which includes acquiring the necessary permits and approvals. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Upon transfer of exploration and evaluation assets into development properties, all subsequent expenditures on the exploration, construction, installation or completion of infrastructure facilities are capitalized within development properties.

All capitalized mineral properties are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the capitalized acquisition cost is determined to be impaired, this amount is recorded as a write-down of interest in mineral properties in the statement of operations and comprehensive loss in the period.

2. Basis of preparation and significant accounting policies (continued)

(j) Mineral properties (continued)

Development properties

When mineral reserves have been determined and the decision to proceed with development has been approved, capitalized mineral property costs are tested for impairment then reclassified as a component of property, plant and equipment. The expenditures related to development and construction are capitalized as construction-in-progress. Costs associated with the testing of new assets incurred in the period before they are operating in the manner intended by management are capitalized. Development expenditures are net of the proceeds of the sale of metals from ore extracted during the development phase (before the assets are operating in the manner intended by management). Interest on borrowings related to the construction and development of assets are capitalized as pre-production costs and classified as a component of property, plant and equipment. Upon reaching commercial production (operating in the manner intended by management), these capitalized costs are amortized over the estimated reserves on a unit-of-production basis.

Reserve and resource estimates

The Company estimates its reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 (Standards for Disclosure of Mineral Projects). Reserves are used when performing impairment assessments on the Company's mineral properties once they have moved from Exploration and Evaluation to Development. There are numerous uncertainties inherent in the estimation of mineral reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being revised.

(k) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Environmental rehabilitation provision

The Company recognizes the fair value of a liability for environmental rehabilitation in the period in which the Company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

2. Basis of preparation and significant accounting policies (continued)

(k) Provisions (continued)

Environmental rehabilitation provision (continued)

The environmental rehabilitation obligation is recorded as a liability and the offset is capitalized as part of the carrying amount of the associated long-lived asset. The capitalized environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of environmental rehabilitation cash flows. The Company has assessed each of its mineral projects and determined that no material environmental rehabilitations exist as the disturbance to date is minimal.

(l) Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry-forwards, resource-related income tax pools and timing differences for other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the Company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount which is allocated to the sale of tax benefits is recorded as a liability and is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renouncement is recognized as a gain or loss in earnings. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established.

2. Basis of preparation and significant accounting policies (continued)

(n) Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of direct issue costs. Common shares issued for consideration, other than cash, are valued at the quoted market price on the date the shares are issued.

(o) Valuation of warrants

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as part of units. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date or the price protection date, if applicable. The balance remaining, if any, is allocated to the warrants with the fair value recorded in shareholders' equity under warrant reserve.

(p) Share-based payments

The Company has a share option plan which is described in Note 12(c). The fair value of all share-based awards is estimated using the Black-Scholes option-pricing model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

None of the Company's awards call for settlement in cash or other assets. Consideration received on the exercise of share purchase options is recorded as share capital and the related share-based payments reserve is transferred to share capital. The offset to the recorded cost is to share-based payments reserve. Charges for share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(q) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury share method is used to calculate diluted earnings per share. Under the treasury share method, the weighted-average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds received on exercise of diluted share purchase options and share purchase warrants are used to repurchase outstanding shares at average market prices during the period. The calculation of diluted earnings (loss) per share excludes the effects of share purchase options and warrants that would be anti-dilutive.

2. Basis of preparation and significant accounting policies (continued)

(r) Recent accounting announcements

The International Accounting Standards Board has issued IFRS 9 *Financial Instruments* ("IFRS 9") to replace IAS 39 *Financial Instruments*, which is intended to reduce the complexity in the measurement and classification of financial instruments. The current version of IFRS 9 has a mandatory effective date of January 1, 2018 and is available for early adoption. The Company does not expect IFRS 9 to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

In January of 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16") which replaces the existing leasing standard, IAS 17 *Leases*. The new standard effectively eliminates the distinction between operating and finance leases for lessees, while lessor accounting remains largely unchanged with the distinction between operating and finance leases retained. IFRS 16 takes effect on January 1, 2019, with earlier application permitted. The Company has not yet evaluated the impact of adopting this standard and does not intend to early adopt.

(s) Reclassification of Comparative Period Presentation

Certain comparative period amounts have been reclassified to conform with the current year's presentation. See Note 21 *Change in Accounting Policy*.

3. Cash and cash equivalents

		December 31 2016		December 31 2015
Cash	$	290,603	$	132,659
Short-term deposits		3,846,033		5,007,155
	$	4,136,636	$	5,139,814

4. Amounts receivable

		December 31 2016		December 31 2015
Interest receivable	$	53,564	$	45,082
Other receivables		52,472		16,928
	$	106,036	$	62,010

Interest receivable reflects unpaid interest earned on short-term deposits. Other receivables include $51,826 of Goods and Services Tax (GST) receivable as at December 31, 2016 (December 31, 2015 - $15,964).

5. Prepaid expenses

		December 31 2016		December 31 2015
Advances to vendors	$	50,000	$	30,000
Prepaid expenses		92,357		70,177
	$	142,357	$	100,177

6. Deposits

		December 31 2016		December 31 2015
Deposits	$	44,377	$	44,704

The Company paid deposits in 2015 relating to new operating leases for its premises. The leases expire between July 31, 2018 and October 31, 2020 (see Note 13 *Commitments*).

7. Equipment

		Exploration camp		Exploration equipment		Computing equipment		Furniture and fixtures		Total
Cost										
Balance at December 31, 2014	$	99,327	$	331,684	$	257,698	$	32,632	$	721,341
Additions		-		68,300		86,710		81,746		236,756
Disposals		-		(5,120)		(41,777)		(19,046)		(65,943)
Balance at December 31, 2015		99,327		394,864		302,631		95,332		892,154
Additions		-		31,358		12,754		14,625		58,737
Disposals		-		(3,811)		(1,311)		(7,422)		(12,544)
Balance at December 31, 2016	$	99,327	$	422,411	$	314,074	$	102,535	$	938,347
Accumulated depreciation and Impairment										
Balance at December 31, 2014	$	48,111	$	314,920	$	222,441	$	23,984	$	609,456
Depreciation charge for the year		7,883		17,150		22,595		7,569		55,197
Disposals		-		(5,120)		(41,200)		(18,381)		(64,701)
Balance at December 31, 2015		55,994		326,950		203,836		13,172		599,952
Depreciation charge for the year		7,883		23,822		30,004		19,969		81,678
Disposals		-		(2,288)		(1,311)		(6,868)		(10,467)
Balance at December 31, 2016	$	63,877	$	348,484	$	232,529	$	26,273	$	671,163
Net book value										
Balance at December 31, 2014	$	51,216	$	16,764	$	35,257	$	8,648	$	111,885
Balance at December 31, 2015	$	43,333	$	67,914	$	98,795	$	82,160	$	292,202
Balance at December 31, 2016	$	35,450	$	73,927	$	81,545	$	76,262	$	267,184

8. Mineral properties

Exploration and evaluation assets – acquisition costs

	Hidden Bay (i)	Western Athabasca (iv)	Black Lake (v)	Christie Lake (vii)	Total
Balance at December 31, 2014	$ 4,451,500	$ 924	$ 759,385	$ -	$ 5,211,809
Additions	24,180	604	-	250,000	274,784
Impairment charge for the year	-	(1,528)	-	-	(1,528)
Balance at December 31, 2015	4,475,680	-	759,385	250,000	5,485,065
Additions	-	-	-	3,750,000	3,750,000
Impairment charge for the year	(1,500)	-	-	-	(1,500)
Balance at December 31, 2016	$ 4,474,180	$ -	$ 759,385	$ 4,000,000	$ 9,233,565

The Company's mineral property interests include both 100% owned projects as well as joint operations in which the Company has less than 100% ownership. The joint operations are governed by contractual arrangements but have not been organized into separate legal entities or vehicles.

The joint arrangements that the Company is party to in some cases entitle the Company to a right of first refusal on the projects should one of the partners choose to sell their interest. The joint arrangements are governed by a management committee which sets the annual exploration budgets for these projects. Should the Company be unable to, or choose not to, fund its required contributions as outlined in the agreement, there is a risk that the Company's ownership interest could be diluted. As a result of decisions to fund exploration programs for the joint arrangements, the Company may choose to complete further equity issuances or fund these amounts through the Company's general working capital.

100% owned projects

(i) Hidden Bay Project

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

Umpherville River, located in the eastern Athabasca Basin, was acquired in stages in 2015 and is now 100% owned by UEX. The claims are contiguous to other mineral claims included in the Hidden Bay Project and acquisition expenditures are included with Hidden Bay. The mineral claims that make up Umpherville River are subject to a 2% NSR royalty on 20% of the project for each mineral produced (equivalent to a 0.4% NSR on the total project) with the NSR on uranium capped at $10 million.

In December 2016, the Company wrote off $1,500 relating to five claims, which were staked in October 2014 and lapsed on January 6, 2017, on which no exploration work had been completed. These claims did not form a key part of the Hidden Bay Project.

(ii) Riou Lake Project

The Company holds a 100% interest in the Riou Lake Project located in the northern Athabasca Basin. Mineral property acquisition costs associated with its Riou Lake Project were written off in 2014 due to a lack of ongoing exploration activity. UEX continues to maintain several Riou Lake claims in good standing.

8. Mineral properties (continued)

Exploration and evaluation assets (continued)

(iii) Northern Athabasca Projects

The Northern Athabasca Project consisted of the Butler Lake Property and the La Roque Property. The two claims comprising the Butler Lake Project expired on February 5, 2017, and the three claims that comprised the La Roque Property expired on December 17, 2016.

The Northern Athabasca Project was written off in 2010 due to a lack of planned exploration activity at that time.

Joint operations

(iv) Western Athabasca Projects

The Western Athabasca Projects (the "Projects"), located in the western Athabasca Basin, which include the Kianna, Anne, Colette and 58B Deposits located at the Shea Creek Project, are nine joint ventures with the Company holding an approximate 49.1% interest and AREVA Resources Canada Inc. ("AREVA") holding an approximate 50.9% interest in all projects as at December 31, 2016 and 2015, except for the Laurie Project, where the Company has an approximate 42.2% interest as at December 31, 2016 and 2015, and the Mirror River Project, where the Company has an approximate 42.3% interest as at December 31, 2016 and 49.1% interest as at December 31, 2015. The Company is in the process of negotiating joint-venture agreements with AREVA.

The Kianna, Anne and Colette deposits are subject to a royalty of US$0.212 per pound of U_3O_8 sold to a maximum royalty of US$10,000,000.

In 2016, UEX decided not to fund its share of the 2016 geophysical program at the Mirror River Project. UEX's interest in this project has dropped from the current 49.1% interest to approximately 41.9%. This dilution only applied to UEX's interest in the Mirror River Project.

In 2017, AREVA proposed budgets of $0.5 million each on Uchrich and Nikita and $1.3 million each on Laurie and Mirror River, of which UEX has decided not to fund. Interests on these projects are anticipated to drop as follows, should AREVA complete the approved programs. This decision does not impact the ownership interest in the Shea Creek, Erica, Brander, or Alexandra Projects.

	December 31, 2016			Projected interest, December 31, 2017		
Ownership interest (%)	**UEX**	**AREVA**	**Total**	**UEX**	**AREVA**	**Total**
Uchrich	49.0975	50.9025	100.000	25.8546	74.1454	100.000
Nikita	49.0975	50.9025	100.000	40.0992	59.9008	100.000
Laurie	42.1827	57.8173	100.000	31.0372	68.9628	100.000
Mirror River	41.9475	58.0525	100.000	31.8912	68.1088	100.000

On April 10, 2013, an agreement was signed with AREVA which grants UEX the option to increase its ownership interest in the Western Athabasca Projects, which includes the Shea Creek Project, by 0.9% to a maximum interest of 49.9% by spending $18.0 million on exploration over the six-year period ending December 31, 2018. UEX is under no obligation to propose a budget in any year of the agreement. The ownership interest for the Projects shall be increased at the end of the year by the proportional amount of the additional exploration expenditures incurred in the year which are in addition to the budget amounts proposed by AREVA. UEX may propose an additional exploration budget of up to $4.0 million in any single year without the prior approval of AREVA, who remains the project operator. UEX did not propose a supplemental exploration program for 2016.

8. Mineral properties (continued)

Exploration and evaluation assets (continued)

Joint operations (continued)

(iv) Western Athabasca Projects (continued)

In July of 2014, UEX and AREVA each staked claims which became the Coppin Lake Project. A budget for geophysics and line cutting was proposed for 2016, of which UEX would have been responsible for funding its 49.097% share. When bids were received to perform the proposed work, they were much higher than expected. Given the higher than expected costs and small area involved, AREVA made a decision to cancel the program and UEX recorded a $1,528 impairment charge in 2015. In early November of 2016, UEX sold its interest in Coppin Lake for proceeds of $17,184. UEX will also receive its proportionate share of a 1.5% NSR royalty should uranium be produced from this project. The purchaser may elect to purchase the royalty for $950,000, of which UEX would be entitled to 49.1%.

(v) Black Lake Project

The Black Lake Project (“Black Lake”), located in the northern Athabasca Basin, is a joint venture with the Company holding a 90.92% interest and AREVA holding a 9.08% interest as at December 31, 2016 and 2015.

In early 2013, UEX signed an agreement with Uracan Resources Ltd. (“Uracan”) whereby Uracan could earn a 60% interest in Black Lake. Amendments to this original agreement were signed on June 23, 2014, December 15, 2014 and November 25, 2015.

As part of the original earn-in agreement, Uracan issued 300,000 shares and 150,000 share purchase warrants to UEX, exchangeable for 150,000 Uracan shares at $0.15 per warrant for three years. The combined value of $35,931 upon receipt was recorded as a reduction of the carrying value of Black Lake in 2013 (see Note 9).

As part of the first amendment, Uracan issued 50,000 shares and 25,000 share purchase warrants to UEX, exchangeable for 25,000 Uracan shares at $0.12 per warrant for three years. The combined value of $3,639 upon receipt was recorded as a reduction of the carrying value of Black Lake in 2014 (see Note 9).

Under the agreement, Uracan was to have funded a total of $10.0 million of project expenditures by December 31, 2023 to earn their 60% interest in Black Lake from UEX, with no partial earn-in permitted. Under the amended earn-in agreement, Uracan was to have expended $3.0 million by December 31, 2016. UEX would remain the project operator and was entitled to a 10% management fee under the Black Lake joint venture agreement until such time as Uracan had earned its 60% interest in Black Lake.

Uracan also granted to UEX a 1% NSR royalty from their ownership interest, to a maximum of $10.0 million of royalty payments.

Uracan did not meet the $3.0 million in exploration expenditures required under the amended Black Lake Project earn-in agreement by December 31, 2016 and UEX did not extend the funding deadline. As of January 20, 2017, UEX terminated the earn-in agreement with Uracan, with Uracan earning no interest in the Black Lake Project.

8. Mineral properties (continued)

Exploration and evaluation assets (continued)

Joint operations (continued)

(vi) Beatty River Project

The Company has a 25% interest in the Beatty River Project, which is located in the western Athabasca Basin. AREVA is the operator of this project.

(vii) Christie Lake Project

The Company has a 30% interest in the Christie Lake Project, which is located in the eastern Athabasca Basin and JCU (Canada) Exploration Company Limited ("JCU") holds a 70% interest. UEX is the operator of this project.

On October 26, 2015, the Company signed a Letter of Intent ("LOI") with JCU to acquire up to a 70% interest in the Christie Lake Project ("Christie Lake"). On January 19, 2016, UEX signed an Option Agreement with JCU formalizing the terms upon which UEX may earn up to a 70% interest in the Christie Lake Project. The project contains historical non-compliant resources (deposits). The consideration includes cash payments and exploration commitments as outlined in the following table.

Date	Cash Payment	Exploration Work Commitment	UEX Cumulative Interest Earned
Completed:			
Upon signing of the LOI	$ 250,000	$ -	- %
Before January 28, 2016	1,750,000	-	10.00
Before January 1, 2017	2,000,000	2,500,000	30.00
		1,546,253 [1]	
As at December 31, 2016	$ 4,000,000	4,046,253	
To be completed:			
Before January 1, 2018	1,000,000	953,747 [1][2]	45.00
Before January 1, 2019	1,000,000	5,000,000	60.00
Before January 1, 2020	1,000,000	5,000,000	70.00
	$ 3,000,000	$ 10,953,747	
Total	7,000,000	15,000,000	70.00 %

(1) Excess exploration work completed in 2016 will be applied to 2017 work commitments.
(2) 2017 exploration commitment under the agreement is $2,500,000.

UEX has committed to make cash payments to JCU and to fund exploration work as outlined in the table above for the Christie Lake Project.

8. Mineral properties (continued)

Exploration and evaluation assets (continued)

Joint operations (continued)

UEX is party to the following joint arrangements:

	December 31, 2016				December 31, 2015			
Ownership interest (%)	**UEX**	**AREVA**	**JCU**	**Total**	**UEX**	**AREVA**	**JCU**	**Total**
Beatty River	25.0000	50.7020	24.2980	100.0000	25.0000	50.7020	24.2980	100.0000
Black Lake	90.9200	9.0800	-	100.0000	90.9200	9.0800	-	100.0000
Christie Lake (1)	30.0000	-	70.0000	100.0000	-	-	100.0000	100.0000
Western Athabasca								
Laurie Project (2)	42.1827	57.8173	-	100.0000	42.1827	57.8173	-	100.0000
Mirror River Project (3)	41.9475	58.0525	-	100.0000	49.0975	50.9025	-	100.0000
All other projects (4)	49.0975	50.9025	-	100.0000	49.0975	50.9025	-	100.0000

(1) Upon making cash payments to JCU of $250,000 on October 26, 2015, $1,750,000 on January 22, 2016, $2,000,000 on December 22, 2016, and completing the minimum $2,500,000 in exploration work, UEX vested a 30% ownership interest in the Christie Lake Project as at December 31, 2016.

(2) As a result of UEX's decision not to fund 2015 exploration programs comprised of geophysics and line cutting at the Laurie Project, its ownership interest was diluted from 49.1% as at December 31, 2014 to 42.2% as at December 31, 2015.

(3) As a result of UEX's decision not the fund 2016 exploration programs at the Mirror River Projects, its ownership interest was diluted from 49.1% as a at December 31, 2015 to 41.9% as at December 31, 2016.

(4) Western Athabasca includes the Alexandra, Brander River, Erica, Nikita, Shea Creek, Uchrich, Mirror River and Laurie Projects; however, due to a decision not to fund 2016 and 2015 exploration programs at Mirror River and Laurie, respectively, UEX's ownership interest has decreased in these two projects only. The Company's ownership interest in Mirror River and Laurie is presented separately from its interest in the other Western Athabasca Projects due to the different ownership interest from the rest of the Western Athabasca Projects. In 2016, UEX chose not to propose/fund any additional exploration work under the terms of the optional six-year, $18 million, 0.9% additional earn-in agreement, thus UEX's ownership interest has not changed from the prior year under this option.

9. Investments

The Company holds 350,000 share and 25,000 warrant certificates of Uracan. In early 2013, UEX received 300,000 shares and 150,000 warrants from Uracan as partial consideration for the signing of an agreement which allows Uracan to earn a 60% interest in the Black Lake Project (see Note 8(v)). On February 13, 2016, these warrants expired.

On June 23, 2014, UEX entered into an amendment to the earn-in agreement with Uracan which deferred $422,440 in exploration commitments from 2014 and added these to the 2015 exploration commitments. Upon execution of this agreement, UEX received from Uracan a further 50,000 shares and 25,000 share purchase warrants.

These shares and warrants are being held for long-term investment purposes. The investments include warrants which have been classified as *Financial Assets at Fair Value Through Profit or Loss* ("FVTPL") and as such are stated at fair value with any changes in fair value recognized in profit or loss.

9. Investments (continued)

The investments also include shares which have been classified as *Available-for-sale* ("AFS") financial assets and are carried at fair value (Note 15).

Investments – current portion	December 31 2016	December 31 2015
Warrants held – Uracan (Note 15)	$ 144	$ 126

Investments	December 31 2016	December 31 2015
Common shares held – Uracan [(1)] (TSX.V: URC) (Note 15)	$ 21,000	$ 7,000
Warrants held – Uracan (Note 15)	-	182
	$ 21,000	$ 7,182

(1) The initial fair value of the shares is $29,750 based on the market closing prices on February 13, 2013 ($27,000) and June 23, 2014 ($2,750), the dates the shares were received.

The Uracan warrants have an expiry of three years after the original grant date, with 25,000 warrants issued on June 23, 2014 exercisable for $0.12 per warrant. The 150,000 warrants which were issued on February 13, 2013, having an exercise price of $0.15 per warrant, expired on February 13, 2016.

The fair value of the Uracan shares is based on the closing market price for these actively traded securities.

The fair value of the warrants received from Uracan was determined using the Black-Scholes option-pricing model with the following weighted-average assumptions as at the dates indicated:

	December 31, 2016		December 31, 2015	
	June 23, 2014 Agreement Amendment [(2)]	February 13, 2013 Agreement (expired) [(3)]	June 23, 2014 Agreement Amendment [(2)]	February 13, 2013 Agreement (expired) [(3)]
Number of warrants – Uracan	25,000	N/A	25,000	150,000
Expected forfeiture rate	0.00%	-	0.00%	0.00%
Weighted-average valuation date share price	$ 0.06	-	$ 0.02	$ 0.02
Expected volatility	107.45%	-	163.43%	330.38%
Risk-free interest rate	0.76%	-	0.48%	0.48%
Dividend yield	0.00%	-	0.00%	0.00%
Expected life	0.47 years	-	1.48 years	0.12 years
Weighted-average valuation date fair value	$ 0.01	-	$ 0.01	$ 0.00

(2) The initial fair value of the 25,000 Uracan warrants on June 23, 2014 was determined to be $889 using the Black-Scholes option-pricing model with the following weighted-average assumptions: Pre-vest forfeiture rate – 0.00%; Expected volatility – 132.48%; Risk-free interest rate – 1.23%; and Expected life of warrants – 3.00 years.

(3) The initial fair value of the 150,000 Uracan warrants on February 13, 2013 was determined to be $8,931 using the Black-Scholes option-pricing model with the following weighted-average assumptions: Pre-vest forfeiture rate – 0.00%; Expected volatility – 127.26%; Risk-free interest rate – 1.22%; and Expected life of warrants – 3.00 years.

10. Accounts payable and other liabilities

	December 31 2016	December 31 2015
Trade payables	$ 57,427	$ 70,029
Other liabilities	238,868	255,256
Flow-through share premium	236,680	151,252
	$ 532,975	$ 476,537

Other liabilities comprise general and exploration costs incurred in the period for which invoices had not been received at the balance sheet date.

The flow-through share premium at December 31, 2016 represents the difference between the subscription price of $0.25 per share and the market price at issuance of $0.23 per share related to the May 17, 2016 flow-through private placement of 21,000,000 shares ($420,000). Flow-through premium of $183,320 relating to flow-through renunciation under the general rule was extinguished during the year ended December 31, 2016. In February 2017, the flow-through share premium of $236,680 relating to unspent amounts of $2,958,500 at December 31, 2016 from the May 17, 2016 flow-through placement was extinguished on the filing and renouncement of the tax benefits to the subscribers of that placement effective December 31, 2016.

The flow-through share premium at December 31, 2015 represented the difference between the subscription price of $0.300 per share and the market price at issuance of $0.275 per share relating to the May 11, 2015 flow-through placement of 11,000,000 shares ($275,000). In February 2016, the flow-through share premium of $151,252 relating to unspent amounts of $1,815,023 at December 31, 2015 from the May 11, 2015 flow-through placement was extinguished on the filing and renouncement of the tax benefits to the subscribers of that placement effective December 31, 2015.

11. Income taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, is as follows:

	2016	2015
Canadian statutory income tax rate	27.00%	27.00%
Loss before income taxes	$ (6,315,670)	$ (6,876,676)
Income tax recovery at statutory rate	1,705,231	1,856,703
Tax effect of:		
Permanent differences	24,752	(47,246)
Flow-through expenditures renounced and other	(736,113)	(382,376)
Valuation allowance	(659,298)	(672,349)
Income tax provision	$ 334,572	$ 754,732

11. Income taxes (continued)

The Company recognized a deferred income tax recovery of $334,572 for the year ended December 31, 2016 (2015 - $754,732) related to the extinguishment of the flow-through premium related to flow-through shares renounced during the year ended December 31, 2016. Flow-through premiums related to the following placements as renounced resulted in a deferred tax recoveries as follows:

	Year ended December 31 2016	2015
September 29, 2014 placement flow-through premium of $681,757	$ -	$ 630,984
May 11, 2015 placement flow-through premium of $275,000	151,252	123,748
May 17, 2016 placement flow-through premium of $420,000	183,320	-
	$ 334,572	$ 754,732

At December 31, 2016, the Company has Canadian non-capital income tax losses carried forward of approximately $16,852,331 which are available to offset future years' taxable income. These losses expire as follows:

	December 31 2016
2036	$ 1,455,378
2035	2,157,909
2034	2,128,882
2033	1,870,696
2032	1,787,321
2031	1,684,498
2030	1,642,206
2029	2,666,670
2028	1,458,771
	$ 16,852,331

The unrecognized deductible temporary differences at December 31, 2016 and 2015 are as follows:

	Year ended December 31 2016	2015
Non-capital loss carryforwards	$ 16,852,331	$ 15,396,953
Charitable donations	9,000	11,250
Equipment	795,700	719,108
Investments	18,426	32,262
Mineral resource expenditure pool	82,509,540	81,726,297
Share issuance costs	669,446	533,790
	$ 100,854,443	$ 97,939,660

The Company also has available mineral resource related expenditure pools totaling approximately $91,743,105, which may be deducted against future taxable income on a discretionary basis.

12. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of (no par value) preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 Preferred Shares.

(b) Issued and outstanding – common shares

	Number of shares	Value
Balance, December 31, 2014	*235,015,069*	$ 175,498,302
Issued pursuant to private placement in 2015	*11,000,000*	3,300,000
Share issuance costs		(243,558)
Value attributed to flow-through premium on issuance (Note 10)		(275,000)
Balance, December 31, 2015	*246,015,069*	178,279,744
Issued pursuant to private placement in 2016	*50,523,810*	9,250,000
Share issuance costs		(505,882)
Value attributed to flow-through premium on issuance (Note 10)		(420,000)
Balance, December 31, 2016	*296,538,879*	$ 186,603,862

On February 27, 2017, the Company completed a private placement of 15,999,994 units at a price of $0.25 per unit and 6,700,000 flow-through common shares at a price of $0.30 per share, for gross proceeds of $6,099,999. Share issue costs included a cash commission of $360,600, the fair value of brokers warrants of $105,755 and other issuance costs of approximately $160,000. Each unit consisted of one common share and one full share purchase warrant exercisable at a price of $0.42 per share for a period of three years. The Company also issued 681,000 full share broker warrants as part of the placement. Each broker warrant is exercisable at a price of $0.30 per share for a period of two years.

On May 17, 2016, the Company completed a private placement consisting of 21,000,000 flow-through common shares at a price of $0.25 per share and 9,523,810 units at a price of $0.21 per unit for gross proceeds of $7,250,000 with issue costs of $463,138. Each unit consists of one common share and one-half share purchase warrant exercisable at a price of $0.30 per share for a period of two years. A flow-through premium related to the sale of the associated tax benefits was determined to be $420,000.

On January 21, 2016, UEX completed a private placement of 20,000,000 units at a price of $0.10 per unit for gross proceeds of $2,000,000 with issue costs of $42,744. Each unit consisted of one common share and one full common share purchase warrant exercisable at $0.20 per share for a period of two years. The placement was fully subscribed by a former CEO of the Company, with no commission payable.

As Cameco's ownership interest in UEX dropped below 20.00% in the first quarter of 2016, it no longer has a pre-emptive right to maintain its ownership interest in UEX by participating in equity placements on a pro-rata basis. As at December 31, 2016, Cameco's ownership interest in UEX was 16.87%, with its interest falling to 15.67% after the February 27, 2017 private placement was completed.

12. Share capital (continued)

(c) Share-based compensation

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

A summary of the status of the Company's share-based compensation plan as at December 31, 2016 and December 31, 2015 and changes during the years ended on these dates is presented below:

	Number of share purchase options	Weighted-average exercise price
Outstanding, December 31, 2014	15,861,000	$ 0.84
Granted	2,085,000	0.28
Cancelled	(280,000)	0.29
Expired	(350,000)	0.60
Outstanding, December 31, 2015	17,316,000	0.79
Granted	4,426,667	0.23
Cancelled	(838,667)	0.54
Outstanding, December 31, 2016	20,904,000	$ 0.68

In the year ended December 31, 2016, a total of $243,235 was transferred from the share-based payments reserve to deficit relating to the expiry and cancellation of 838,667 share purchase options. In the year ended December 31, 2015, $112,039 was transferred from the share-based payments reserve to deficit relating to the expiry and cancellation of 630,000 share purchase options.

Subsequent to December 31, 2016, the Company granted 400,000 share purchase options to a new director pursuant to the Company's share option plan. The share purchase options were issued at an exercise price of $0.245 and expire on January 1, 2022. On February 14, 2017, the Company granted 50,000 share purchase options to a new employee pursuant to the Company's share option plan. The share purchase options were issued at an exercise price of $0.385 and expire on February 14, 2022.

On January 30, 2017, the Company cancelled 1,150,000 share purchase options with a weighted-average exercise price $0.92.

12. Share capital (continued)

(c) Share-based compensation (continued)

Additional information regarding stock options outstanding as at December 31, 2016 is as follows:

	Outstanding			Exercisable	
Range of exercise prices	**Number of share purchase options**	**Weighted-average exercise price**	**Weighted-average remaining contractual life (years)**	**Number of share purchase options**	**Weighted-average exercise price**
$ 0.15 – 0.33	7,610,000	$ 0.26	3.61	4,220,002	$ 0.27
0.34 – 0.99	7,464,000	0.64	2.84	7,464,000	0.64
1.00 – 1.45	5,830,000	1.28	2.73	5,830,000	1.28
	20,904,000	$ 0.68	3.09	17,514,002	$ 0.76

The share-based payments reserve values of $3,231,238 as at December 31, 2016 and $3,067,912 as at December 31, 2015 on the balance sheet reflect the expensed fair value of vested share purchase options. If all options that are vested were exercised, the entire balance of the share-based payments reserve would be transferred to share capital.

The estimated fair value expense of all share purchase options vested during the year ended December 31, 2016 is $406,561 (2015 - $391,997). The amount included in exploration and evaluation expenditures for the year ended December 31, 2016 is $38,753 (2015 - $30,902) and the remaining $367,808 (2015 - $361,095) was expensed to share-based compensation.

	December 31 2016	**December 31 2015**
Number of options granted	4,426,667	2,085,000
Expected forfeiture rate	1.69%	1.06%
Weighted-average grant date share price	$ 0.23	$ 0.28
Expected volatility	63.46%	63.00%
Risk-free interest rate	0.59%	0.85%
Dividend yield	0.00%	0.00%
Expected life	4.21 years	4.09 years
Weighted-average grant date fair value	$0.11	$0.13

(d) Flow-through shares

The Company has financed a portion of its exploration programs through the use of flow-through share issuances. Income tax deductions relating to these expenditures are claimable by the investors and not by the Company.

As at December 31, 2016, the Company had spent, on qualified expenditures, all (December 31, 2015 - $1,484,977) of the $3,300,000 flow-through monies raised in the May 11, 2015 placement. The Company renounced the income tax benefit of this issue to its subscribers effective December 31, 2015. The Company incurred $2,043 in Part XII.6 tax on unspent flow-through monies in the year ended December 31, 2016 (2015 - $940), which has been netted against interest income.

12. Share capital (continued)

(d) Flow-through shares (continued)

As at December 31, 2016, the Company has also spent approximately $2,291,500 of the $5,250,000 flow-through monies raised in the May 17, 2016 private placement. The Company renounced the income tax benefit of this issue to its subscribers effective December 31, 2016 and will begin incurring Part XII.6 tax on unspent amounts relating to this placement subsequent to December 31, 2016.

(e) Warrants

Outstanding share purchase warrants entitle their holders to purchase common shares of the Company at a price outlined in the warrant agreements. The following table summarizes the continuity of share purchase warrants for the Company:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2014 and December 31, 2015	-	$ -
Issued pursuant to private placements in 2016	*24,761,905*	0.22
Exercised	-	-
Balance, December 31, 2016	*24,761,905*	$ 0.22

As at December 31, 2016 the Company's outstanding share purchase warrants had expiry dates and exercise prices as follows:

Expiry Date for Warrants	Number of Warrants	Exercise Price
January 22, 2018 (2 year life)	*20,000,000*	$ 0.20
May 17, 2018 (2 year life)	*4,761,905*	0.30
Balance, December 31, 2016	*24,761,905*	$ 0.22

Subsequent to year end, the following warrants were issued in relation to a private placement in February 2017:

Expiry Date for Warrants	Number of Warrants	Exercise Price
February 27, 2019 (2 year life)	*681,000*	$ 0.30
February 27, 2020 (3 year life)	*15,999,994*	0.42
	16,680,994	$ 0.42

13. Commitments

The Company has obligations under operating leases for its office premises, which expire between July 31, 2018 and October 31, 2020. The future minimum payments are as follows:

		December 31 2016
2017	$	71,502
2018		67,774
2019		61,446
2020		53,130

14. Management of capital

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

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

15. Management of financial risk

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 14. Accounts payable and other liabilities are due within the current operating period.

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income. The Company is subject to interest rate risk on its cash and cash equivalents. The Company reduces this risk by investing its cash in highly liquid short-term interest-bearing investments that earn interest on a fixed rate basis.

15. Management of financial risk (continued)

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

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

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

Cash and cash equivalents are classified as loans and receivables and are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

The following table summarizes those assets and liabilities carried at fair value:

Investments – as at December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares – Uracan (TSX-V: URC)	$ 7,000	$ -	$ -	$ 7,000
Warrants – Uracan [(1)]	-	-	182	182
Warrants – Uracan (current portion) [(1)]			126	126
	$ 7,000	$ -	$ 308	$ 7,308

Investments – as at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares – Uracan (TSX-V: URC)	$ 21,000	$ -	$ -	$ 21,000
Warrants – Uracan (current portion) [(1)]	-	-	144	144
	$ 21,000	$ -	$ 144	$ 21,144

(1) Black-Scholes inputs for the Uracan warrant valuation are disclosed in Note 9 *Investments*.

15. Management of financial risk (continued)

The following table shows a reconciliation from the beginning balances to ending balances for Level 1 fair value measurements for investments:

	Number of Shares	Change in Fair Value	Fair Value
Balance, December 31, 2014	*350,000*		$ 19,250
Gains (losses) for the three months ended March 31, 2015		(7,000)	
Gains (losses) for the three months ended June 30, 2015		(7,000)	
Gains (losses) for the three months ended September 30, 2015		(1,750)	
Gains (losses) for the three months ended December 31, 2015		3,500	
Changes in fair value – total unrealized gain (loss) on financial assets at AFS (shares) – year ended December 31, 2015		(12,250)	(12,250)
Balance, December 31, 2015	*350,000*		7,000
Gains (losses) for the three months ended March 31, 2016		3,500	
Gains (losses) for the three months ended June 30, 2016		7,000	
Gains (losses) for the three months ended September 30, 2016		10,500	
Gains (losses) for the three months ended December 31, 2016		(7,000)	
Changes in fair value – total unrealized gain (loss) on financial assets at AFS (shares) – year ended December 31, 2016		14,000	14,000
Balance, December 31, 2016	*350,000*		$ 21,000

In the year ended December 31, 2015, AFS shares experienced a prolonged decline in their value, which warranted the related unrealized losses previously recognized through OCI to be recognized through profit and loss. This resulted in a fair value loss of $10,500, which had been recognized in OCI in 2014, to be reclassified to profit and loss, as well as a fair value loss of $12,250 related to 2015 to be recognized directly through profit and loss, for a total fair value impairment of $22,750. In the year ended December 31, 2016, AFS shares experienced an increase in their fair value, which warranted the unrealized gains to be recognized through OCI.

The Company's policy is to recognize transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer. There have been no transfers out of Level 3 in the period.

15. Management of financial risk (continued)

The following table shows a reconciliation from the beginning balances to ending balances for Level 3 fair value measurements:

	Number of Warrants	Change in Fair Value	Fair Value [(1)]
Balance, December 31, 2014	*175,000*		$ 2,937
Gains (losses) for the three months ended March 31, 2015		(2,332)	
Gains (losses) for the three months ended June 30, 2015		(536)	
Gains (losses) for the three months ended September 30, 2015		163	
Gains (losses) for the three months ended December 31, 2015		76	
Changes in fair value – total unrealized gain (loss) on held-for-trading financial assets (warrants) – year ended December 31, 2015		(2,629)	(2,629)
Balance, December 31, 2015	*175,000*		308
Expiry of warrants	(*150,000*)	(126)	
Gains (losses) for the three months ended March 31, 2016		153	
Gains (losses) for the three months ended June 30, 2016		249	
Gains (losses) for the three months ended September 30, 2016		119	
Gains (losses) for the three months ended December 31, 2016		(559)	
Changes in fair value – total unrealized gain (loss) on held-for-trading financial assets (warrants) – year ended December 31, 2016		(164)	(164)
Balance, December 31, 2016	*25,000*		$ 144

(1) See Note 9 for Black-Scholes assumptions.

The following table shows the valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as the key unobservable inputs used in the valuation model:

Level 3 item	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warrants – Uracan	The fair value has been determined by using the Black-Scholes option pricing model.	Expected volatility for Uracan shares, derived from the shares' historical prices (weekly).	The estimated fair value for the warrants increases as the volatility increases.

16. Segmented information

The Company conducts its business as a single operating segment, being the mining and mineral exploration business in Canada. All mineral properties and equipment are located in Canada.

17. Exploration and evaluation expenditures

Project	Cumulative (1) to December 31, 2014	2015 Expenditures in the period	2015 Cumulative to December 31, 2015	2016 Expenditures in the period	2016 Cumulative to December 31, 2016
Beatty River	$ 869,392	$ 3,677	$ 873,069	$ -	$ 873,069
Black Lake	14,504,723	4,170	14,508,893	16	14,508,909
Christie Lake	-	58,689	58,689	4,021,603	4,080,292
Hidden Bay (2)					
Deposit Areas	66,555,664	156,267	66,711,931	143,746	66,855,677
Exploration Areas	5,692,131	2,292,310	7,984,441	42,556	8,026,997
Western Athabasca					
Alexandra	1,204,397	854	1,205,251	-	1,205,251
Brander	1,352,463	900	1,353,363	-	1,353,363
Erica	1,590,050	663,035	2,253,085	-	2,253,085
Laurie	1,586,528	-	1,586,528	-	1,586,528
Mirror	1,987,612	-	1,987,612	-	1,987,612
Nikita	1,951,521	810	1,952,331	-	1,952,331
Shea Creek	52,190,981	1,390,166	53,581,147	618,032	54,199,179
Uchrich	543,091	-	543,091	-	543,091
All Projects Total	$ 150,028,553	$ 4,570,878	$ 154,599,431	$ 4,825,953	$ 159,425,384

(1) Exploration and evaluation expenditures have been presented on a cumulative basis from July 17, 2002.
(2) Deposit areas include Raven, Horseshoe and West Bear Deposits. Exploration areas are all other areas included in Hidden Bay.

Exploration and evaluation expenditures for the year ended December 31, 2016 and 2015 include the following non-cash expenditures:

	Year ended December 31 2016	2015
Depreciation	$ 53,092	$ 35,915
Share-based compensation	38,753	30,902
Project management fee	367,860	38,216
	$ 459,705	$ 105,033

17. Exploration and evaluation expenditures (continued)

Hidden Bay Project

During the year ended December 31, 2016, total expenditures at Hidden Bay included evaluation expenditures of $143,746, (2015 - $71,755) in deposit areas. These amounts reflect costs associated with the continuing evaluation of and advancement of Hidden Bay, and include the heap leach evaluation and various component technical studies.

Western Athabasca Projects

As at December 31, 2016, UEX has decided not to fund its share of the 2017 Western Athabasca exploration budget ($0.5 million each for geophysics on Uchrich and Nikita, $1.3 million each for drilling on Laurie and Mirror River). UEX's decision to not fund exploration work at the Laurie Project resulted in a reduction in the Company's ownership interest effective December 31, 2015 to approximately 42.2% with AREVA owning the balance of the project equity. The decision not to fund our share of the proposed Laurie program did not have an impact on UEX's ownership interest in the other WAJV projects which remained at 49.1%, including the Company's ownership of the existing uranium resources at the Shea Creek Project.

UEX decided not to fund its share of the 2016 geophysical program at the Mirror River Project. As a result, UEX's interest in this project dropped from a 49.1% interest to 41.9% as AREVA completed the approved program. This dilution only applies to UEX's interest in the Mirror River Project.

Christie Lake Project

During the year ended December 31, 2016, the Company completed a $4.0 million exploration program at Christie Lake, $1.5 million in excess of the 2016 exploration earn-in required. The Company will apply the excess funding to reduce future years' commitments to the ownership milestones. In early 2017, the Company began a further $3.0 million exploration program at Christie Lake, which is 100% funded by UEX.

UEX is the project operator and is entitled to a 10% management fee, which is offset against salaries and is deemed to be an expenditure for the exploration work commitment portion of the project earn-in (see Note 19).

Costs associated with reviewing the project prior to signing the LOI were expensed as project investigation costs in 2015.

18. Office expenses

	Year ended December 31	
	2016	2015
Insurance	$ 51,710	$ 51,664
Office supplies and consulting	125,510	385,995
Telephone	11,815	15,078
	$ 189,035	$ 452,737

19. Salaries, net of project management fees

		Year ended December 31 2016		2015
Gross salaries	$	881,793	$	907,705
Non-cash management fee offset:				
Christie Lake – 10%		(367,841)		-
Black Lake – 10%		(19)		(38,216)
	$	513,933	$	869,489

The Christie Lake non-cash operator management fee offset above arises from the 10% management fee deemed to be an expenditure for the exploration work commitment portion of the project earn-in, as per the January 19, 2016 Option Agreement with JCU.

20. Related party transactions

The value of all transactions relating to key management personnel, close members of the family of persons that are key management personnel and entities over which they have control or significant influence are as follows:

(a) Related party transactions

Related party transactions include the following payments which were made to related parties other than key management personnel:

		Year ended December 31 2016		2015
Cameco Corporation (1)	$	1,323	$	12,000
Management advisory board share-based payments (2)		9,055		15,141
Panterra Geoservices Inc. (3)		-		2,400
	$	10,378	$	29,541

(1) 2016 payments related to fees paid for use of the Cameco airstrip at the McArthur River mine. 2015 payment represents an amount paid to Cameco (20.33% shareholder of UEX Corporation at the date of the transaction) in May of 2015 to acquire Cameco's 70% interest in the Umpherville joint venture (see Note 8(i)).

(2) Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 12(c).

(3) Panterra Geoservices Inc. is a company owned by David Rhys, a member of the management advisory board that provides geological consulting services to the Company. The management advisory board members are not paid a retainer or fee; specific services are invoiced as provided.

20. Related party transactions (continued)

(b) Key management personnel compensation

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

	Year ended December 31	
	2016	**2015**
Salaries and short-term employee benefits [1][2]	$ 740,259	$ 676,127
Share-based payments [3]	338,449	322,770
Other compensation [4]	-	183,000
	$ 1,078,708	$ 1,181,897

(1) In the event of a change of control of the Company, certain senior management may elect to terminate their employment agreements and the Company shall pay termination benefits of up to two times their respective annual salaries at that time and all of their share purchase options will become immediately vested with all other employee benefits, if any, continuing for a period of up to two years.

(2) In the event that Mr. Lemaitre's (UEX's President and CEO) employment is terminated by the Corporation for any reason other than as a result of a change of control, death or termination for cause, the Corporation will pay a termination amount equal to one year's base salary plus any bonus owing. All other employee related benefits will continue for a period of one year following such termination. Mr. Lemaitre may also terminate the employment agreement upon three months' written notice to the Board and receive a lump sum payment equal to his base salary plus benefits for three months.

(3) Share-based compensation expense is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions disclosed in Note 12(c).

(4) Represents amounts paid in January 2015 to Mr. Graham Thody, the Company's former President and CEO, under the terms of a retirement consulting agreement for consulting services up to December 31, 2015. During the term of this agreement, Mr. Thody was not entitled to receive director's fees; however, upon expiry of this agreement on December 31, 2015, Mr. Thody became entitled to receive director's fees in 2016 on the same terms as other non-management directors.

21. Change in Accounting Policy

Effective September 30, 2016, the Company changed its accounting policy related to exploration and evaluation expenditures. This change requires exploration expenditures to be expensed as incurred rather than capitalized to mineral properties. The treatment of acquisition and staking costs, as well as costs incurred prior to obtaining rights, has not changed. This change in accounting policy has been applied retrospectively.

The Company has applied IFRS 6 *Exploration for and evaluation of mineral properties* since its transition to IFRS. Under IFRS 6, the Company recognized as assets its mineral exploration and evaluation costs on a historical cost basis. These capitalized amounts were assessed for impairment at each reporting period. Except as previously recorded by the Company, the historical cost amounts capitalized are not impaired. The Company decided to change its accounting policy for exploration and evaluation costs with a view to providing more relevant, reliable and understandable information to financial statement users. The reasons for the change in policy include aligning the accounting treatment of mineral exploration and evaluation costs with other companies in the industry including those that report under US GAAP, which allows shareholders to more easily understand and compare our financial statements with others, and the Company has determined that the treatment of exploration and evaluation costs as an operating expense better reflects the economic substance of our operating activities during the fiscal periods presented.

The accounting policy change has been applied retrospectively in preparing the comparative statements as follows:

- Balance Sheets as at January 1, 2015 and December 31, 2015;
- Statement of Operations and Comprehensive Loss for the year ended December 31, 2015; and
- Statement of Cash Flows for the year ended December 31, 2015.

The effect of the change in accounting policy on the Company's balance sheets is summarized below as debits and (credits).

	Mineral properties	DIT liability	Share capital	AOCI	Deficit
Reclassified exploration expenditures	$ (150,028,554)	$ -	$ -	$ -	$150,028,554
Not recognizing DITL	-	12,107,958	-	-	(12,107,958)
Not recognizing DIT on issue costs	-	(2,044,309)	2,044,309	-	-
Not recognizing DIT on AFS assets (OCI)	-	-	-	1,418	(1,418)
January 1, 2015, total policy change impact:	**(150,028,554)**	**10,063,649**	**2,044,309**	**1,418**	**137,919,178**
Reclassified exploration expenditures	(4,570,878)	-	-	-	4,570,878
Not recognizing DITL	-	597,504	-	-	(597,504)
Not recognizing DIT on issue costs	-	(65,761)	65,761	-	-
Not recognizing DIT on AFS assets (OCI)	-	1,418	-	(1,418)	-
December 31, 2015, total policy change impact:	**$ (154,599,432)**	**$ 10,596,810**	**$ 2,110,070**	**$ -**	**$141,892,552**

As a result of the retrospective application of the policy change, the Company no longer presents a net deferred tax liability. In no longer presenting a net deferred tax liability, the deferred tax impact on share issue costs has been reversed to deferred tax liability in the periods in which it occurred.

21. Change in Accounting Policy (continued)

Balance sheet – as at January 1, 2015

	January 1, 2015			
	As previously reported January 1, 2015	Note	Effect of policy change	Restated under new policy, January 1, 2015
Assets				
Current assets				
Cash and cash equivalents	$ 9,321,596		$ -	$ 9,321,596
Amounts receivable	141,170		-	141,170
Prepaid expenses	106,540		-	106,540
	9,569,306		-	9,569,306
Non-current assets				
Deposits	-			-
Equipment	111,885		-	111,885
Mineral properties	155,240,363	1	(150,028,554)	5,211,809
Investments	22,187		-	22,187
Total assets	$ 164,943,741		$ (150,028,554)	$ 14,915,187
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and other liabilities	$ 1,322,439		$ -	$ 1,322,439
Non-current liabilities				
Deferred tax liability	10,063,649	2	(10,063,649)	-
Total liabilities	11,386,088		(10,063,649)	1,322,439
Shareholders' equity				
Share capital	177,542,611	3	(2,044,309)	175,498,302
Share-based payments reserve	2,787,954		-	2,787,954
Accumulated other comprehensive income (loss)	(9,082)		(1,418)	(10,500)
Deficit	(26,763,830)		(137,919,178)	(164,683,008)
	153,557,653		(139,964,905)	13,592,748
Total liabilities and shareholders' equity	$ 164,943,741		$ (150,028,554)	$ 14,915,187

1. Cumulative since inception effect of accounting policy change reclassifying evaluation and expenditure costs to income statement. Balance remaining reflects cumulative acquisition costs of mineral properties at January 1, 2015.
2. Increased deductible temporary differences due to expensing exploration and evaluation costs resulted in a deferred tax asset, which will not be recognized until the Company is confident that it can be used against future taxable income.
3. Cumulative effect of deferred tax no longer being recognized on share issuance costs.

21. Change in Accounting Policy (continued)

Balance sheet – as at December 31, 2015

	December 31, 2015			
	As previously reported December 31, 2015	Note	Effect of policy change	Restated under new policy, December 31, 2015
Assets				
Current assets				
Cash and cash equivalents	$ 5,139,814		$ -	$ 5,139,814
Amounts receivable	62,010		-	62,010
Prepaid expenses	100,177		-	100,177
Investments – current portion	126		-	126
	5,302,127			5,302,127
Non-current assets				
Deposits	44,704		-	44,704
Equipment	292,202		-	292,202
Mineral properties	160,084,497	1	(154,599,432)	5,485,065
Investments	7,182		-	7,182
Total assets	$ 165,730,712		$ (154,599,432)	$ 11,131,280
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and other liabilities	$ 476,537		$ -	$ 476,537
Non-current liabilities				
Deferred tax liability	10,596,810	2	(10,596,810)	-
Total liabilities	11,073,347		(10,596,810)	476,537
Shareholders' equity				
Share capital	180,389,814	3	(2,110,070)	178,279,744
Share-based payments reserve	3,067,912		-	3,067,912
Deficit	(28,800,361)		(141,892,552)	(170,692,913)
	154,657,365		(144,002,622)	10,654,743
Total liabilities and shareholders' equity	$ 165,730,712		$ (154,599,432)	$ 11,131,280

1. Cumulative since inception effect of accounting policy change reclassifying evaluation and expenditure costs to income statement. Balance remaining reflects cumulative acquisition costs of mineral properties at December 31, 2015.
2. Increased deductible temporary differences due to expensing exploration and evaluation costs resulted in a deferred tax asset, which will not be recognized until the Company is confident that it can be used against future taxable income.
3. Cumulative effect of deferred tax no longer being recognized on share issuance costs.

21. Change in Accounting Policy (continued)

Statement of Operations and Comprehensive Loss

	Year ended December 31, 2015			
	As previously reported	Note	Effect of policy change	Restated under new policy
Revenue				
Interest income	$ 106,027		$ -	$ 106,027
Expenses				
Bank charges and interest	5,308		-	5,308
Depreciation	19,282		-	19,282
Exploration and evaluation expenditures	-	1	4,570,878	4,570,878
Filing fees and stock exchange	85,147		-	85,147
Legal and audit	139,095		-	139,095
Loss on disposal of equipment	423		-	423
Maintenance	49,750		-	49,750
Office expenses	452,737		-	452,737
Project investigation	21,938		-	21,938
Rent	157,456		-	157,456
Salaries, net of management fees	869,489		-	869,489
Share-based compensation	361,095		-	361,095
Travel and promotion	223,198		-	223,198
Unrealized loss on available-for-sale financial assets	22,750		-	22,750
Unrealized fair value loss (gain) on held-for-trading financial assets	2,629		-	2,629
Write-down of mineral properties	1,528		-	1,528
	2,411,825		4,570,878	6,982,703
Loss before income taxes	(2,305,798)		(4,570,578)	(6,876,676)
Deferred income tax recovery	157,228	2	597,504	754,732
Loss for the year	(2,148,570)		(3,973,374)	(6,121,944)
Other comprehensive income (loss)				
Losses on available-for-sale assets transferred to earnings	10,500		-	10,500
Deferred income tax expense on change in fair value of available-for-sale financial assets	(1,418)	2	1,418	-
	9,082		1,418	10,500
Comprehensive loss for the year	$ (2,139,488)		$ (3,971,956)	$ (6,111,444)
Basic and diluted loss per share	$ (0.009)		$ (0.016)	$ (0.025)
Basic and diluted weighted-average number of shares outstanding	242,094,261			242,094,261

1. Exploration and evaluation costs are presented on the statement of operations and comprehensive loss, reflecting retrospective application of the accounting policy change.
2. Deferred tax recovery reflects extinguishment of flow-through premium upon renunciation; reflective of policy change, deferred taxes not recognized on OCI items.

21. Change in Accounting Policy (continued)

Statement of Cash Flows

	Year ended December 31, 2015			
	As previously reported	Note	Effect of policy change	Restated under new policy
Cash provided by (used for):				
Operating activities				
Loss for the year	$ (2,148,570)		$ (3,973,374)	$ (6,121,944)
Adjustments for:				
Depreciation	19,282	1	35,915	55,197
Deferred income tax recovery	(157,228)	2	(597,504)	(754,732)
Interest income	(106,027)		-	(106,027)
Loss on disposal of equipment	423		-	423
Part XII.6 tax	(940)		-	(940)
Share-based compensation	361,095	3	30,902	391,997
Unrealized fair value loss on AFS financial assets	22,750		-	22,750
Unrealized fair value loss on held-for-trading financial assets	2,629		-	2,629
Write-down of mineral properties	1,528		-	1,528
Changes in non-cash operating working capital				
Amounts receivable	44,826	4	5,838	50,664
Prepaid expenses and deposits	(38,341)		-	(38,341)
Accounts payable and other liabilities	(291,957)	4	(74,213)	(366,170)
	(2,290,530)		(4,572,436)	(6,862,966)
Investing activities				
Interest received	135,463		-	135,463
Investment in mineral properties	(4,847,220)	5	4,572,436	(274,784)
Purchase of equipment	(236,756)		-	(236,756)
Proceeds on sale of furniture	819		-	819
	(4,947,694)		4,572,436	(375,258)
Financing activities				
Proceeds from common shares issued	3,300,000		-	3,300,000
Share issuance costs	(243,558)		-	(243,558)
	3,056,442		-	3,056,442
Decrease in cash and cash equivalents during the year	(4,181,782)		-	(4,181,782)
Cash and cash equivalents, beginning of year	9,321,596		-	9,321,596
Cash and cash equivalents, end of year	$ 5,139,814		$ -	$ 5,139,814

1. Reflects depreciation included in exploration and evaluation expense, rather than capitalized to mineral properties.
2. Deferred tax recovery reflects extinguishment of flow-through premium upon renunciation.
3. Reflects share-based compensation included in exploration and evaluation expense, rather than capitalized to mineral properties.
4. Reflects the amounts receivable and accounts payable related to mineral properties that was included in investing activities.
5. Amounts spent on exploration and evaluation activities are presented in loss for the year; amounts remaining are mineral property acquisition costs.

Corporate Information

Board of Directors

Graham C. Thody, Chairman
Vancouver, British Columbia

Roger M. Lemaitre
President and CEO
Saskatoon, Saskatchewan

Suraj P. Ahuja, Lead Director
Vancouver, British Columbia

Mark P. Eaton
Toronto, Ontario

Emmet A. McGrath
Vancouver, British Columbia

Catherine A. Stretch
Toronto, Ontario

Officers

Roger M. Lemaitre
President and CEO

Ed Boney
CFO and Corporate Secretary

Nan Lee
Vice-President, Project Development

Legal Counsel

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