QUESTAR CORP
Form 10-Q
August 04, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X]

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

For the quarter ended June 30, 2006

[ ]

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

For the transition period from ___ to ___

Commission File Number 1-8796

QUESTAR CORPORATION
(Exact name of registrant as specified in charter)

STATE OF UTAH	**87-0407509**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

180 East 100 South Street, P.O. Box 45433 Salt Lake City, Utah 84145-0433
(Address of principal executive offices)

Registrant s telephone number, including area code **(801) 324-5000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

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

On July 31, 2006, 85,702,781 shares of the registrant s common stock, without par value, were outstanding.

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Questar Corporation

Form 10-Q for the Quarter Ended June 30, 2006

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Nature of Business

Questar Corporation (Questar or the Company) is a natural gas-focused energy company with four major lines of business   gas and oil exploration and production, midstream field services, interstate gas transportation, and retail gas distribution – which are conducted through its three principal subsidiaries:

.

Questar Market Resources, Inc. (Market Resources) is a sub-holding company that operates through four principal subsidiaries. Questar Exploration and Production Company (Questar E&P) explores for, acquires, develops and produces natural gas and oil. Wexpro Company (Wexpro) develops and produces cost-of-service reserves for gas utility affiliate Questar Gas. Questar Gas Management Company (Gas Management) provides gas-gathering and processing services for affiliates and third parties. Questar Energy Trading Company (Energy Trading) markets equity and third-party natural gas and oil, provides risk-management services and owns and operates an underground gas-storage reservoir.

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Questar Pipeline Company (Questar Pipeline) provides interstate natural gas transportation and storage services.

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Questar Gas Company (Questar Gas) provides retail natural gas distribution.

Questar is a holding company, as that term is defined in the Public Utility Holding Company Act of 2005 (PUHCA 2005), because its subsidiary Questar Gas is a gas utility. Questar however, qualifies for an exemption and waiver from provisions of the Act applicable to holding companies. PUHCA 2005 supersedes the Public Utility Holding Company Act of 1935 under which Questar qualified for an exemption. Questar conducts most of its operations through subsidiaries. The parent-holding company performs certain management, legal, tax, administrative and other services for its subsidiaries.

Questar operates in the Rocky Mountain and Midcontinent regions of the United States of America and is headquartered in Salt Lake City, Utah. Shares of Questar common stock trade on the New York Stock Exchange under the symbol STR.

Where You Can Find More Information

Questar and its principal subsidiaries, Market Resources, Questar Pipeline and Questar Gas, each file annual, quarterly, and current reports with the Securities and Exchange Commission (SEC). Questar also regularly files proxy statements and other documents with the SEC. The public may read and copy these reports and any other materials filed with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549-0213. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC also maintains a website that contains information filed electronically that can be accessed over the Internet at www.sec.gov.

Investors can access financial and other information via Questar s website at www.questar.com. Questar and each of its reporting subsidiaries make available, free of charge, through the website copies of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to such reports and all reports filed by executive officers and directors under Section 16 of the Exchange Act reporting transactions in Questar securities. Access to these reports is provided as soon as reasonably practical after such reports are electronically filed with the SEC. Questar s website also contains Statements of Responsibility for Board Committees, Corporate Governance Guidelines and its Business Ethics and Compliance Policy.

Also you may request a copy of filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost by writing or calling Questar, 180 East 100 South Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433 (telephone number (801) 324-5000).

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Forward-Looking Statements

This Quarterly Report may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe, and other words a similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, exploration efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Among factors that could cause actual results to differ materially are:

- the risk factors discussed in Part I, Item 1A. of the Company s Annual Report on Form 10-K for the year ended December 31, 2005;
- general economic conditions, including the performance of financial markets and interest rates;
- changes in industry trends;
- changes in laws or regulations; and
- other factors, most of which are beyond our control.

Questar undertakes no obligation to publicly correct or update the forward-looking statements in this Quarterly Report, in other documents, or on the website to reflect future events or circumstances. All such statements are expressly qualified by this cautionary statement.

Glossary of Commonly Used Terms

B

Billion.

bbl

Barrel, which is equal to 42 U.S. gallons and is a common measure of volume of crude oil and other liquid hydrocarbons.

basis

The difference between a reference or benchmark commodity price and the corresponding sales price at various regional sales points.

Btu

One British thermal unit a measure of the amount of energy required to raise the temperature of a one-pound mass of water one degree Fahrenheit at sea level.

cash flow hedge

A derivative instrument that complies with Statement of Financial Accounting Standards (SFAS) 133, as amended, and is used to reduce the exposure to variability in cash flows from the forecasted physical sale of gas and oil production whereby the gains (losses) on the derivative transaction are anticipated to offset the losses (gains) on the forecasted physical sale.

cf

Cubic foot is a common unit of gas measurement. One standard cubic foot equals the volume of gas in one cubic foot measured at standard conditions a temperature of 60 degrees Fahrenheit and a pressure of 30 inches of mercury (approximately 14.7 pounds per square inch).

cfe

Cubic feet of natural gas equivalents.

development well

A well drilled into a known producing formation in a previously discovered field.

dewpoint

A specific temperature and pressure at which hydrocarbons condense to form a liquid.

dry hole

A well drilled and found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of production exceed expenses and taxes.

dth

Decatherms or ten therms. One dth equals one million Btu or approximately one Mcf.

dthe

Decatherms of natural gas equivalents.

equity production

Production at the wellhead attributed to Questar ownership.

exploratory well

A well drilled into a previously untested geologic prospect to determine the presence of gas or oil.

finding costs

Finding costs are the sum of costs incurred for gas and oil exploration and development activities; including purchases of reserves in place, leasehold acquisitions, seismic, geological and geophysical, development and exploration drilling and asset retirement obligations for a given period, divided by the total amount of estimated net proved reserves added through discoveries, positive and negative revisions and purchases in place for the same period. The Company expresses finding costs in dollars per Mcfe averaged over a five-year period.

frac spread

The difference between the market value for NGL extracted from the gas stream and the market value of the Btu-equivalent volume of natural gas required to replace the extracted liquids.

futures contract

An exchange-traded contract to buy or sell a standard quantity and quality of a commodity at a specified future date and price.

gal

U.S. gallon.

gas

All references to gas in this report refer to natural gas.

gross

Gross natural gas and oil wells or gross acres equal the total number of wells or acres in which the Company has a working interest.

heating degree days

A measure of the number of degrees the average daily outside temperature is below 65 degrees Fahrenheit.

hedging

The use of derivative commodity and interest-rate instruments to reduce financial exposure to commodity price and interest-rate volatility.

infill development drilling

Drilling wells between established producing wells; a drilling program to reduce the spacing between wells in order to increase production and/or recovery of in-place hydrocarbons.

lease operating expenses

The expenses, usually recurring, which are incurred to operate the wells and equipment on a producing lease.

M

Thousand.

MM

Million.

natural gas equivalents

Oil and NGL volumes are converted to natural gas equivalents using the ratio of one barrel of crude oil, condensate or NGL to 6,000 cubic feet of natural gas.

natural gas liquids (NGL)

Liquid hydrocarbons that are extracted and separated from the natural gas stream. NGL products include ethane, propane, butane, natural gasoline and heavier hydrocarbons.

net

Net gas and oil wells or net acres are determined by the sum of the fractional ownership working interest the Company has in those gross wells or acres.

net revenue interest

A share of production after all burdens, such as royalties and overriding royalties, have been deducted from the working interest. It is the percentage of production that each owner actually receives.

production replacement ratio

The production replacement ratio is calculated by dividing the net proved reserves added through discoveries, positive and negative revisions and purchases and sales in-place for a given period by the production for the same period, expressed as a percentage. The production replacement ratio is typically reported on an annual basis.

proved reserves

Those quantities of natural gas, crude oil, condensate and NGL on a net revenue interest basis, which geological and engineering data demonstrate with reasonable certainty to be recoverable under existing economic and operating conditions. See 17 C.F.R. Section 4-10(a)(2) for a complete definition.

proved developed reserves

Reserves that include proved developed producing reserves and proved developed nonproducing reserves. See 17 C.F.R. Section 4-10(a)(3).

proved developed producing reserves

Reserves expected to be recovered from existing completion intervals in existing wells.

proved undeveloped reserves

Reserves expected to be recovered from new wells on proved undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. See 17 C.F.R. Section 4-10(a)(4).

reservoir

A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

royalty

An interest in an oil and gas lease that gives the owner the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner s royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

seismic

An exploration method of sending energy waves or sound waves into the earth and recording the wave reflections to indicate the type, size, shape and depth of a subsurface rock formation. (2-D seismic provides two-dimensional information and 3-D seismic provides three-dimensional views.)

wet gas

Unprocessed natural gas that contains a mixture of heavier hydrocarbons including ethane, propane, butane and natural gasoline.

working interest

An interest in an oil and gas lease that gives the owner the right to drill, produce and conduct operating activities on the leased acreage and receive a share of any production.

workover

Operations on a producing well to restore or increase production.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUESTAR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands, except per share amounts)			
REVENUES				
Market Resources	$384,110	$344,896	$ 799,187	$ 659,234
Questar Pipeline	24,912	19,087	50,354	36,999
Questar Gas	181,853	151,043	648,792	494,733
Corporate and other operations	5,355	5,183	9,270	9,567
TOTAL REVENUES	596,230	520,209	1,507,603	1,200,533
OPERATING EXPENSES				
Cost of natural gas and other products sold	220,854	225,577	683,634	564,382
Operating and maintenance	68,244	63,312	142,353	120,059
General and administrative	30,292	29,647	62,610	62,730
Production and other taxes	25,864	26,250	59,336	52,635
Depreciation, depletion and amortization	73,269	59,807	146,023	118,632
Exploration	10,101	5,476	13,400	6,849
Abandonment and impairment of gas, oil and other properties	1,843	1,493	3,542	2,898
TOTAL OPERATING EXPENSES	430,467	411,562	1,110,898	928,185
OPERATING INCOME	165,763	108,647	396,705	272,348
Interest and other income	3,710	2,922	6,157	5,573

Income from unconsolidated affiliates	1,701	1,675	3,532	3,221
Unrealized mark-to-market loss on basis swaps, net	(5,614)		(5,614)	
Loss on early extinguishment of debt	(1,746)		(1,746)	
Interest expense	(19,762)	(16,643)	(37,192)	(33,365)
INCOME BEFORE INCOME TAXES	144,052	96,601	361,842	247,777
Income taxes	53,690	35,874	134,324	91,879
NET INCOME	$ 90,362	$ 60,727	$ 227,518	$ 155,898
EARNINGS PER COMMON SHARE				
Basic	$ 1.06	$ 0.71	$ 2.67	$ 1.84
Diluted	1.03	0.70	2.60	1.79
Weighted average common shares outstanding				
Used in basic calculation	85,352	84,679	85,301	84,546
Used in diluted calculation	87,492	87,051	87,475	86,888
Dividends per common share	$ 0.235	$ 0.225	$ 0.46	$ 0.44

See notes accompanying the consolidated financial statements

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2006	December 31, 2005
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 73,760	$ 13,360
Accounts receivable, net	226,971	355,810
Unbilled gas accounts receivable	13,048	86,161
Federal income tax recoverable		11,274
Derivative collateral deposits		5,150
Fair value of derivative contracts	4,482	1,972
Inventories, at lower of average cost or market		
Gas and oil storage	52,369	90,718
Materials and supplies	42,216	34,699
Prepaid expenses and other	24,076	30,110
Purchased-gas adjustments		39,852
Deferred income taxes current	36,901	86,734
Total current assets	473,823	755,840
Property, plant and equipment	5,822,528	5,527,997
Less accumulated depreciation, depletion and amortization	2,183,778	2,100,455
Net property, plant and equipment	3,638,750	3,427,542
Investment in unconsolidated affiliates	33,915	30,681
Goodwill	71,260	71,260
Regulatory assets	32,470	32,767
Other noncurrent assets, net	39,803	38,983
	$4,290,021	$4,357,073
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term debt		$ 94,500
Accounts payable and accrued expenses	$ 313,750	526,196
Questar Gas customer-credit balances	8,401	30,829
Fair value of derivative contracts	28,548	222,049
Purchased-gas adjustments	28,498	
Total current liabilities	379,197	873,574

Long-term debt	1,032,374	983,200
Deferred income taxes	699,515	624,187
Asset retirement obligations	83,368	78,123
Pension and post-retirement benefits	57,318	61,049
Fair value of derivative contracts	17,270	99,044
Other long-term liabilities	96,990	88,093
Common shareholders equity		
Common stock	393,386	383,298
Retained earnings	1,573,947	1,385,783
Accumulated other comprehensive loss	(43,344)	(219,278)
Total common shareholders equity	1,923,989	1,549,803
	$4,290,021	$4,357,073

See notes accompanying the consolidated financial statements

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	6 Months Ended June 30,	
	2006	2005
	(in thousands)	
OPERATING ACTIVITIES		
Net income	$227,518	$ 155,898
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation, depletion and amortization	150,432	122,445
Deferred income taxes	17,813	20,555
Share-based compensation	4,444	2,026
Abandonment and impairment of gas, oil and other properties	3,542	2,898
Income from unconsolidated affiliates	(3,532)	(3,221)
Distributed income from unconsolidated affiliates	2,823	2,217
Net gain from asset sales	(181)	(3,594)
Unrealized mark-to-market loss on basis swaps, net	5,614	
Loss on early extinguishment of debt	1,746	
Ineffective portion of fixed-price swaps	(259)	328
	409,960	299,552
Changes in operating assets and liabilities	93,129	26,794
NET CASH PROVIDED FROM OPERATING ACTIVITIES	503,089	326,346
INVESTING ACTIVITIES		
Capital expenditures		
Property, plant and equipment	(359,926)	(281,278)
Other investments	(2,525)	(1,842)
Total capital expenditures	(362,451)	(283,120)
Proceeds from disposition of assets	2,771	16,380
NET CASH USED IN INVESTING ACTIVITIES	(359,680)	(266,740)
FINANCING ACTIVITIES		
Common stock issued	4,524	10,946
Common stock repurchased	(3,130)	(5,282)
Long-term debt issued, net of issue costs	246,953	

Long-term debt repaid	(200,006)	(5)
Early extinguishment of debt costs	(1,746)	
Decrease in short-term debt	(94,500)	(31,000)
Dividends	(39,354)	(37,289)
Excess tax benefits from share-based compensation	4,250	
NET CASH USED IN FINANCING ACTIVITIES	(83,009)	(62,630)
Change in cash and cash equivalents	60,400	(3,024)
Beginning cash and cash equivalents	13,360	3,681
Ending cash and cash equivalents	$ 73,760	$ 657

See notes accompanying the consolidated financial statements

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NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation of Interim Consolidated Financial Statements

The accompanying unaudited consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and pursuant to the rules and regulations of the SEC. The consolidated financial statements reflect all normal, recurring adjustments and accruals that are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions were eliminated in consolidation. Interim consolidated financial statements do not include all of the information and notes required by GAAP for audited annual consolidated financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. Certain reclassifications were made to prior period financial statements to conform with the current presentation.

The preparation of consolidated financial statements and notes in conformity with GAAP requires that management make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from estimates. The results of operations for the six months ended June 30, 2006, are not necessarily indicative of the results that may be expected for the year ending December 31, 2006, due to a variety of factors discussed in the Forward-Looking Statements section of this report.

Note 2 Earnings Per Share (EPS)

Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the accounting period. Diluted EPS includes the potential increase in the number of outstanding shares that could result from the exercise of in-the-money stock options plus an estimated number of nonvested restricted shares:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Weighted-average basic common shares outstanding	85,352	84,679	85,301	84,546
Potential number of shares issuable from exercising				
stock options and from nonvested restricted shares	2,140	2,372	2,174	2,342

Weighted-average diluted common shares				
outstanding	87,492	87,051	87,475	86,888

Questar issued 372,000 and 581,000 shares for the Long-Term Stock Incentive Plan (LTSIP) and other plans in the first six months of 2006 and 2005, respectively.

Note 3 Share-Based Compensation

Questar issues stock options and restricted shares to certain officers, employees and non-employee directors under its LTSIP. Prior to January 1, 2006, the Company accounted for share-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion (APBO) 25 Accounting for Stock Issued to Employees and related interpretations. No compensation cost was recorded for stock options issued because the exercise price equaled the market price on the date of grant. The granting of restricted shares resulted in recognition of compensation cost. Restricted shares are valued at the grant-date market price and amortized to expense over the vesting period.

The Company implemented SFAS 123R Share Based Payment, effective January 1, 2006, and chose the modified prospective phase-in method. The modified prospective phase-in method requires recognition of compensation costs for all share based payments granted, modified or settled after January 1, 2006, as well as for any awards that were granted prior to the implementation date for which the required service has not yet been performed. As a result of adopting SFAS 123R, the Company s income before income taxes and net income for the six months ended June 30, 2006, were approximately $0.9 million and $0.6 million lower, respectively, than if the Company had continued to account for share-based compensation under APBO 25. Share-based compensation reduced basic and diluted earnings per share for the six months ended June 30, 2006, by $0.03 per share. Share-based compensation associated with unvested restricted shares for the six months ended June 30, 2006 and 2005, amounted to $3.6 million and $2.0 million, respectively. At June 30, 2006, deferred share-based compensation amounted to $17.4 million, of which $4.0 million was attributed to unvested stock options.

SFAS 123R requires the benefits of tax deductions in excess of recognized compensation expense resulting from the exercise of share-based awards be reported in the financing activities section of the Condensed Consolidated Statements of Cash Flow. For the six months ended June 30, 2006, this requirement reduced net cash provided from operating activities and reduced net cash used in financing activities by $4.3 million.

The following table shows pro forma net income had stock options been expensed in the prior period based on a fair value calculated using the Black-Scholes-Merton model:

	3 Months Ended	6 Months Ended

	June 30, 2005	June 30, 2005
	(in thousands)	
Net income, as reported	$60,727	$155,898
Deduct after-tax share-based compensation		
expense under fair-value based method	(360)	(719)
Pro forma net income	$60,367	$155,179
Earnings per share		
Basic, as reported	$0.71	$1.84
Basic, pro forma	0.71	1.84
Diluted, as reported	0.70	1.79
Diluted, pro forma	0.69	1.79

Long-Term Stock Incentive Plan

There were 5,361,366 shares available for future grant at June 30, 2006. The Company granted restricted shares but did not grant stock options in the first half of 2006. Transactions involving stock options in the LTSIP in the first half of 2006 are summarized below:

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	Outstanding Options	Price Range		Weighted-Average Price
Balance at January 1, 2006	3,251,988	$15.00	$77.14	$27.82
Exercised	(237,019)	15.00	35.10	23.14
Balance at June 30, 2006	3,014,969	$15.00	$77.14	$28.19

Unvested stock options declined by 4,500 to 458,875 in the first half of 2006.

	Options Outstanding			Options Exercisable		Unvested Options	
Range of exercise prices	Number outstanding at June 30, 2006	Weighted-average remaining term in years	Weighted-average exercise price	Number exercisable at June 30, 2006	Weighted-average exercise price	Number unvested at June 30, 2006	Weighted average exercise price
$15.00 $17.00	453,772	3.4	$15.45	453,772	$15.45		
19.13 23.95	743,024	5.0	22.74	743,024	22.74		
27.11 29.71	1,554,234	5.8	27.50	1,345,359	27.55	208,875	$27.19
35.10 77.14	263,939	6.8	69.52	13,939	47.26	250,000	70.77
	3,014,969	5.3	$28.19	2,556,094	$24.11	458,875	$50.93

Restricted shares generally vest in three to five years. The average weighted life of unvested restricted shares at June 30, 2006, was three years. Transactions involving restricted shares in the LTSIP in the first half of 2006 are summarized below:

	Shares	Price Range	Weighted Average Price

Balance at January 1, 2006	300,041	$27.11	$86.03	$40.38
Granted	147,165	68.23	81.48	73.04
Distributed	(71,476)	27.11	68.22	33.07
Forfeited	(1,370)	28.72	75.99	57.66
Balance at June 30, 2006	374,360	$27.11	$86.03	$54.55

Note 4 Operations by Line of Business

Line of business information is presented according to senior management s basis for evaluating performance including differences in the nature of products, services and regulation. Following is a summary of operations by line of business for the six months ended June 30, 2006 and 2005:

#

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
REVENUES FROM UNAFFILIATED CUSTOMERS				
Questar E&P	$198,385	$137,350	$ 409,172	$ 269,847
Wexpro	3,669	3,425	9,972	8,551
Gas Management	40,485	33,148	81,733	62,182
Energy Trading and other	141,571	170,973	298,310	318,654
Market Resources total	384,110	344,896	799,187	659,234
Questar Pipeline	24,912	19,087	50,354	36,999
Questar Gas	181,853	151,043	648,792	494,733
Corporate and other operations	5,355	5,183	9,270	9,567
	$596,230	$520,209	$1,507,603	$1,200,533
REVENUES FROM AFFILIATED CUSTOMERS				
Wexpro	$ 36,517	$ 33,204	$ 75,243	$ 66,188
Gas Management	3,632	3,400	7,478	6,588
Energy Trading and other	158,948	131,541	409,178	273,755
Market Resources total	199,097	168,145	491,899	346,531
Questar Pipeline	19,827	21,517	40,393	43,942
Questar Gas	1,237	1,370	2,814	2,631
Corporate and other operations	408	473	836	1,075
	$220,569	$191,505	$ 535,942	$ 394,179
OPERATING INCOME (LOSS)				
Questar E&P	$104,206	$ 60,518	$ 222,893	$ 123,960
Wexpro	18,294	15,871	36,511	31,749
Gas Management	15,104	13,115	29,772	26,058
Energy Trading and other	784	1,559	4,095	4,014
Market Resources total	138,388	91,063	293,271	185,781
Questar Pipeline	21,729	17,346	45,659	35,703
Questar Gas	2,735	(2,122)	54,242	47,829
Corporate and other operations	2,911	2,360	3,533	3,035
	$165,763	$108,647	$ 396,705	$ 272,348
NET INCOME (LOSS)				
Questar E&P	$ 56,100	$ 34,426	$ 126,590	$ 70,677

Wexpro	11,957	10,495	23,942	20,677
Gas Management	10,186	8,962	19,924	17,770
Energy Trading and other	1,042	878	3,494	2,258
Market Resources total	79,285	54,761	173,950	111,382
Questar Pipeline	9,884	7,593	21,323	15,932
Questar Gas	(693)	(3,446)	28,671	25,266
Corporate and other operations	1,886	1,819	3,574	3,318
	$ 90,362	$ 60,727	$ 227,518	$ 155,898

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Note 5 Employee Benefits

Questar has defined-benefit pension and postretirement medical and life insurance plans covering the majority of its employees. Questar is subject to and complies with minimum-required and maximum-allowed annual contribution levels for its qualified retirement plan as determined by the Employee Retirement Income Security Act and Internal Revenue Code. Subject to these limitations Questar seeks to fund the qualified retirement plan approximately equal to the yearly expense. Currently the qualified pension expense estimate for 2006 is $17.8 million. Components of qualified pension expense included in the determination of interim net income are listed below:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Service cost	$ 2,565	$ 2,103	$ 5,130	$ 4,369
Interest cost	5,448	5,205	10,896	10,340
Expected return on plan assets	(5,184)	(4,932)	(10,368)	(9,893)
Prior service and other costs	298	320	596	639
Recognized net-actuarial loss	1,251	1,019	2,502	1,754
Amortization of early-retirement costs		725		1,450
Qualified pension expense	$ 4,378	$ 4,440	$ 8,756	$ 8,659

The Company currently estimates a $4.7 million expense for postretirement benefits other than pensions in 2006 before $0.8 million for accretion of a regulatory liability. Expense components are listed below:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Service cost	$ 233	$ 181	$ 466	$ 400
Interest cost	1,153	990	2,306	2,300
Expected return on plan assets	(732)	(748)	(1,464)	(1,478)
Amortization of transition obligation	470	469	940	939
Amortization of (gains) losses	50	(78)	100	41
Accretion of regulatory liability	200	200	400	400
Postretirement benefits expense	$1,374	$1,014	$2,748	$2,602

Note 6 Asset Retirement Obligations (ARO)

Questar recognizes ARO in accordance with SFAS 143 Accounting for Asset Retirement Obligations. SFAS 143 addresses the financial accounting and reporting of the fair value of legal obligations associated with the retirement of tangible long-lived assets. The Company s ARO applies primarily to plugging and abandonment costs associated with gas and oil wells and certain other properties. The fair value of abandonment costs are estimated and depreciated over the life of the related assets. The ARO liability is adjusted to present value each period through an accretion calculation using a credit-adjusted risk-free interest rate. Changes in asset retirement obligations were as follows:

	2006	2005
	(in thousands)	
Balance at January 1,	$78,123	$67,288
Accretion	2,461	2,061
Additions	3,395	1,326
Retirements and properties sold	(611)	(511)
Balance at June 30,	$83,368	$70,164

Wexpro activities are governed by a long-standing agreement with the states of Utah and Wyoming (the Wexpro Agreement). The accounting treatment of reclamation activities associated with ARO for properties administered under the Wexpro Agreement is spelled out in a guideline letter between Wexpro and the Utah Division of Public Utilities and the staff of the Public Service Commission of Wyoming (PSCW). Accordingly, Wexpro collects from Questar Gas and deposits in trust certain funds related to estimated ARO costs. The funds are used to satisfy retirement obligations as the properties are abandoned. At June 30, 2006, approximately $4.2 million was held in this trust invested primarily in a short-term bond index fund.

Note 7 Capitalized Exploratory Well Costs

The Company capitalizes exploratory well costs until a determination is made that the well has found proved reserves or is deemed noncommercial, in which case the well costs are immediately charged to exploration expense. Net changes in capitalized exploratory well costs for the first half of 2006 are as follows and exclude amounts that were capitalized and subsequently expensed in the period:

	2006
	(in thousands)
Balance at January 1,	$16,514

Additions to capitalized exploratory well costs pending the determination of proved reserves	8,077
Reclassifications to property, plant and equipment after the determination of proved reserves	(331)
Capitalized exploratory well costs charged to expense	(1,448)
Balance at June 30,	$22,812

The following table provides an aging of capitalized exploratory well costs based on the date drilling was completed and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling:

	June 30, 2006	December 31, 2005
	(in thousands)	
Capitalized exploratory well costs that have been capitalized one year or less	$22,812	$16,514
Capitalized exploratory well costs that have been capitalized longer than one year		
Balance at end of period	$22,812	$16,514

Note 8 Financing

On May 11, 2006, Market Resources sold $250 million principal amount of 6.05% Notes due 2016. Net proceeds of $247 million were used for general corporate purposes including the June 14, 2006, early extinguishment of its $200 million of 7% Notes due 2007. Market Resources recorded a $1.7 million pre-tax charge related to the early extinguishment of the 7% Notes.

Note 9 Questar Gas Rate Reduction

In response to the rising cost of buying gas for its customers, Questar Gas in December 2005 proposed a comprehensive three-year pilot program to promote energy conservation. The Division of Public Utilities and Utah Clean Energy (a public-interest group working to promote energy efficiency) joined Questar Gas in the request. The key feature of the proposal is a conservation enabling tariff (CET). The company s current rate structure does not provide an incentive for the company to increase conservation efforts because energy conservation reduces company revenues and profits. Under the proposed CET, Questar Gas revenues would be decoupled from the volume of gas used by customers. Questar Gas would then work with customers to find ways to reduce natural gas consumption.

Questar Gas and most other parties agreed to a settlement of issues other than the CET that had been proposed in this case. Effective June 1, 2006, the Public Service Commission of Utah (PSCU) approved a settlement ordering Questar Gas to reduce the nongas portion of customer rates by $9.7 million to reflect a reduction in depreciation rates, a change in capital structure, and recovery of pipeline integrity costs.

The reduction of depreciation rates resulted from a study ordered in the last general rate case and is estimated to be $8.5 million per year. The following changes were made to the depreciation rates: asset lives were increased for most asset classes; cost of asset retirement was included in the depreciation rate as negative salvage; low value general plant assets were changed to a vintage amortization rather than specific asset accounting; and accumulated depreciation was adjusted to conform to the new rates over the next ten years. The average annual depreciation rate declined from 3.9% to 3.0%. These new depreciation rates were adopted in June 2006.

Note 10 Comprehensive Income

Comprehensive income is the sum of net income as reported in the Consolidated Statements of Income and other comprehensive income or loss reported in Common Shareholders Equity. Other comprehensive income or loss includes changes in the market value of certain gas- and oil-price hedging arrangements. These results are not reported in current income or loss. Income or loss is realized when the physical gas, oil or NGL underlying the derivative instrument is sold or if the derivative is determined to be ineffective. A summary of comprehensive income is shown below:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
Net income	$ 90,362	$ 60,727	$227,518	$155,898
Other comprehensive income (loss)				
Net unrealized gain (loss) on hedging contracts	44,406	38,336	283,282	(147,818)
Income taxes	(16,851)	(14,541)	(107,348)	56,230
Net other comprehensive income (loss)	27,555	23,795	175,934	(91,588)
Total comprehensive income	$117,917	$ 84,522	$403,452	$ 64,310

The components of accumulated other comprehensive loss, net of income taxes, are as follows:

	June 30, 2006	December 31, 2005	Change
		(in thousands)	
Net unrealized gain (loss) on hedging contracts	($22,168)	($198,102)	$175,934
Additional pension liability	(21,176)	(21,176)	
Accumulated other comprehensive loss	($43,344)	($219,278)	$175,934

Note 11 Recent Accounting Development

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). The interpretation applies to all tax positions related to income taxes subject to FASB Statement No. 109 Accounting for Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position to be reflected in the financial statements. If recognized, the tax benefit is measured as the largest amount of tax benefit that is more-likely-than-not to be realized upon ultimate settlement. FIN 48 is effective January 1, 2007. The Company is evaluating the effect, if any, that FIN 48 will have on its financial statements.

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

Summary

Questar grew net income 49% in the second quarter of 2006 to $90.4 million or $1.03 per diluted share, compared to $60.7 million or $0.70 per diluted share, for the second quarter of 2005. Second quarter 2006 results included a $3.5 million after-tax charge or $0.04 per diluted share for an unrealized mark-to-market loss on natural gas basis swaps and a $1.1 million after-tax charge or $0.01 per diluted share related to early extinguishment of $200 million of Market Resources 7% notes. Net income growth was driven by higher natural gas production and higher realized prices for natural gas, oil and NGL.

For the first half of 2006, Questar net income was $227.5 million, or $2.60 per diluted share compared to $155.9 million or $1.79 per diluted share for the 2005 period, a 46% increase. Following are comparisons of net income by line of business:

	3 Months Ended June 30,	%	6 Months Ended June 30,	%

	2006	2005	Change	2006	2005	Change
	(in millions, except per share amounts)					
Net income (loss)						
Market Resources						
Questar E&P	$56.1	$34.4	63%	$126.6	$ 70.7	79%
Wexpro	12.0	10.5	14	23.9	20.7	15
Gas Management	10.2	9.0	13	19.9	17.8	12
Energy Trading and other	1.0	0.9	11	3.5	2.2	59
Market Resources total	79.3	54.8	45	173.9	111.4	56
Questar Pipeline	9.9	7.6	30	21.3	15.9	34
Questar Gas	(0.7)	(3.4)	79	28.7	25.3	13
Corporate and other operations	1.9	1.7	12	3.6	3.3	9
Questar Corporation total	$90.4	$60.7	49%	$227.5	$155.9	46%
Earnings per diluted share	$1.03	$0.70		$ 2.60	$ 1.79	
Average diluted shares	87.5	87.1		87.5	86.9	

Market Resources net income was 45% higher in the second quarter of 2006 and 56% higher for the first half of 2006 compared to the same periods of 2005. The increase was driven by higher natural gas production and higher realized prices for natural gas, oil and NGL, higher gas processing volumes and margins and an increased investment base for Wexpro.

Questar Pipeline net income grew 30% in the second quarter and 34% in the first half of 2006 compared to the 2005 periods as a result of additional firm-transportation contracts supporting recent system expansions and higher NGL revenues.

Questar Gas seasonal net loss narrowed by $2.7 million in the second quarter of 2006 and first half 2006 net income increased 13% compared with the 2005 periods. The improved 2006 results were from higher margins from customer growth and the recovery of gas-processing costs in 2006 that were not recognized in 2005 results until the fourth quarter.

Results of Operations

Market Resources

Market Resources, which conducts natural gas and oil exploration, development and production, gas gathering and processing, wholesale gas and oil marketing and gas storage reported net income for the second quarter of 2006 was $79.3 million compared with $54.8 million for the year earlier period, a 45% increase. Net income for the first six months of 2006 totaled $173.9 million versus $111.4 million for the same period in 2005, a 56% increase. Operating income increased $47.3 million, or 52%, in the quarter to quarter comparison, and $107.5 million, or 58%, in the six month comparison due primarily to increased natural gas production and higher realized prices at Questar E&P, an increased investment base at Wexpro and increased gas-processing plant margins at Gas Management.

Following is a summary of Market Resources financial and operating results for the second quarter and first half of 2006 compared with the same periods of 2005:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
OPERATING INCOME				
Revenues				
Natural gas sales	$165,233	$112,918	$344,074	$221,519
Oil and NGL sales	36,250	27,976	72,966	54,924
Cost-of-service gas operations	34,885	32,020	74,460	65,653
Energy marketing	142,021	171,256	309,264	320,910
Gas gathering, processing and other	45,885	36,467	91,024	70,053
Total revenues	424,274	380,637	891,788	733,059
Operating expenses				
Energy purchases	140,274	168,696	303,423	315,229
Operating and maintenance	42,203	36,991	87,590	68,650
General and administrative	15,486	13,335	32,059	27,705
Production and other taxes	20,129	20,962	48,054	42,206
Depreciation, depletion and amortization	54,613	41,257	107,635	81,116
Exploration	10,101	5,476	13,400	6,849
Abandonment and impairment of gas, oil and other properties	1,843	1,493	3,542	2,898
Wexpro Agreement oil-income sharing	1,237	1,364	2,814	2,625
Total operating expenses	285,886	289,574	598,517	547,278
Operating income	$138,388	$ 91,063	$293,271	$185,781
OPERATING STATISTICS				
Questar E&P production volumes				
Natural gas (MMcf)	27,561	23,410	56,117	46,249

Oil and NGL (Mbbl)	620	586	1,243	1,169
Total production (Bcfe)	31.3	26.9	63.6	53.3
Average daily production (MMcfe)	344	296	351	294
Questar E&P average realized price, net to the well (including hedges)				
Natural gas (per Mcf)	$ 6.00	$ 4.82	$ 6.13	$ 4.79
Oil and NGL (per bbl)	$ 50.11	$ 40.02	$ 50.27	$ 39.38
Wexpro investment base at June 30, net of depreciation and deferred income taxes (millions)	$ 220.1	$ 188.0		
Natural gas gathering volumes (in thousands of MMBtu)				
For unaffiliated customers	35,784	33,539	68,434	66,074
For Questar Gas	9,679	11,226	20,242	22,482
For other affiliated customers	16,977	14,416	34,993	30,262
Total gathering	62,440	59,181	123,669	118,818
Gathering revenue (per MMBtu)	$ 0.29	$ 0.25	$ 0.29	$ 0.25
Natural gas and oil marketing volumes (Mdthe)				
For unaffiliated customers	25,755	26,347	55,287	55,256
For affiliated customers	24,316	22,095	49,878	44,647
Total marketing	50,071	48,442	105,165	99,903

Questar E&P

Questar E&P, a Market Resources subsidiary that conducts natural gas and oil exploration, development and production, reported net income of $56.1 million in the second quarter, up 63% from $34.4 million in the 2005 quarter. Net income for the first six months of 2006 was $126.6 million versus $70.7 million for the same period of 2005, a 79% increase. The increases were driven by a combination of higher realized natural gas, oil and NGL prices and increased gas, oil and NGL production volumes.

Questar E&P reported production volumes increased to 31.3 Bcfe in the second quarter of 2006, a 16% increase compared to the year-earlier period. Production for the first six months of 2006 was 63.6 Bcfe versus 53.3 Bcfe for the 2005 period, a 19% increase. On an energy-equivalent basis, natural gas comprised approximately 88% of Questar E&P production for the first six months of 2006. A comparison of natural gas-equivalent production by region is shown in the following table:

	3 Months Ended			6 Months Ended		
	June 30,		%	June 30,		%
	2006*	2005	Change	2006**	2005	Change

	(Bcfe)			(Bcfe)		
Pinedale Anticline	8.2	6.5	26%	17.9	14.1	27%
Uinta Basin	6.2	6.9	(10)	12.4	12.6	(2)
Rockies Legacy	4.9	4.1	20	10.0	8.1	23
Subtotal Rocky Mountains	19.3	17.5	10	40.3	34.8	16
Midcontinent	12.0	9.4	28	23.3	18.5	26
Total Questar E&P	31.3	26.9	16%	63.6	53.3	19%

* Includes 0.3 Bcf related to a working interest adjustment in Rockies Legacy. Without the one-time adjustment, total Questar E&P production grew 15%.

**Includes 0.7 Bcfe related to settlement of an imbalance and 0.3 Bcf related to a working interest adjustment in Rockies Legacy. Without the one-time adjustments, total Questar E&P production grew 17%.

Questar E&P production from the Pinedale Anticline in western Wyoming grew 27% to 17.9 Bcfe in the first six months of 2006 and comprised 28% of Questar E&P total production in the 2006 period. Production at Pinedale typically declines during the first through third quarters of each year due to mid-November to early May seasonal access restrictions imposed by the Bureau of Land Management that restrict the company s ability to drill and complete wells during the period. As a result, Pinedale second quarter 2006 production was 1.5 Bcfe lower than first quarter 2006.

In the Uinta Basin of eastern Utah, Questar E&P production decreased 2% to 12.4 Bcfe in the first six months of 2006 compared to a year ago. Second quarter production was 10% lower than the same period a year ago and equal to that of first quarter 2006.

Production from Questar E&P Rocky Mountain Legacy properties increased 23% to 10.0 Bcfe in the first six months of 2006 compared to a year ago. Excluding one-time adjustments, Legacy production for the first six months of 2006 was 9.0 Bcfe, an increase of 11% over the 2005 period driven by the company s emerging gas play in the Vermillion Basin. Legacy assets include all Questar E&P Rocky Mountain region properties except the Pinedale Anticline and the Uinta Basin.

In the Midcontinent, production grew 26% to 23.3 Bcfe in the first six months of 2006, driven by ongoing infill-development drilling in the Elm Grove field in northwestern Louisiana. Questar E&P midcontinent production also benefited from the December 2005 completion of an exploratory well in the Arkoma Basin of eastern Oklahoma. The well has produced 1.3 Bcfe and has averaged 5.9 MMcfe per day since coming on line. Questar E&P has a 96.2% working interest and an 84.2% net revenue interest in the well before payout of a 200% nonconsent penalty and a 69.5% working interest and a 60.8% net revenue interest after payout.

Questar E&P also benefited from higher realized prices for natural gas, oil and NGL. For the first six months of 2006, the weighted average realized natural gas price for Questar E&P (including the impact of hedging) was $6.13 per Mcf compared to $4.79 per Mcf for the same period in 2005, a 28% increase. Realized oil and NGL prices for the first six months of 2006 averaged $50.27 per bbl, compared with $39.38 per bbl during the prior year period, a 28% increase. A regional comparison of average realized prices, including hedges, is shown in the following table:

	3 Months Ended June 30,		%	6 Months Ended June 30,		%
	2006	2005	Change	2006	2005	Change
Natural gas (per Mcf)						
Rocky Mountains	$5.64	$4.67	21%	$5.84	$4.62	26%
Midcontinent	6.54	5.09	28	6.63	5.11	30
Volume-weighted average	6.00	4.82	24	6.13	4.79	28
Oil and NGL (per bbl)						
Rocky Mountains	$48.57	$40.42	20%	$48.65	$39.94	22%
Midcontinent	53.57	39.18	37	53.94	38.14	41
Volume-weighted average	50.11	40.02	25	50.27	39.38	28

Approximately 69% of Questar E&P gas production in the second quarter of 2006 was hedged or pre-sold. For the first six months of 2006, approximately 67% was hedged or pre-sold. Hedging increased gas revenues $18.8 million and $2.8 million during the second quarter and first six months of 2006 respectively. For the current quarter, approximately 80% of Questar E&P oil production was hedged. For the first six months of 2006, approximately 79% was hedged or pre-sold. Oil hedges reduced revenues $6.7 million and $10.4 million during the second quarter and first six months of 2006, respectively.

Questar may hedge up to 100 percent of forecasted production from proved reserves to lock in acceptable returns on invested capital and to protect returns, cash flow and net income from a decline in commodity prices. During the second quarter of 2006, Questar E&P continued to take advantage of high natural gas and oil prices to hedge additional production through 2008. The company has and may continue to enter into basis-only swaps to protect cash flows and earnings from a widening of natural gas price basis differentials that may result from capacity constraints on regional gas pipelines. Derivative positions as of June 30, 2006, are summarized in Part I, Item 3 of this quarterly report.

Questar E&P controllable production costs (the sum of depreciation, depletion and amortization expense, lease operating expense, general and administrative expense and allocated-interest expense) per Mcfe of production increased 7% to $2.45 per Mcfe compared to the second quarter of 2005. For the first six months of 2006, controllable production costs rose 7% to $2.41 per Mcfe. Questar E&P controllable production costs are summarized in the following table:

	3 Months Ended June 30,		%	6 Months Ended June 30,		%
	2006	2005	Change	2006	2005	Change
	(Per Mcfe)			(Per Mcfe)		
Depreciation, depletion and amortization	$1.38	$1.18	17%	$1.33	$1.16	15%
Lease operating expense	0.54	0.58	(7)	0.54	0.56	(4)
General and administrative expense	0.27	0.31	(13)	0.31	0.33	(6)
Allocated interest expense	0.26	0.21	24	0.23	0.21	10
Controllable production costs	$2.45	$2.28	7%	$2.41	$2.26	7%

Depreciation, depletion and amortization expense rose 17% in the second quarter to $1.38 per Mcfe and 15% to $1.33 per Mcfe for the first six months of 2006 due to higher costs for drilling, completion and related services, increased cost of steel casing, other tubulars and wellhead equipment, and the ongoing depletion of older, lower-cost reserves. Per Mcfe lease operating expense decreased slightly as increased costs of materials and consumables were offset by higher production volumes. For the second quarter of 2006, general and administrative expenses fell to $0.27 per Mcfe compared to $0.31 per Mcfe the same period in 2005 due primarily to the reversal of an accrual related to potential legal expense and higher production volumes. For the first six months of 2006, general and administrative expenses fell to $0.31 per Mcfe compared to $0.33 per Mcfe the same period of 2005. Interest expense per Mcfe of production increased in the current quarter due to refinancing activities and a $50 million increase in long-term debt.

Production taxes were $0.41 per Mcfe in the 2006 quarter compared to $0.50 per Mcfe in the prior year quarter. For the first six months of 2006, production taxes were $0.46 per Mcfe compared to $0.49 per Mcfe in 2005. Most production taxes are based on a fixed percentage of pre-hedge gas, oil, and NGL sales prices. The average pre-hedge gas price per Mcf decreased 7% in the second quarter 2006 and increased 11% in the first six months of 2006 compared to 2005.

Questar E&P s exploration expense increased $5.0 million in the second quarter 2006 and $6.9 million in the first six months compared to the 2005 periods. The increases were due to expenses for dry exploratory wells. Abandonment and impairment expense increased $0.4 million for the second quarter 2006 and $0.6 million for the first six months of 2006.

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Pinedale Anticline

As of June 30, 2006, Market Resources (both Questar E&P and Wexpro) operated and had working interest in 149 producing wells on the Pinedale Anticline compared to 109 at the end of the second quarter of 2005. Of the 149 producing wells, Questar E&P has working interests in 129 wells, overriding royalty interests only in an additional 19 Wexpro-operated wells, and no interest in one well operated by Wexpro. Wexpro has working interests in 57 of the 149 producing wells. Market Resources expects to complete between 45 and 48 Lance Pool wells (combined Lance and Mesaverde formations) on its Pinedale acreage during 2006.

In 2005, the Wyoming Oil and Gas Conservation Commission approved 10-acre-density drilling for Lance Pool wells on about 12,700 acres of Market Resources 18,208 acre (gross) Pinedale leasehold. The area approved for increased density corresponds to the currently estimated productive limits of Market Resources core acreage in the field. With 10-acre-density drilling, the company currently believes that up to 932 wells will be required to fully develop the Lance Pool on its acreage.

Uinta Basin

During the first six months of 2006, the company drilled or participated in 29 Wasatch and Upper Mesaverde gas wells, 1 horizontal and 1 vertical Green River Formation oil wells, and 2 deeper Blackhawk, Mancos and Dakota formations gas wells on its core acreage block. Questar E&P completed its first deep well designed to test the Mancos and Dakota formations. The well, in which Questar E&P has a 77.5% working interest, averaged approximately 1,100 Mcf per day during its first 90 days online from the deeper section only. Plans call for the well to be completed in uphole zones later this year. A second deep well has been completed in the deeper section and a third is drilling near total depth.

Questar E&P is currently testing several target formations in the Wolf Flat 14C-29-15-19 exploratory well, which is the second well drilled under an Exploration and Development Agreement with the Ute Indian Tribe covering 12,557 acres of tribal minerals in the southern Uinta Basin. Completion operations are underway. Questar E&P has a 75% working interest in the well.

Rockies Legacy

In the Vermillion Basin on the southwest Wyoming-northwest Colorado border, Market Resources continues to evaluate the potential of several formations under the company s 146,000 net leasehold acres. As of June 30, 2006, the company had recompleted two older wells, drilled and completed seven new wells, one was waiting on completion and two wells were drilling. The targets are the Baxter Shale, which extends across a 3,000-3,500 foot gross interval from about 9,500 feet deep to about 13,000 feet deep on most of the company s leasehold in the basin, and the deeper Frontier and Dakota tight-sand formations at depths down to 15,000 feet.

Midcontinent

During the second quarter the company continued a one-rig infill-development project in the Elm Grove field in northwest Louisiana as it drilled or participated in nine new wells. On March 31, 2006, Questar E&P acquired interests in 48 producing wells in nine spacing units in the Elm Grove field. The acquisition will provide Questar E&P initial or additional working interest in approximately 75 undrilled locations. The company has added a second drilling rig and plans to participate in about 24 additional Elm Grove wells during the remainder of 2006. In the Hartshorne coalbed-methane project in the Arkoma Basin of eastern Oklahoma, the company drilled or participated in six new wells in the first half of 2006 and anticipates participating in an additional three wells during the remainder of 2006.

Wexpro

Wexpro, a Market Resources subsidiary that develops and produces cost-of-service reserves for Questar Gas, reported net income was $12.0 million, compared with $10.5 million for the same period in 2005, a 14% increase. For the first six months of 2006 Wexpro net income was $23.9 million, compared with $20.7 million for the same period in 2005, a 15% increase. Pursuant to the Wexpro Agreement, Wexpro recovers its costs and receives an unlevered after-tax return of approximately 19% to 20% on its investment in commercial wells and related facilities adjusted for working capital and reduced for deferred income taxes and depreciation (investment base). Wexpro investment base at June 30, 2006, increased 17% to $220.1 million up $32.1 million over the year earlier period. Wexpro net income also benefited from 31% higher realized oil and NGL prices versus the second quarter of 2005.

Gas Management

Gas Management, Market Resources gas-gathering and processing-services business, grew net income 13% to $10.2 million in the second quarter of 2006 from $9.0 million in the 2005 period. Net income for the first six months of 2006 was $19.9 million versus $17.8 million for the same period in 2005, a 12% increase. Gas processing plant margin grew 63% from $12.6 million in the first half of 2005 to $20.5 million in the first half of 2006. NGL sales volumes in the first six months of 2006 increased 11% versus the year earlier period, primarily as a result of increased throughput at a gas processing plant in western Wyoming acquired in the first quarter of 2005. Gathering volumes increased 4.9 million MMBtu to 123.7 million MMBtu in the first six months of 2006 due primarily to expanding Pinedale production and new projects serving third parties in the Uinta Basin. Total gathering margins decreased primarily due to start-up costs associated with the Pinedale liquids-gathering and transportation facilities.

To reduce processing margin risk, Gas Management has restructured a number of its processing agreements with producers from keep-whole contracts to fee-based contracts. A keep-whole contract protects producers from frac spread risk while fee-based contracts eliminate commodity-price risk for the plant owner. In the first six months of 2006, keep-whole contracts benefited from a 26% increase in realized NGL sales prices versus the prior-year period. Fee-based contracts were impacted by a $0.03 decrease in the rate charged per MMBtu processed in the first half comparable periods. To further reduce margin volatility associated with keep-whole contracts, Gas Management began managing NGL price risk in 2004 by using forward-sales contracts. Forward sales contracts increased NGL revenues by $1.3 million in 2006.

Income before tax from Gas Management s 50% interest in Rendezvous Gas Services, LLC, (Rendezvous), a joint venture that operates gas-gathering facilities in western Wyoming, increased to $3.3 million for the first six months of

2006 versus $3.1 million for 2005, a 6% increase. Income growth in Rendezvous was driven by increased gathering volumes. Rendezvous provides gas gathering services for the Pinedale and Jonah producing areas. Gas Management continues to invest in additional gas gathering and processing and liquids-handling facilities to serve growing equity and third-party production in its core areas of the Pinedale and Jonah fields in western Wyoming and the Uinta Basin in eastern Utah.

Energy Trading and Other

Energy Trading, a Market Resources subsidiary that sells Market Resources equity gas and oil, provides risk-management services and operates a natural-gas storage facility, reported net income for the second quarter of 2006 was $1.0 million compared to $0.9 million in 2005, an 11% increase. For the first six months of 2006, net income was $3.5 million compared to $2.2 million for the same period in 2005, a 59% increase. Service fee revenues from affiliates were $0.5 million higher in the second quarter of 2006 and $0.9 million higher in the first six months of 2006 relative to the 2005 periods. Gross margins for gas and oil marketing (gross revenues less costs for gas and oil purchases, transportation and gas storage), increased to $5.8 million for the first six months of 2006 versus $5.7 million a year ago, a 3% increase. The increase in gross margin was due primarily to a 5% increase in volumes and increased storage activity over the same period last year.

Questar Pipeline

Questar Pipeline, a subsidiary that provides interstate natural gas-transportation and storage services, reported net income of $9.9 million for the second quarter of 2006 compared with $7.6 million in the second quarter of 2005. First half 2006 net income was $21.3 million compared with $15.9 in the 2005 period. The higher net income was due to increased transportation and NGL revenues.

Following is a summary of Questar Pipeline s financial and operating results for the second quarter and first half of 2006 compared with the same periods of 2005:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
OPERATING INCOME				
Revenues				
Transportation	$ 29,579	$ 26,668	$ 59,650	$ 53,254
Storage	9,322	9,254	18,879	18,830
Gas processing	1,359	1,685	2,791	3,467
NGL and other revenues	4,479	2,997	9,427	5,390

Total revenues	44,739	40,604	90,747	80,941
Operating expenses				
Operating and maintenance	8,611	8,518	16,161	15,590
General and administrative	4,787	5,816	9,714	11,878
Depreciation and amortization	7,836	7,259	15,748	14,513
Other taxes	1,776	1,665	3,465	3,257
Total operating expenses	23,010	23,258	45,088	45,238
Operating income	$ 21,729	$ 17,346	$ 45,659	$ 35,703
OPERATING STATISTICS				
Natural gas transportation volumes (in Mdth)				
For unaffiliated customers	78,159	61,393	140,876	116,995
For Questar Gas	27,281	26,212	68,138	69,951
For other affiliated customers	5,828	6,505	9,574	8,481
Total transportation	111,268	94,110	218,588	195,427
Transportation revenue (per dth)	$ 0.27	$ 0.28	$ 0.27	$ 0.27
Firm-daily transportation demand at June 30 (Mdth)	2,135	1,815		

Revenues

Following is a summary of major changes in Questar Pipeline s revenues for the three and six months ended June 30, 2006, compared with the same periods of 2005:

	3 Months Ended June 30, 2006 Compared with 2005	6 Months Ended June 30, 2006 Compared with 2005
	(in thousands)	
Transportation		
New transportation contracts	$4,008	$8,458
Expiration of transportation contracts	(545)	(1,109)
Other transportation	(552)	(953)
Storage	68	49
Gas processing	(326)	(676)
NGL and other revenues		
Change in NGL revenues	1,735	3,215

Change in gathering revenue	52	217
Park and loan revenue	(334)	650
Other	29	(45)
Increase	$4,135	$9,806

As of June 30, 2006, Questar Pipeline had firm-transportation contracts of 2,135 Mdth per day compared with 1,815 Mdth per day as of June 30, 2005. Questar Pipeline has expanded its transportation system in response to growing regional natural gas production and transportation demand. In the second quarter of 2005, Questar Pipeline began operating a lateral to an electric generation power plant with a capacity of 190 Mdth per day. In the fourth quarter of 2005, Questar Pipeline completed an expansion of its southern system, which added capacity of 102 Mdth per day. On January 1, 2006, Questar Pipeline subsidiary, Questar Overthrust Pipeline, placed an interconnection with Kern River Pipeline in service, which added capacity of 220 Mdth per day. Each of these expansion projects was fully subscribed with long-term contracts.

Questar Gas is Questar Pipeline s largest transportation customer with contracts for 951 Mdth per day, including 50 Mdth per day for winter-peaking service. The majority of Questar Gas s transportation contract demand extends through mid 2017.

Questar Pipeline s primary storage facility is Clay Basin in eastern Utah. This facility is 100% subscribed under long-term contracts. In addition to Clay Basin, Questar Pipeline also owns and operates three smaller aquifer gas storage facilities. Questar Gas has contracted for 26% of firm-storage capacity at Clay Basin for terms extending from three to 14 years and 100% of the firm-storage capacity at the aquifer facilities for terms extending for 13 years.

Questar Pipeline charges FERC-approved transportation and storage rates that are based on straight-fixed-variable rate design. Under this rate design all fixed costs of providing service including depreciation and return on investment are recovered through the demand charge. About 95% of Questar Pipeline costs are fixed and recovered through these demand charges. Questar Pipeline s earnings are driven primarily by demand revenues from firm shippers. Since only about 5% of operating costs are recovered through volumetric charges, changes in transportation volumes do not have a significant impact on earnings.

NGL revenues increased in the second quarter and first half of 2006 over the same periods of 2005. NGL volumes increased 92% in the second quarter and 77% in the first half, and NGL prices increased 29% in the second quarter and 36% in the first half relative to the prior periods. NGL revenues were also impacted by the fuel-gas reimbursement percentage proceedings as discussed below.

Revenues from park and loan services increased in the first half of 2006 over the first half of 2005 due to increased demand. Questar Pipeline shares 75% of its park and loan revenues with customers once it has received revenues equal to the cost of service. Beginning in the second quarter additional revenues received in 2006 are being shared with customers.

Fuel-Gas Reimbursement Percentage (FGRP)

During the fourth quarter of 2004, the FERC issued an order to Questar Pipeline in a case involving the annual FGRP. The FERC previously granted Questar Pipeline s request to increase the FGRP effective January 1, 2004. In its order the FERC approved the FGRP but also ruled that Questar Pipeline was required to credit to transportation customers proceeds from the sale of natural gas liquids recovered from its hydrocarbon dewpoint facilities at the Kastler plant in northeastern Utah. Questar Pipeline accrued a potential liability equal to any liquid revenues from the dewpoint plant. Through June 30, 2005, Questar Pipeline had reduced revenues by $5.4 million as a credit to customers, including $0.7 million recorded in the first half of 2005.

Questar Pipeline made an annual FGRP filing with the FERC on November 30, 2004, requesting an increase in the FGRP to 2.6%. On December 30, 2004, the FERC approved the request on an interim basis subject to refund and final resolution of the 2004 FGRP proceeding. Several shippers filed comments with the FERC protesting the FGRP level.

On June 17, 2005, Questar Pipeline filed an uncontested offer of settlement with the FERC to resolve the outstanding issues in the 2004 and 2005 FGRP filings. This settlement with customers was approved July 26, 2005, and contains the following terms: (a) the settlement will cover the period from June 1, 2005 through December 31, 2007; (b) no adjustments will be made to FGRP amounts collected by Questar Pipeline prior to June 2005; (c) one-half of the Kastler plant liquid revenues from August 2001 through December 2007 will be refunded to customers and the remaining revenues will be retained by Questar Pipeline; and (d) Questar Pipeline will reduce the FGRP amount collected from customers from 2.6% to 2.1% effective June 1, 2005. This percentage consists of 1.95% of ongoing FGRP related volumes and 0.15% of prior period amortization of volumes. If actual ongoing volumes are less than the 1.95%, the difference will be shared equally with customers beginning January 2006. The FGRP rate for 2006 is 1.84% plus the 0.15% amortization of prior volumes.

Questar Pipeline recorded the impact of the settlement in third quarter 2005 increasing liquid revenues by $2.7 million and net income by $1.7 million.

Expenses

Operating, maintenance, general and administrative expenses decreased $0.9 million in the second quarter of 2006 and $1.6 million in the first half of 2006 compared with the 2005 periods. Beginning in July 2005 customers at the company s Price, Utah plant began supplying their own fuel gas, which accounted for about half of the decrease. Operating, maintenance, general and administrative expenses per decatherm transported declined from $0.14 in the first half of 2005 to $0.12 in the first half of 2006.

Depreciation expense increased 8% in the second quarter of 2006 and 9% in the first half of 2006 over the same periods of 2005 due to investment in pipeline expansions.

Clay Basin Storage

Questar Pipeline conducts periodic pressure tests on its Clay Basin storage facility. Beginning with a test in April 2002, the company noted a discrepancy between the book volumes of cushion gas at Clay Basin and the volumes implied by pressure data. Questar Pipeline retained a reservoir consultant to model the reservoir and determine the size and cause of the discrepancy. The company conducted five additional pressure tests from April 2004 to April 2006 to validate the model.

The reservoir model indicates from 0 to 3.8 Bcf of gas may be missing from Clay Basin, with the most likely amount of 3.2 Bcf. The gas loss is due to a combination of cumulative imprecision inherent in natural gas measurement devices and reservoir heterogeneity that impacts storage reservoir performance. There is no indication that the reservoir is leaking. The Clay Basin reservoir is functioning as expected to meet customer requirements.

Questar Pipeline has discussed with the FERC the recording of the loss of gas as a reduction of native gas remaining in the reservoir that would not impact Questar Pipeline net income. Alternatively, if the FERC requires Questar Pipeline to adjust recoverable cushion gas, earnings could be reduced by about $3 million after tax.

Questar Gas

Questar Gas, that provides natural gas distribution services in Utah, Wyoming and Idaho, reported a seasonal net loss of $0.7 million in the second quarter of 2006 compared with a net loss of $3.4 million in the second quarter of 2005. Questar Gas net income was $28.7 million in the first half of 2006 compared with $25.3 million in the first half of 2005. The improved 2006 results were from higher margins from customer growth and the recovery of gas-processing costs in 2006 that were not recognized in 2005 results until the fourth quarter.

Following is a summary of Questar Gas s financial and operating results for the second quarter and first half of 2006 compared with the same periods of 2005:

#

	3 Months Ended June 30,		6 Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands)			
OPERATING INCOME				
Revenues				
Residential and commercial sales	$162,398	$131,737	$603,891	$453,783
Industrial sales	8,366	8,694	18,006	19,101
Transportation for industrial customers	1,395	1,298	3,006	2,905
Other	10,931	10,684	26,703	21,575
Total revenues	183,090	152,413	651,606	497,364
Cost of natural gas sold	137,966	112,359	509,108	363,956
Margin	45,124	40,054	142,498	133,408
Operating expenses				
Operating and maintenance	17,324	17,846	38,398	35,871
General and administrative	10,746	10,160	20,359	21,046
Depreciation and amortization	10,593	10,892	22,165	22,198
Other taxes	3,726	3,278	7,334	6,464
Total operating expenses	42,389	42,176	88,256	85,579
Operating income (loss)	$ 2,735	$ (2,122)	$ 54,242	$ 47,829
OPERATING STATISTICS				
Natural gas volumes (in Mdth)				
Residential and commercial sales	16,692	16,843	58,957	56,762
	1,126	1,394	2,277	3,097

Industrial sales				
Transportation for industrial customers	7,384	7,068	15,869	15,723
Total deliveries	25,202	25,305	77,103	75,582
Natural gas revenue (per dth)				
Residential and commercial sales	$ 9.73	$ 7.82	$ 10.24	$ 7.99
Industrial sales	7.44	6.24	7.91	6.17
Transportation for industrial customers	$ 0.19	$ 0.18	$ 0.19	$ 0.18
Heating degree days colder (warmer)	(25%)	6%	(7%)	(3%)
than normal				
Average temperature adjusted usage				
per customer (dth)	18.1			

	1,453,871	3,389	32,432	1,122	695,927	68,
Depreciation, amortization and accretion	85,786	-	1,613	249	2,082	605
	2,256,281	27,129	757,436	21,541	698,009	261
Loss from operations	(2,256,281)	(27,129)	(757,436)	(21,541)	(698,009)	(26
Other income (expenses)	(659,980)	(4,767)	781	-	108,789	12,
Loss before income taxes	$ (2,916,261)	$ (31,896)	$ (756,655)	$ (21,541)	$ (589,220)	$ (24

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended October 31, 2018 and 2017, we issued 30,845 and 124,469 shares with a fair value of $50,713 and $192,403, respectively, for consulting services.

During the three months ended October 31, 2018 and 2017, we issued 141,546 and 192,657 shares with a fair value of $239,255 and $274,801, respectively, as compensation to certain management, employees and consultants of the Company under the Stock Incentive Plan.

During the three months ended October 31, 2018 and 2017, we paid $408,889 and $408,889, respectively, in cash for interest on the long-term debt.

NOTE 16: COMMITMENTS AND CONTINGENCIES

We are renting or leasing various office or storage space located in the United States, Canada and Paraguay with approximate monthly payments of $21,000. Office lease agreements for the United States and Canada expire between April 2019 and July 2021.

The aggregate minimum rental and lease payments over the next five fiscal years are as follows:

Fiscal 2019	$175,267
Fiscal 2020	202,978
Fiscal 2021	178,367
Fiscal 2022	-
Fiscal 2023	-
	$556,612

URANIUM ENERGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2018

(Unaudited)

We are committed to paying our key executives a total of $705,000 per year for various management services.

We are subject to ordinary routine litigation incidental to our business. Except as disclosed below, we are not aware of any material legal proceedings pending or that have been threatened against the Company.

On or about March 9, 2011, the Texas Commission on Environmental Quality (the "TCEQ") granted the Company's applications for a Class III Injection Well Permit, Production Area Authorization and Aquifer Exemption for its Goliad Project. On or about December 4, 2012, the U.S. Environmental Protection Agency (the "EPA") concurred with the TCEQ issuance of the Aquifer Exemption permit (the "AE"). With the receipt of this concurrence, the final authorization required for uranium extraction, the Goliad Project achieved fully-permitted status. On or about May 24, 2011, a group of petitioners, inclusive of Goliad County, appealed the TCEQ action to the 250th District Court in Travis County, Texas. A motion filed by the Company to intervene in this matter was granted. The petitioners' appeal lay dormant until on or about June 14, 2013, when the petitioners filed their initial brief in support of their position. On or about January 18, 2013, a different group of petitioners, exclusive of Goliad County, filed a petition for review with the Court of Appeals for the Fifth Circuit in the United States (the "Fifth Circuit") to appeal the EPA's decision. On or about March 5, 2013, a motion filed by the Company to intervene in this matter was granted. The parties attempted to resolve both appeals, to facilitate discussions and avoid further legal costs. The parties jointly agreed, through mediation initially conducted through the Fifth Circuit on or about August 8, 2013, to abate the proceedings in the State District Court. On or about August 21, 2013, the State District Court agreed to abate the proceedings. The EPA subsequently filed a motion to remand without vacatur with the Fifth Circuit wherein the EPA's stated purpose was to elicit additional public input and further explain its rationale for the approval. In requesting the remand without vacatur, which would allow the AE to remain in place during the review period, the EPA denied the existence of legal error and stated that it was unaware of any additional information that would merit reversal of the AE. The Company and the TCEQ filed a request to the Fifth Circuit for the motion to remand without vacatur, and if granted, to be limited to a 60-day review period. On December 9, 2013, by way of a procedural order from a three-judge panel of the Fifth Circuit, the Court granted the remand without vacatur and initially limited the review period to 60 days. In March of 2014, at the EPA's request, the Fifth Circuit extended the EPA's time period for review and additionally, during that same period, the Company conducted a joint groundwater survey of the site, the result of which reaffirmed the Company's previously filed groundwater direction studies. On or about June 17, 2014, the EPA reaffirmed its earlier decision to uphold the granting of the Company's existing AE, with the exception of a northwestern portion

containing less than 10% of the uranium resource which was withdrawn, but not denied, from the AE area until additional information is provided in the normal course of mine development. On or about September 9, 2014, the petitioners filed a status report with the State District Court which included a request to remove the stay agreed to in August 2013 and to set a briefing schedule (the "Status Report"). In that Status Report, the petitioners also stated that they had decided not to pursue their appeal at the Fifth Circuit. The Company continues to believe that the pending appeal is without merit and is continuing as planned towards uranium extraction at its fully-permitted Goliad Project.

On or about April 3, 2012, the Company received notification of a lawsuit filed in the State of Arizona, in the Superior Court for the County of Yavapai, by certain petitioners (the "Plaintiffs") against a group of defendants, including the Company and former management and board members of Concentric Energy Corp. ("Concentric"). The lawsuit asserts certain claims relating to the Plaintiffs' equity investments in Concentric, including allegations that the former management and board members of Concentric engaged in various wrongful acts prior to and/or in conjunction with the merger of Concentric. The lawsuit originally further alleged that the Company was contractually liable for liquidated damages arising from a pre-merger transaction which the Company previously acknowledged and recorded as an accrued liability, and which portion of the lawsuit was settled in full by a cash payment of $149,194 to the Plaintiffs and subsequently dismissed. The Court dismissed several other claims set forth in the Plaintiffs' initial complaint, but granted the Plaintiffs leave to file an amended complaint. The Court denied a subsequent motion to dismiss the amended complaint, finding that the pleading met the minimal pleading requirements under the applicable procedural rules. In October 2013, the Company filed a formal response denying liability for any of the Plaintiffs' remaining claims. The Court set the case for a four-week jury trial that was to take place in Yavapai County, Arizona, in April 2016. In November 2015, after the completion of discovery, the Company and the remaining defendants filed motions for summary judgment, seeking to dismiss all of the Plaintiffs' remaining claims. While those motions were pending, the parties reached a settlement agreement with respect to all claims asserted by the Plaintiffs in that lawsuit. A formal settlement and release agreement was subsequently executed, pursuant to which all of the Plaintiffs' claims in the Arizona lawsuit were dismissed with prejudice. Pursuant to the terms of the settlement agreement, the Defendants collectively paid $500,000 to the Plaintiffs, of which $50,000 was paid by the Company.

URANIUM ENERGY CORP.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2018

(Unaudited)

On or about October 2, 2015, Marnie W. McMahon filed a stockholder derivative complaint on behalf of the Company against the Company's Board of Directors, executive management and three of its vice presidents (the "Company parties") in the District Court of Nevada (the "Nevada Derivative Case") seeking unspecified damages on behalf of the Company against the Company parties for allegedly breaching their fiduciary duties to the Company with respect to allegations previously made in a prior class action complaint as against the Company and two of its executive officers which was dismissed in September of 2016 (the "Securities Case"). On January 21, 2016, the Court granted the Company's motion to stay the Nevada Derivative Case pending the outcome of what was then a federal derivative case involving the same Company parties with similar allegations. Following the voluntary dismissal of the federal derivative case in November 2017, Ms. McMahon filed an amended complaint on February 10, 2017, which again asserted that the Company's directors breached their fiduciary duties relating to the factual allegations in the Securities Case. The Company filed a motion to dismiss and on September 13, 2017, the Court granted the Company's motion to dismiss the Nevada Derivative Case. On or about October 5, 2017, the plaintiff filed a notice of appeal with the Court. On June 14, 2018, the plaintiff filed the Appellant's opening brief in the Supreme Court of Nevada. In response on August 2018, we filed our answering brief. We expect a ruling by the end of calendar 2018.

The Company has had communications and filings with the Ministry of Public Works and Communications ("MOPC"), the mining regulator in Paraguay, whereby the MOPC is taking the position that certain concessions forming part of the Company's Yuty, Oviedo and Alto Parana projects are not eligible for extension as to exploration or continuation to exploitation in their current stages. While the Company remains fully committed to its development path forward in Paraguay, it caused its legal counsel to file an appeal in Paraguay to reverse the MOPC's position in order to protect the Company's continuing rights in those concessions. In the interim the Company also continues to conduct its business in a manner to comply with all applicable mining laws in Paraguay.

At any given time, we may enter into negotiations to settle outstanding legal proceedings and any resulting accruals will be estimated based on the relevant facts and circumstances applicable at that time. We do not expect that such settlements will, individually or in the aggregate, have a material effect on our financial position, results of operations or cash flows.

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

The following management's discussion and analysis of the Company's financial condition and results of operations (the "MD&A") contain forward-looking statements that involve risks, uncertainties and assumptions including, among others, statements regarding our capital needs, business plans and expectations. In evaluating these statements, you should consider various factors, including the risks, uncertainties and assumptions set forth in reports and other documents we have filed with or furnished to the SEC and, including, without limitation, this Form 10-Q Quarterly Report for the three months ended October 31, 2018, and our Form 10-K Annual Report for the fiscal year ended July 31, 2018, including the consolidated financial statements and related notes contained therein. These factors, or any one of them, may cause our actual results or actions in the future to differ materially from any forward-looking statement made in this document. Refer to "Cautionary Note Regarding Forward-Looking Statements" as disclosed in our Form 10-K Annual Report for the fiscal year ended July 31, 2018, and Item 1A, Risk Factors under Part II - Other Information of this Quarterly Report.

Introduction

This MD&A is focused on material changes in our financial condition from July 31, 2018, our most recently completed year end, to October 31, 2018, and our results of operations for the three months ended October 31, 2018 and 2017, and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Form 10-K Annual Report for Fiscal 2018.

Business

We are pre-dominantly engaged in uranium mining and related activities, including exploration, pre-extraction, extraction and processing, on uranium projects located in the United States and Paraguay, as more fully described in our Form 10-K Annual Report for Fiscal 2018.

We utilize in-situ recovery ("ISR") mining where possible which we believe, when compared to conventional open pit or underground mining, requires lower capital and operating expenditures with a shorter lead time to extraction and a reduced impact on the environment. We have one uranium mine located in the State of Texas, the Palangana Mine, which utilizes ISR mining and commenced extraction of uranium concentrates ("U_3O_8"), or yellowcake, in November 2010. We have one uranium processing facility located in the State of Texas, the Hobson Processing Facility, which processes material from the Palangana Mine into drums of U_3O_8, our only sales product and source of revenue, for shipping to a third-party storage and sales facility. At October 31, 2018, we had no uranium supply or off-take agreements in place.

Our fully-licensed and 100%-owned Hobson Processing Facility forms the basis for our regional operating strategy in the State of Texas, specifically the South Texas Uranium Belt where we utilize ISR mining. We utilize a "hub-and-spoke" strategy whereby the Hobson Processing Facility acts as the central processing site (the "hub") for the Palangana Mine and future satellite uranium mining activities, such as our Burke Hollow and Goliad Projects, located within the South Texas Uranium Belt (the "spokes"). The Hobson Processing Facility has a physical capacity to process uranium-loaded resins up to a total of two million pounds of U_3O_8 annually and is licensed to process up to one million pounds of U_3O_8 annually.

We acquired the fully permitted Reno Creek Project in August 2017 and expanded our operations to the strategic Powder River Basin in Wyoming.

We also hold certain mineral rights in various stages in the States of Arizona, Colorado, New Mexico and Texas, in Canada and in the Republic of Paraguay, many of which are located in historically successful mining areas and have been the subject of past exploration and pre-extraction activities by other mining companies. We do not expect, however, to utilize ISR mining for all of the uranium mineral rights in which case we would expect to rely on conventional open pit and/or underground mining techniques.

Since we completed the acquisition of the Alto Paraná Titanium Project located in Paraguay in July 2017, we are also involved in titanium mining and related activities, including exploration, development, extraction and processing of titanium minerals such as ilmenite.

Our operating and strategic framework is based on expanding our uranium and titanium extraction activities, which includes advancing certain projects with established mineralized materials towards extraction, and establishing additional mineralized materials on our existing uranium and titanium projects or through the acquisition of additional projects.

During the three months ended October 31, 2018, we continued our strategic plan for reduced operations implemented in September 2013 to align our operations to a weak uranium market in a challenging post-Fukushima environment. As part of this strategy, we operated the Palangana Mine at a reduced pace to capture residual uranium only, while maintaining the Palangana Mine and Hobson Facility in a state of operational readiness. This strategy also included the deferral of major exploration and pre-extraction expenditures and maintaining our core exploration projects in good standing in anticipation of a recovery in uranium prices.

Mineral Rights and Properties

The following is a summary of significant activities by project for the three months ended October 31, 2018:

Burke Hollow Project

During the three months ended October 31, 2018, we received a draft Radioactive Material License (“RML”) for the Burke Hollow Project and we now await the final draft RML from the TCEQ after receipt of the Mine Area Permit and Aquifer Exemption in Fiscal 2017 and the two Class I disposal well permits in Fiscal 2016.

Yuty Project

During the three months ended October 31, 2018, we continued work on the Preliminary Economic Assessment in accordance with the provisions of National Instrument 43-101 and continued detailed resource mapping to better define the five stacked roll front systems that comprise the deposit at the Yuty Project.

Equity-Accounted Investment

During the three months ended October 31, 2018, we entered into the Royalty Purchase Agreement with URC in connection with the proposed purchase by URC from our Company of a one percent (1%) net smelter return royalty for uranium only on each of our Slick Rock, Workman Creek and Anderson projects. Pursuant to the Royalty Purchase Agreement, we agreed to sell the Royalties to URC for 12,000,000 common shares of URC.

At October 31, 2018, we held 2,000,000 shares of URC, representing 6.9% interest in URC. On December 4, 2018, we closed the Royalty Purchase Agreement and received 12,000,000 common shares of URC. As a result, we own 14,000,000 shares or a 34.3% interest in URC as at the date of this Quarterly Report.

Results of Operations

For the three months ended October 31, 2018 and 2017, we recorded net losses of $3,451,426 ($0.02 per share) and $4,555,840 ($0.03 per share), respectively.

During the three months ended October 31, 2018 and 2017, we continued with our strategic plan for reduced operations implemented in September 2013 and continued reduced operations at the Palangana Mine to capture residual pounds of U_3O_8 only. As a result, no U_3O_8 extraction or processing costs were capitalized to inventories during the three months ended October 31, 2018 and 2017. At October 31, 2018, the total value of inventories was $211,662 (July 31, 2018: $211,662).

Costs and Expenses

For the three months ended October 31, 2018 and 2017, costs and expenses totaled $3,213,954 and $4,021,997, respectively, which were comprised of, mineral property expenditures of $866,243 and $1,676,700, general and administrative expenses of $2,258,935 and $2,254,962, and depreciation, amortization and accretion of $88,776 and $90,335, respectively.

Mineral Property Expenditures

Mineral property expenditures were primarily comprised of costs relating to permitting, property maintenance, exploration and pre-extraction activities and other non-extraction related activities on our projects.

During the three months ended October 31, 2018 and 2017, mineral property expenditures totaled $866,243 and $1,676,700, respectively, of which $303,644 and $320,926, respectively, were directly related to maintaining operational readiness and permitting compliance for the Palangana Mine and Hobson Processing Facility.

During the three months ended October 31, 2018 and 2017, mineral property expenditures on our Reno Creek Project totaled $147,876 and $239,561, respectively, which were primarily related to property maintenance and labor costs. During the three months ended October 31, 2017, and in connection with the completion of the acquisition of the Reno Creek Project, we paid reimbursable expenses of $483,829 for the property maintenance costs incurred at the Reno Creek Project prior to the closing of the acquisition of the Reno Creek Project, which were also included in the mineral property expenditures for the three months ended October 31, 2017.

The following table provides mineral property expenditures on our projects for the periods indicated:

	Three Months Ended October 31,	
	2018	2017
Mineral Property Expenditures		
Palangana Mine	$ 280,032	$ 239,315
Goliad Project	18,822	22,816
Burke Hollow Project	108,545	334,237
Longhorn Project	15,376	2,808
Salvo Project	6,808	6,934
Anderson Project	22,214	15,457
Workman Creek Project	7,692	8,283
Slick Rock Project	17,224	13,613
Reno Creek Project	147,876	723,390
Yuty Project	23,403	90,968
Oviedo Project	20,725	62,196
Alto Paraná Titanium Project	25,833	39,611
Other Mineral Property Expenditures	171,693	117,072
	$ 866,243	$ 1,676,700

General and Administrative

During the three months ended October 31, 2018, general and administrative expenses totaled $2,258,935, which were consistent compared to $2,254,962 for the three months ended October 31, 2017.

The following summary provides a discussion of the major expense categories, including analyses of the factors that caused significant variances compared to the same periods last year:

- for the three months ended October 31, 2018, salaries, management and consulting fees totaled $498,110, which was consistent compared to $453,128 for the three months ended October 31, 2017.

- for the three months ended October 31, 2018, office, insurance, filing and listing fees, investor relations, and travel expenses totaled $746,612, which was consistent compared to $778,521 for the three months ended October 31, 2017;

- for the three months ended October 31, 2018, professional fees totaled $172,688, which decreased by $209,946 compared to $382,634 for the three months ended October 31, 2017. Professional fees are primarily comprised of legal services related to certain transactional activities, regulatory compliance and ongoing legal claims, in addition to audit and taxation services; and

for the three months ended October 31, 2018, stock-based compensation totaled $841,525, which increased by $200,846, compared to $640,679 for the three months ended October 31, 2017. We continued to utilize equity-based payments to compensate certain directors, officers, employees and consultants for services provided as part of our continuing efforts to reduce cash outlays. In July 2018 and August 2017, we granted approximately 2.0 million and 1.8 million stock options, respectively, to our directors, officers, employees and consultants. The fair value of these stock options has been amortized on an accelerated basis over the vesting periods of the options, resulting in a higher stock-based compensation expense being recognized at the beginning of the vesting periods than at the end of the vesting periods.

Depreciation, Amortization and Accretion

During the three months ended October 31, 2018, depreciation, amortization and accretion totaled $88,776, which was consistent compared to $90,335 for the three months ended October 31, 2017.

Depreciation, amortization and accretion include depreciation and amortization of long-term assets acquired in the normal course of operations and accretion of asset retirement obligations.

Other Income and Expenses

Interest and Finance Costs

During the three months ended October 31, 2018, interest and finance costs totaled $754,849, which was consistent compared to $740,292 for the three months ended October 31, 2017.

For the three months ended October 31, 2018 and 2017, interest and finance costs were primarily comprised of interest paid on long-term debt of $408,889 and $408,889, amortization of debt discount of $307,771 and $297,422, and amortization of annual surety bond premium of $31,228 and $29,214, respectively.

Income from Equity-Accounted Investment

During the three months ended October 31, 2018, we recorded income from an equity-accounted investment totaling $387,869, which was comprised of a gain on ownership interest dilution of $372,715 and our share of the equity investee's income of $15,154. During the three months ended October 31, 2017, we recorded income from an equity-accounted investment totaling $108,789, which was comprised of a gain on ownership interest dilution of $129,156, offset by our share of the equity investee's loss of $20,367.

Summary of Quarterly Results

	For the Quarters Ended			
	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Sales	$-	$-	$-	$ -
Net loss	(3,451,426)	(4,770,335)	(4,146,646)	(4,353,813)
Total comprehensive loss	(3,451,426)	(4,652,380)	(4,146,394)	(4,354,060)
Basic and diluted loss per share	(0.02)	(0.03)	(0.03)	(0.03)
Total assets	108,046,108	89,611,309	88,958,320	92,046,979

	For the Quarters Ended			
	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Sales	$-	$-	$-	$ -
Net loss	(4,555,840)	(5,587,130)	(3,798,864)	(4,332,369)
Total comprehensive loss	(4,555,457)	(5,587,076)	(3,798,892)	(4,332,327)
Basic and diluted loss per share	(0.03)	(0.04)	(0.03)	(0.04)
Total assets	94,523,947	72,177,234	74,946,960	76,665,928

Liquidity and Capital Resources

	October 31, 2018	July 31, 2018
Cash and cash equivalents	$ 9,545,339	$ 6,926,523
Short-term investments	15,000,000	-
Current assets	26,449,132	8,340,728
Current portion of long-term debt	15,000,000	10,000,000
Other current liabilities	1,462,136	2,315,570
Working capital (deficit)	9,986,996	(3,974,842)

During the three months ended October 31, 2018, we completed a public offering of 12,613,049 units at a price of $1.60 per unit for gross proceeds of $20,180,878, and received cash proceeds of $2,568,979 from the exercise of stock options and warrants, which substantially increased our cash and cash equivalent and improved our working capital position. At October 31, 2018, we had working capital of $9,986,996, which increased by $13,961,838 from the working capital deficit of $3,974,842 at July 31, 2018. Current liabilities at October 31, 2018 included the current portion of long-term debt totaling $15.0 million (July 31, 2018: $10.0 million), representing principal amounts of the long-term debt due over the next 12 months from October 31, 2018.

On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement with our Lenders whereby we and the Lenders agreed to certain further amendments to our $20,000,000 Credit Facility, whereby the maturity date was extended from January 1, 2020 to January 31, 2022, and whereby the prior monthly principal payments were deferred until the new maturity date of January 31, 2022. As a result, the $15.0 million principal amounts due will be removed from our capital resource requirement for the next 12 months. With the public offering completed and the Third Amended and Restated Credit Agreement effected, our existing cash resources as at October 31, 2018 are expected to provide sufficient funds to carry our planned operations for the next 12 months from the date that this Quarterly Report is issued. Our continuation as a going concern for a period beyond 12 months will be dependent upon our ability to obtain adequate additional financing, as our operations are capital intensive and future capital expenditures are expected to be substantial. Our continued operations, including the recoverability of the carrying values of our assets, are dependent ultimately on our ability to achieve and maintain profitability and positive cash flow from our operations.

Historically, we have been reliant primarily on equity financings from the sale of our common stock and, during Fiscal 2014 and Fiscal 2013, on debt financing in order to fund our operations. We have also relied, to a limited extent, on cash flows generated from our mining activities during Fiscal 2015, Fiscal 2013 and Fiscal 2012; however, we have yet to achieve profitability or develop positive cash flow from operations and we do not expect to achieve profitability or develop positive cash flow from operations in the near term. Our reliance on equity and debt financings is expected to continue for the foreseeable future, and their availability whenever such additional financing is required will be dependent on many factors beyond our control including, but not limited to, the market price of uranium, the continuing public support of nuclear power as a viable source of electrical generation, the volatility in the global financial markets affecting our stock price and the status of the worldwide economy, any one of which may cause

significant challenges in our ability to access additional financing, including access to the equity and credit markets. We may also be required to seek other forms of financing, such as asset divestitures or joint venture arrangements to continue advancing our uranium projects which would depend entirely on finding a suitable third party willing to enter into such an arrangement, typically involving an assignment of a percentage interest in the mineral project. However, there is no assurance that we will be successful in securing any form of additional financing when required and on terms favorable to us.

Our operations are capital intensive and future capital expenditures are expected to be substantial. We will require significant additional financing to fund our operations, including continuing with our exploration and pre-extraction activities and acquiring additional mineral projects. In the absence of such additional financing, we would not be able to fund our operations, including continuing with our exploration and pre-extraction activities, which may result in delays, curtailment or abandonment of any one or all of our mineral projects.

Our anticipated operations, including exploration and pre-extraction activities, will be dependent on and may change as a result of our financial position, the market price of uranium and other considerations, and such change may include accelerating the pace or broadening the scope of reducing our operations as originally announced in September 2013.

Our ability to secure adequate funding for these activities will be impacted by our operating performance, other uses of cash, the market price of commodities, the market price of our common stock and other factors which may be beyond our control. Specific examples of such factors include, but are not limited to:

- if the weakness in the market price of uranium experienced in Fiscal 2018 continues or weakens further during Fiscal 2019;
- if the weakness in the market price of our common stock experienced in Fiscal 2018 continues or weakens further during Fiscal 2019;
- if we default on making scheduled payments of fees and complying with the restrictive covenants as required under our Credit Facility, and it results in accelerated repayment of our indebtedness and/or enforcement by the Lenders against our key assets securing our indebtedness; and
- if another nuclear incident, such as the events that occurred at Fukushima in March 2011, were to occur during Fiscal 2019, continuing public support of nuclear power as a viable source of electrical generation may be adversely affected, which may result in significant and adverse effects on both the nuclear and uranium industries.

Our long-term success, including the recoverability of the carrying values of our assets and our ability to acquire additional mineral projects and to continue with exploration and pre-extraction activities and mining activities on our existing mineral projects, will depend ultimately on our ability to achieve and maintain profitability and positive cash flow from our operations by establishing ore bodies that contain commercially recoverable mineral and to develop these into profitable mining activities.

Equity Financings

We filed a Form S-3 shelf registration statement, which was declared effective on March 10, 2017 (the “2017 Shelf”), providing for the public offer and sale of certain securities of our Company from time to time, at our discretion, of up to an aggregate offering amount of $100 million.

On October 3, 2018, we completed our October 2018 Offering of 12,613,049 units at a price of $1.60 per unit for gross proceeds of $20,180,878. Each unit was comprised of one share of the Company and one-half of one share purchase warrant. Each whole warrant entitles its holder to acquire one share at an exercise price of $2.05 per share, exercisable immediately upon issuance and expiring 30 months from the date of issuance. In connection with the October 2018 Offering, we also issued compensation share purchase warrants to agents as part of share issuance costs

to purchase 756,782 shares of our Company, exercisable at an exercise price of $2.05 per share and expiring 30 months from the date of issuance.

As at October 31, 2018, a total of $68.4 million of the 2017 Shelf was utilized through the registration of our shares of common stock underlying outstanding common share purchase warrants from previous registered offerings with a remaining available balance of $31.6 million under the 2017 Shelf, as follows:

- up to 2,850,000 shares of our common stock (the “2015 Warrant Shares”) issuable from time to time upon the exercise of 2,850,000 whole common share purchase warrants at a price of $2.35 per 2015 Warrant Share issued by us on June 25, 2015 as part of a unit offering on the same date representing approximately $6.7 million under the 2017 Shelf;

- up to 6,594,348 shares of our common stock (the “2016 Warrant Shares”) issuable from time to time upon the exercise of 6,594,348 whole common share purchase warrants at a price of $1.20 per 2016 Warrant Share issued by us on March 10, 2016 as part of a unit offering on the same date representing approximately $7.9 million under the 2017 Shelf;

- up to 9,571,929 shares of our common stock (the "2017 Warrant Shares") issuable from time to time upon the exercise of 9,571,929 whole common share purchase warrants at a price of $2.00 per 2017 Warrant Share issued by us on January 20, 2017 as part of a unit offering on the same date representing approximately $19.1 million under the 2017 Shelf;

- 12,613,049 shares of our common stock (the "2018 Unit Shares") issued by us on October 3, 2018 as part of the unit offering on the same date representing approximately $20.2 million under the 2017 Shelf; and

- 7,063,253 shares of our common stock (the "2018 Warrant Shares") issuable from time to time upon the exercise of 7,063,253 whole common share purchase warrants at a price of $2.05 per 2018 Warrant Share issued by us on October 3, 2018 as part of our October 2018 Offering representing approximately $14.5 million under the 2017 Shelf.

Debt Financing

On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement with our Lenders, whereby we and the Lenders agreed to certain further amendments to the Credit Facility, under which initial funding of $10,000,000 was received by the Company upon closing of the Credit Facility on July 30, 2013, and additional funding of $10,000,000 was received by the Company upon closing of the amended Credit Facility on March 13, 2014.

The key terms of the Third Amended and Restated Credit Agreement are summarized as follows:

- extension of the maturity date from January 1, 2020 to January 31, 2022;
- deferral of the prior monthly principal payments until the new maturity date of January 31, 2022;
- issuance of third extension fee shares equal to 7% of the principal balance outstanding or $1,400,000 paid to the Lenders by way of the issuance of 1,180,328 shares of the Company at a deemed issuance price per share of $1,18611 representing a 10% discount to our five trading-day volume-weighted average trading price prior to closing; and
- payment of anniversary fees to the Lenders on each of November 30, 2019, 2020 and 2021, of 7%, 6.5% and 6%, respectively, of the principal balance then outstanding, if any, payable at the option of the Company in cash or shares of the Company with a price per share calculated as a 10% discount to the five trading-day volume-weighted average price of the Company's shares immediately prior to the applicable date.

The Credit Facility is non-revolving with an amended term of 8.5 years maturing on January 31, 2022, subject to an interest rate of 8% per annum, compounded and payable on a monthly basis.

The Third Credit Amended and Restated Agreement supersedes, in their entirety, the prior Second Amended and Restated Credit Agreement dated and effective February 9, 2016, the prior Amended and Restated Credit Agreement dated and effective March 13, 2014 and the prior Credit Agreement dated and effective July 30, 2013.

Refer to Note 9*:* Long-Term Debt of the Notes to the Condensed Consolidated Financial Statements for the three months ended October 31, 2018, and Note 10: Long-Term Debt of the Notes to the Consolidated Financial Statements for Fiscal 2018.

Operating Activities

Net cash used in operating activities during the three months ended October 31, 2018 and 2017 was $3,970,783 and $4,137,576, respectively. Significant operating expenditures included mineral property expenditures, general and administrative expenses and interest payments.

Financing Activities

During the three months ended October 31, 2018, net cash provided by financing activities was $21,651,229, primarily resulting from net proceeds of $21,639,005 received from equity financing and a $12,224 change in amount due to a related party. On October 3, 2018, we completed our October 2018 Offering of 12,613,049 units at a price of $1.60 per unit and received net proceeds of $19,070,025. In addition, we received net proceeds of $2,496,617 from the exercise of share purchase warrants and $72,363 from the exercise of stock options. During the three months ended October 31, 2017, net cash provided by financing activities was $2,490 as a result of a change in amount due to a related party.

Investing Activities

During the three months ended October 31, 2018, net cash used in investing activities totaled $15,055,000, primarily for the purchase of short-term investments of $15,000,000, and investment in mineral rights and properties of $55,000.

During the three months ended October 31, 2017, net cash provided by investing activities was $1,585,191, primarily from net cash of $215,065 and restricted cash of $73,973 received from the acquisition of the Reno Creek Project, and cash received from the redemption of short-term investments totaling $10,000,000, offset by cash used in the purchase of short-term investments of $8,603,700, and a $97,836 increase in other long-term assets.

Stock Options and Warrants

At October 31, 2018, we had stock options outstanding representing 14,700,625 shares at a weighted-average exercise price of $1.41 per share and share purchase warrants outstanding representing 33,074,978 shares at a weighted-average exercise price of $2.00 per share. At October 31, 2018, outstanding stock options and warrants represented a total 47,775,603 shares issuable for gross proceeds of approximately $86.9 million should these stock options and warrants be exercised in full. At October 31, 2018, outstanding in-the-money stock options and warrants represented a total of 13,937,693 shares exercisable for gross proceeds of approximately $17.0 million should these in-the-money stock options and warrants be exercised in full. The exercise of these stock options and warrants is at the discretion of the respective holders and, accordingly, there is no assurance that any of these stock options or warrants will be exercised in the future.

Transactions with a Related Party

During the three months ended October 31, 2018 and 2017, we incurred $37,704 and $37,311, respectively, in general and administrative costs paid to Blender, a company controlled by Arash Adnani, a direct family member of our President and Chief Executive Officer, for various services including information technology, corporate branding, media, website design, maintenance and hosting, provided to the Company.

During the three months ended October 31, 2017, we issued 104,706 shares to Blender with a fair value of $141,678, as settlement of the equivalent amounts owed to Blender.

At October 31, 2018, the amount owing to Blender was $13,031 (July 31, 2018: $807).

Material Commitments

Long-Term Debt Obligations

At October 31, 2018, we have made all scheduled payments and complied with all covenants under our Credit Facility, and we expect to continue complying with all scheduled payments and covenants during Fiscal 2019.

On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement, whereby we and the Lenders agreed to extend the maturity date of the Credit Facility from January 1, 2020 to January 31, 2022, and to defer the prior monthly principal payments until the new maturity date of January 31, 2022.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

For a complete summary of all of our significant accounting policies, refer to Note 2: Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements as presented under Item 8. Financial Statements and Supplementary Data in our Form 10-K Annual Report for Fiscal 2018.

Refer to “Critical Accounting Policies” under Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K Annual Report for Fiscal 2018.

Subsequent Events

On December 4, 2018, we closed the Royalty Purchase Agreement and received 12,000,000 common shares of URC.

On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement, whereby we and the Lenders agreed to extend the maturity date of Credit Facility from January 1, 2020 to January 31, 2022 and to defer the prior monthly principal payments until the new maturity date of January 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our Form 10-K Annual Report for Fiscal 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our internal controls over financial reporting and disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report, and, except for the remediation procedure described below which has not yet been fully tested, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

In our assessment of the effectiveness of our Company's internal control over financial reporting as at July 31, 2018, we identified a material weakness relating to a review control. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements could not be prevented or detected on a timely basis.

During the fiscal quarter ended October 31, 2018, in response to this material weakness, management implemented new control procedures to increase the precision level and documentation of review, and involvement and rigor in management review in procedures. Management will not consider the material weakness remediated until the remedial control procedures implemented operate for a period of time and the control procedures are tested to ensure they are operating effectively. We expect testing and full remediation of the material weakness to occur prior to the year end of our Fiscal 2019. As the remediation has not yet been tested, our Principal Executive Officer and Principal Financial Officer have concluded that the disclosure controls and procedures cannot be deemed effective at a level that provides reasonable assurance as of the date of this Quarterly Report.

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

Changes in Internal Controls

Except for the remediation procedure described above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended October 31, 2018, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

On or about March 9, 2011, the TCEQ granted the Company's applications for a Class III Injection Well Permit, Production Area Authorization and Aquifer Exemption for its Goliad Project. On or about December 4, 2012, the U.S. Environmental Protection Agency (the "EPA") concurred with the TCEQ issuance of the Aquifer Exemption permit (the "AE"). With the receipt of this concurrence, the final authorization required for uranium extraction, the Goliad Project achieved fully-permitted status. On or about May 24, 2011, a group of petitioners, inclusive of Goliad County, appealed the TCEQ action to the 250th District Court in Travis County, Texas. A motion filed by the Company to intervene in this matter was granted. The petitioners' appeal lay dormant until on or about June 14, 2013, when the petitioners filed their initial brief in support of their position. On or about January 18, 2013, a different group of petitioners, exclusive of Goliad County, filed a petition for review with the Court of Appeals for the Fifth Circuit in the United States (the "Fifth Circuit") to appeal the EPA's decision. On or about March 5, 2013, a motion filed by the Company to intervene in this matter was granted. The parties attempted to resolve both appeals, to facilitate discussions and avoid further legal costs. The parties jointly agreed, through mediation initially conducted through the Fifth Circuit on or about August 8, 2013, to abate the proceedings in the State District Court. On or about August 21, 2013, the State District Court agreed to abate the proceedings. The EPA subsequently filed a motion to remand without vacatur with the Fifth Circuit wherein the EPA's stated purpose was to elicit additional public input and further explain its rationale for the approval. In requesting the remand without vacatur, which would allow the AE to remain in place during the review period, the EPA denied the existence of legal error and stated that it was unaware of any additional information that would merit reversal of the AE. The Company and the TCEQ filed a request to the Fifth Circuit for the motion to remand without vacatur, and if granted, to be limited to a 60-day review period. On December 9, 2013, by way of a procedural order from a three-judge panel of the Fifth Circuit, the Court granted the remand without vacatur and initially limited the review period to 60 days. In March of 2014, at the EPA's request, the Fifth Circuit extended the EPA's time period for review and additionally, during that same period, the Company conducted a joint groundwater survey of the site, the result of which reaffirmed the Company's previously filed groundwater direction studies. On or about June 17, 2014, the EPA reaffirmed its earlier decision to uphold the granting of the Company's existing AE, with the exception of a northwestern portion containing less than 10% of the uranium resource which was withdrawn, but not denied, from the AE area until additional information is provided in the normal course of mine development. On or about September 9, 2014, the petitioners filed a status report with the State District Court which included a request to remove the stay agreed to in August 2013 and to set a briefing schedule (the "Status Report"). In that Status Report the petitioners also stated that they had decided not to pursue their

appeal at the Fifth Circuit. The Company continues to believe that the pending appeal is without merit and is continuing as planned towards uranium extraction at its fully-permitted Goliad Project.

On or about April 3, 2012, the Company received notification of a lawsuit filed in the State of Arizona, in the Superior Court for the County of Yavapai, by certain petitioners (the “Plaintiffs”) against a group of defendants, including the Company and former management and board members of Concentric Energy Corp. (“Concentric”). The lawsuit asserts certain claims relating to the Plaintiffs’ equity investments in Concentric, including allegations that the former management and board members of Concentric engaged in various wrongful acts prior to and/or in conjunction with the merger of Concentric. The lawsuit originally further alleged that the Company was contractually liable for liquidated damages arising from a pre-merger transaction which the Company previously acknowledged and recorded as an accrued liability, and which portion of the lawsuit was settled in full by a cash payment of $149,194 to the Plaintiffs and subsequently dismissed. The Court dismissed several other claims set forth in the Plaintiffs’ initial complaint, but granted the Plaintiffs leave to file an amended complaint. The Court denied a subsequent motion to dismiss the amended complaint, finding that the pleading met the minimal pleading requirements under the applicable procedural rules. In October 2013, the Company filed a formal response denying liability for any of the Plaintiffs’ remaining claims. The Court set the case for a four-week jury trial that was to take place in Yavapai County, Arizona, in April 2016. In November 2015, after the completion of discovery, the Company and the remaining defendants filed motions for summary judgment, seeking to dismiss all of the Plaintiffs’ remaining claims. While those motions were pending, the parties reached a settlement agreement with respect to all claims asserted by the Plaintiffs in that lawsuit. A formal settlement and release agreement was subsequently executed, pursuant to which all of the Plaintiffs’ claims in the Arizona lawsuit were dismissed with prejudice. Pursuant to the terms of the settlement agreement, the Defendants collectively paid $500,000 to the Plaintiffs, of which $50,000 was paid by the Company.

On or about October 2, 2015, Marnie W. McMahon filed a stockholder derivative complaint on behalf of the Company against the Company's Board of Directors, executive management and three of its vice presidents (the "Company parties") in the District Court of Nevada (the "Nevada Derivative Case") seeking unspecified damages on behalf of the Company against the Company parties for allegedly breaching their fiduciary duties to the Company with respect to allegations previously made in a prior class action complaint as against the Company and two of its executive officers which was dismissed in September of 2016 (the "Securities Case"). On January 21, 2016, the Court granted the Company's motion to stay the Nevada Derivative Case pending the outcome of what was then a federal derivative case involving the same Company parties with similar allegations. Following the voluntary dismissal of the federal derivative case in November of 2017, Ms. McMahon filed an amended complaint on February 10, 2017, which again asserted that the Company's directors breached their fiduciary duties relating to the factual allegations in the Securities Case. The Company filed a motion to dismiss and on September 13, 2017, the Court granted the Company's motion to dismiss the Nevada Derivative Case. On or about October 5, 2017, the plaintiff filed a notice of appeal with the Court. On June 14, 2018, the plaintiff filed the Appellant's opening brief in the Supreme Court of Nevada. In response on August 2018, we filed our answering brief. We expect a ruling by the end of calendar 2018.

The Company has had communications and filings with the MOPC, the mining regulator in Paraguay, whereby the MOPC is taking the position that certain concessions forming part of the Company's Yuty, Oviedo and Alto Parana projects are not eligible for extension as to exploration or continuation to exploitation in their current stages. While the Company remains fully committed to its development path forward in Paraguay, it caused its legal counsel to file an appeal in Paraguay to reverse the MOPC's position in order to protect the Company's continuing rights in those concessions. In the interim the Company also continues to conduct its business in a manner to comply with all applicable mining laws in Paraguay.

Item 1A.   Risk Factors

In addition to the information contained in our Form 10-K Annual Report for Fiscal 2018, and this Form 10-Q Quarterly Report, we have identified the following material risks and uncertainties which reflect our outlook and conditions known to us as of the date of this Quarterly Report. These material risks and uncertainties should be carefully reviewed by our stockholders and any potential investors in evaluating the Company, our business and the market value of our common stock. Furthermore, any one of these material risks and uncertainties has the potential to cause actual results, performance, achievements or events to be materially different from any future results, performance, achievements or events implied, suggested or expressed by any forward-looking statements made by us or by persons acting on our behalf. Refer to "Cautionary Note Regarding Forward-Looking Statements" as disclosed in our Form 10-K Annual Report for Fiscal 2018.

There is no assurance that we will be successful in preventing the material adverse effects that any one or more of the following material risks and uncertainties may cause on our business, prospects, financial condition and operating results, which may result in a significant decrease in the market price of our common stock. Furthermore, there is no assurance that these material risks and uncertainties represent a complete list of the material risks and uncertainties facing us. There may be additional risks and uncertainties of a material nature that, as of the date of this Quarterly Report, we are unaware of or that we consider immaterial that may become material in the future, any one or more of which may result in a material adverse effect on us. You could lose all or a significant portion of your investment due to any one of these material risks and uncertainties.

Risks Related to Our Company and Business

Evaluating our future performance may be difficult since we have a limited financial and operating history, with significant negative cash flow and accumulated deficit to date. Our long-term success will depend ultimately on our ability to achieve and maintain profitability and to develop positive cash flow from our mining activities.

As more fully described under Item 1. Business, in our Form 10-K Annual Report for Fiscal 2018, we were incorporated under the laws of the State of Nevada on May 16, 2003, and since 2004, we have been predominantly engaged in uranium mining and related activities, including exploration, pre-extraction, extraction and processing, on projects located in the United States and Paraguay. In November 2010, we commenced uranium extraction for the first time at the Palangana Mine utilizing ISR and processed those materials at the Hobson Processing Facility into drums of U_3O_8, our only sales product and source of revenue. We also hold uranium projects in various stages of exploration and pre-extraction in the States of Arizona, Colorado, New Mexico, Texas and Wyoming, in Canada and the Republic of Paraguay. Since we completed the acquisition of the Alto Paraná Project located in the Republic of Paraguay in July 2017, we are also involved in mining and related activities, including exploration, pre-extraction, extraction and processing of titanium minerals.

As more fully described under "Liquidity and Capital Resources" of Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations, we have a history of significant negative cash flow and net losses, with an accumulated deficit balance since inception of $248.5 million at October 31, 2018. Historically, we have been reliant primarily on equity financings from the sale of our common stock and, for Fiscal 2014 and Fiscal 2013, on debt financing in order to fund our operations. Although we generated revenues from sales of U_3O_8 during Fiscal 2015, Fiscal 2013 and Fiscal 2012 of $3.1 million, $9.0 million and $13.8 million, respectively, with no revenues from sales of U_3O_8 generated during the three months ended October 31, 2018, Fiscal 2016 to Fiscal 2018, Fiscal 2014 or for any periods prior to Fiscal 2012, we have yet to achieve profitability or develop positive cash flow from our operations, and we do not expect to achieve profitability or develop positive cash flow from operations in the near term. As a result of our limited financial and operating history, including our significant negative cash flow and net losses to date, it may be difficult to evaluate our future performance.

During the three months ended October 31, 2018, we completed a public offering of 12,613,049 units at a price of $1.60 per unit for gross proceeds of $20,180,878, and received cash proceeds of $2,568,979 from the exercise of stock options and warrants, which substantially increased our cash and cash equivalent and improved our working capital position. At October 31, 2018, we had working capital of $10.0 million including cash and cash equivalents of $9.5 million and short-term investments of $15.0 million. Current liabilities included current portion of long-term debt totaling $15.0 million, representing principal amounts of the long-term debt due over the next 12 months from October 31, 2018. On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement with our Lenders whereby we and the Lenders agreed to certain further amendments to our $20,000,000 Credit Facility, whereby the maturity date was extended from January 1, 2020 to January 31, 2022, and whereby the prior monthly principal payments were deferred until the new maturity date of January 31, 2022. As a result, the $15.0 million principal amounts due will be removed from our capital resource requirement for the next 12 months. Consequently, our existing cash resources as at October 31, 2018 are expected to provide sufficient funds to carry our planned operations for the next 12 months from the date of this Quarterly Report. Our continuation as a going concern for a period beyond 12 months will be dependent upon our ability to obtain adequate additional financing, as our operations are capital intensive and future capital expenditures are expected to be substantial. Our continued operations, including the recoverability of the carrying values of our assets, are dependent ultimately on our ability to achieve and maintain profitability and positive cash flow from our operations.

Our reliance on equity and debt financings is expected to continue for the foreseeable future, and their availability whenever such additional financing is required, will be dependent on many factors beyond our control including, but not limited to, the market price of uranium, the continuing public support of nuclear power as a viable source of electrical generation, the volatility in the global financial markets affecting our stock price and the status of the worldwide economy, any one of which may cause significant challenges in our ability to access additional financing, including access to the equity and credit markets. We may also be required to seek other forms of financing, such as asset divestitures or joint venture arrangements to continue advancing our uranium projects which would depend entirely on finding a suitable third party willing to enter into such an arrangement, typically involving an assignment of a percentage interest in the mineral project.

Our long-term success, including the recoverability of the carrying values of our assets and our ability to acquire additional uranium projects and continue with exploration and pre-extraction activities and mining activities on our existing uranium projects, will depend ultimately on our ability to achieve and maintain profitability and positive cash flow from our operations by establishing ore bodies that contain commercially recoverable uranium and to develop these into profitable mining activities. The economic viability of our mining activities, including the expected duration and profitability of the Palangana Mine and of any future satellite ISR mines, such as the Burke Hollow and Goliad Projects, located within the South Texas Uranium Belt, and the Reno Creek Project located in the Powder River Basin, Wyoming, and our projects in Canada and in the Republic of Paraguay, have many risks and uncertainties. These include, but are not limited to: (i) a significant, prolonged decrease in the market price of uranium and titanium minerals; (ii) difficulty in marketing and/or selling uranium concentrates; (iii) significantly higher than expected capital costs to construct the mine and/or processing plant; (iv) significantly higher than expected extraction costs; (v) significantly lower than expected mineral extraction; (vi) significant delays, reductions or stoppages of uranium extraction activities; and (vi) the introduction of significantly more stringent regulatory laws and regulations. Our mining activities may change as a result of any one or more of these risks and uncertainties and there is no assurance that any ore body that we extract mineralized materials from will result in achieving and maintaining profitability and

developing positive cash flow.

Our operations are capital intensive and we will require significant additional financing to acquire additional mineral projects and continue with our exploration and pre-extraction activities on our existing projects.

Our operations are capital intensive and future capital expenditures are expected to be substantial. We will require significant additional financing to fund our operations, including acquiring additional projects and continuing with our exploration and pre-extraction activities which include assaying, drilling, geological and geochemical analysis and mine construction costs. In the absence of such additional financing we would not be able to fund our operations or continue with our exploration and pre-extraction activities, which may result in delays, curtailment or abandonment of any one or all of our projects.

If we are unable to service our indebtedness, we may be faced with accelerated repayments or lose the assets securing our indebtedness. Furthermore, restrictive covenants governing our indebtedness may restrict our ability to pursue our business strategies.

On December 5, 2018, we entered into the Third Amended and Restated Credit Agreement with our Lenders under which we had previously drawn down the maximum $20 million in principal. The Credit Facility requires monthly interest payments calculated at 8% per annum and other periodic fees. Our ability to continue making these scheduled payments will be dependent on and may change as a result of our financial condition and operating results. Failure to make any of these scheduled payments will put us in default with the Credit Facility which, if not addressed or waived, could require accelerated repayment of our indebtedness and/or enforcement by the Lenders against our assets. Enforcement against our assets would have a material adverse effect on our financial condition and operating results.

Furthermore, our Credit Facility includes restrictive covenants that, among other things, limit our ability to sell our assets or to incur additional indebtedness other than permitted indebtedness, which may restrict our ability to pursue certain business strategies from time to time. If we do not comply with these restrictive covenants, we could be in default which, if not addressed or waived, could require accelerated repayment of our indebtedness and/or enforcement by the Lenders against our assets.

Our uranium extraction and sales history is limited, with our uranium extraction to date originating from a single uranium mine. Our ability to continue generating revenue is subject to a number of factors, any one or more of which may adversely affect our financial condition and operating results.

We have a limited history of uranium extraction and generating revenue. In November 2010, we commenced uranium extraction at the Palangana Mine, which has been our sole source of U_3O_8 sold to generate the revenues during Fiscal 2015, Fiscal 2013 and Fiscal 2012 of $3.1 million, $9.0 million and $13.8 million, respectively, with no revenues from sales of U_3O_8 generated during the three months ended October 31, 2018, Fiscal 2018, Fiscal 2017, Fiscal 2016, Fiscal 2014 or for any periods prior to Fiscal 2012.

During the three months ended October 31, 2018, we continued to operate the Palangana Mine at a reduced pace since implementing our strategic plan in September 2013 to align our operations to a weak uranium commodity market in a challenging post-Fukushima environment. This strategy has included the deferral of major pre-extraction expenditures and remaining in a state of operational readiness in anticipation of a recovery in uranium prices. Our ability to continue generating revenue from the Palangana Mine is subject to a number of factors which include, but are not limited to: (i) a significant, prolonged decrease in the market price of uranium; (ii) difficulty in marketing and/or selling uranium concentrates; (iii) significantly higher than expected capital costs to construct the mine and/or processing plant; (iv) significantly higher than expected extraction costs; (v) significantly lower than expected uranium extraction; (vi) significant delays, reductions or stoppages of uranium extraction activities; and (vii) the introduction of significantly more stringent regulatory laws and regulations. Furthermore, continued mining activities at the Palangana Mine will eventually deplete the Palangana Mine or cause such activities to become uneconomical, and if we are unable to directly acquire or develop existing uranium projects, such as our Burke Hollow and Goliad Projects, into additional uranium mines from which we can commence uranium extraction, it will negatively impact our ability to generate revenues. Any one or more of these occurrences may adversely affect our financial condition and operating results.

Exploration and pre-extraction programs and mining activities are inherently subject to numerous significant risks and uncertainties, and actual results may differ significantly from expectations or anticipated amounts. Furthermore, exploration programs conducted on our projects may not result in the establishment of ore bodies that contain commercially recoverable uranium.

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

Success in mineral exploration is dependent on many factors, including, without limitation, the experience and capabilities of a company's management, the availability of geological expertise and the availability of sufficient funds to conduct the exploration program. Even if an exploration program is successful and commercially recoverable material is established, it may take a number of years from the initial phases of drilling and identification of the mineralization until extraction is possible, during which time the economic feasibility of extraction may change such that the material ceases to be economically recoverable. Exploration is frequently non-productive due, for example, to poor exploration results or the inability to establish ore bodies that contain commercially recoverable material, in which case the project may be abandoned and written-off. Furthermore, we will not be able to benefit from our exploration efforts and recover the expenditures that we incur on our exploration programs if we do not establish ore bodies that contain commercially recoverable material and develop these projects into profitable mining activities, and there is no assurance that we will be successful in doing so for any of our projects.

Whether an ore body contains commercially recoverable material depends on many factors including, without limitation: (i) the particular attributes, including material changes to those attributes, of the ore body such as size, grade, recovery rates and proximity to infrastructure; (ii) the market price of uranium, which may be volatile; and (iii) government regulations and regulatory requirements including, without limitation, those relating to environmental protection, permitting and land use, taxes, land tenure and transportation.

We have not established proven or probable reserves through the completion of a "final" or "bankable" feasibility study for any of our projects, including the Palangana Mine. Furthermore, we have no plans to establish proven or probable reserves for any of our uranium projects for which we plan on utilizing ISR mining, such as the Palangana Mine. Since we commenced extraction of mineralized materials from the Palangana Mine without having established proven or probable reserves, it may result in our mining activities at the Palangana Mine, and at any future projects for which proven or probable reserves are not established, being inherently riskier than other mining activities for which proven or probable reserves have been established.

We have established the existence of mineralized materials for certain projects, including the Palangana Mine. We have not established proven or probable reserves, as defined by the SEC under Industry Guide 7, through the completion of a "final" or "bankable" feasibility study for any of our projects, including the Palangana Mine. Furthermore, we have no plans to establish proven or probable reserves for any of our projects for which we plan on utilizing ISR mining, such as the Palangana Mine. Since we commenced uranium extraction at the Palangana Mine without having established proven or probable reserves, there may be greater inherent uncertainty as to whether or not any mineralized material can be economically extracted as originally planned and anticipated. Any mineralized materials established or extracted from the Palangana Mine should not in any way be associated with having established or produced from proven or probable reserves.

Since we are in the Exploration Stage, pre-production expenditures including those related to pre-extraction activities are expensed as incurred, the effects of which may result in our consolidated financial statements not being directly comparable to the financial statements of companies in the Production Stage.

Despite the fact that we commenced uranium extraction at the Palangana Mine in November 2010, we remain in the Exploration Stage as defined under Industry Guide 7, and will continue to remain in the Exploration Stage until such time proven or probable reserves have been established, which may never occur. We prepare our consolidated financial statements in accordance with U.S. GAAP under which acquisition costs of mineral rights are initially capitalized as incurred while pre-production expenditures are expensed as incurred until such time we exit the Exploration Stage. Expenditures relating to exploration activities are expensed as incurred and expenditures relating to pre-extraction activities are expensed as incurred until such time proven or probable reserves are established for that uranium project, after which subsequent expenditures relating to mine development activities for that particular project are capitalized as incurred.

We have neither established nor have any plans to establish proven or probable reserves for our uranium projects for which we plan on utilizing ISR mining, such as the Palangana Mine. Companies in the Production Stage as defined by the SEC under Industry Guide 7, having established proven and probable reserves and exited the Exploration Stage, typically capitalize expenditures relating to ongoing development activities, with corresponding depletion calculated over proven and probable reserves using the units-of-production method and allocated to future reporting periods to inventory and, as that inventory is sold, to cost of goods sold. As we are in the Exploration Stage, it has resulted in us reporting larger losses than if we had been in the Production Stage due to the expensing, instead of capitalization, of expenditures relating to ongoing mill and mine pre-extraction activities. Additionally, there would be no corresponding amortization allocated to our future reporting periods since those costs would have been expensed previously, resulting in both lower inventory costs and cost of goods sold and results of operations with higher gross profits and lower losses than if we had been in the Production Stage. Any capitalized costs, such as acquisition costs of mineral rights, are depleted over the estimated extraction life using the straight-line method. As a result, our consolidated financial statements may not be directly comparable to the financial statements of companies in the Production Stage.

Estimated costs of future reclamation obligations may be significantly exceeded by actual costs incurred in the future. Furthermore, only a portion of the financial assurance required for the future reclamation obligations has been funded.

We are responsible for certain remediation and decommissioning activities in the future primarily for our Hobson Processing Facility, Palangana Mine, Reno Creek Project and Alto Paraná Project and have recorded a liability of $4.1 million on our balance sheet at October 31, 2018, to recognize the present value of the estimated costs of such reclamation obligations. Should the actual costs to fulfill these future reclamation obligations materially exceed these estimated costs, it may have an adverse effect on our financial condition and operating results, including not having the financial resources required to fulfill such obligations when required to do so.

During Fiscal 2015, we secured $5.6 million of surety bonds as an alternate source of financial assurance for the estimated costs of the reclamation obligations of our Hobson Processing Facility and Palangana Mine, of which we have $1.7 million funded and held as restricted cash for collateral purposes as required by the surety. We may be required at any time to fund the remaining $3.9 million or any portion thereof for a number of reasons including, but not limited to, the following: (i) the terms of the surety bonds are amended, such as an increase in collateral requirements; (ii) we are in default with the terms of the surety bonds; (iii) the surety bonds are no longer acceptable as an alternate source of financial assurance by the regulatory authorities; or (iv) the surety encounters financial difficulties. Should any one or more of these events occur in the future, we may not have the financial resources to fund the remaining amount or any portion thereof when required to do so.

We do not insure against all of the risks we face in our operations.

In general, where coverage is available and not prohibitively expensive relative to the perceived risk, we will maintain insurance against such risk, subject to exclusions and limitations. We currently maintain insurance against certain risks including securities and general commercial liability claims and certain physical assets used in our operations, subject to exclusions and limitations, however, we do not maintain insurance to cover all of the potential risks and hazards associated with our operations. We may be subject to liability for environmental, pollution or other hazards associated with our exploration, pre-extraction and extraction activities, which we may not be insured against, which may exceed the limits of our insurance coverage or which we may elect not to insure against because of high premiums or other reasons. Furthermore, we cannot provide assurance that any insurance coverage we currently have will continue to be available at reasonable premiums or that such insurance will adequately cover any resulting liability.

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

From time to time, we examine opportunities to acquire additional mining assets and businesses. Any acquisition that we may choose to complete may be of a significant size, may change the scale of our business and operations, and may expose us to new geographic, political, operating, financial and geological risks. Our success in our acquisition activities depends on our ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of our Company. Any acquisitions would be accompanied by risks which could have a material adverse effect on our business. For example: (i) there may be a significant change in commodity prices after we have committed to complete the transaction and established the purchase price or exchange ratio; (ii) a material ore body may prove to be below expectations; (iii) we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; (iv) the integration of the acquired business or assets may disrupt our ongoing business and our relationships with employees, customers, suppliers and contractors; and (v) the acquired business or assets may have unknown liabilities which may be significant. In the event that we choose to raise debt capital to finance any such acquisition, our leverage will be increased. If we choose to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, we may choose to finance any such acquisition with our existing resources. There can be no assurance that we would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

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

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

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

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

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

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

We may not be able to obtain, maintain or amend rights, authorizations, licenses, permits or consents required for our operations.

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

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

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

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

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

The titanium industry is affected by global economic factors, including risks associated with volatile economic conditions, and the market for many titanium products is cyclical and volatile, and we may experience depressed market conditions for such products.

Titanium is used in many "quality of life" products for which demand historically has been linked to global, regional and local GDP and discretionary spending, which can be negatively impacted by regional and world events or economic conditions. Such events are likely to cause a decrease in demand for products and, as a result, may have an adverse effect on our results of operations and financial condition. The timing and extent of any changes to currently prevailing market conditions is uncertain, and supply and demand may be unbalanced at any time. Uncertain economic conditions and market instability make it particularly difficult for us to forecast demand trends. As a consequence, we may not be able to accurately predict future economic conditions or the effect of such conditions on our financial condition or results of operations. We can give no assurances as to the timing, extent or duration of the current or future economic cycles impacting the industries in which we operate.

Historically, the market for large volume titanium applications, including coatings, paper and plastics, has experienced alternating periods of tight supply, causing prices and margins to increase, followed by periods of lower capacity utilization resulting in declining prices and margins. The volatility this market experiences occurs as a result of significant changes in the demand for products as a consequence of global economic activity and changes in customers' requirements. The supply-demand balance is also impacted by capacity additions or reductions that result in changes of utilization rates. In addition, titanium margins are impacted by significant changes in major input costs such as energy and feedstock. Demand for titanium depends in part on the housing and construction industries. These industries are cyclical in nature and have historically been impacted by downturns in the economy. In addition, pricing may affect customer inventory levels as customers may from time to time accelerate purchases of titanium in advance of anticipated price increases or defer purchases of titanium in advance of anticipated price decreases. The cyclicality and volatility of the titanium industry results in significant fluctuations in profits and cash flow from period to period and over the business cycle.

The uranium and titanium industries are highly competitive and we may not be successful in acquiring additional projects.

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

The titanium industry is concentrated and highly competitive, and we may not be able to compete effectively with our competitors that have greater financial resources or those that are vertically integrated, which could have a material adverse effect on our business, results of operations and financial condition.

The global titanium market is highly competitive, with the top six producers accounting for approximately 60% of the world's production capacity. Competition is based on a number of factors, such as price, product quality and service. Competition is based on a number of factors, such as price, product quality and service. Among our competitors are companies that are vertically-integrated (those that have their own raw material resources). Changes in the competitive landscape could make it difficult for us to retain our competitive position in various products and markets throughout the world. Our competitors with their own raw material resources may have a competitive advantage during periods of higher raw material prices. In addition, some of the companies with whom we compete may be able to produce products more economically than we can. Furthermore, some of our competitors have greater financial resources, which may enable them to invest significant capital into their businesses, including expenditures for research and development.

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

We hold certain mineral rights located in the Republic of Paraguay through Piedra Rica Mining S.A., Transandes Paraguay S.A., Trier S.A. and Metalicos Y No Metalicos S.R.L, which are incorporated in Paraguay. Operations in foreign jurisdictions outside of the United States and Canada, especially in developing countries, may be subject to additional risks as they may have different political, regulatory, taxation, economic and cultural environments that may adversely affect the value or continued viability of our rights. These additional risks include, but are not limited to: (i) changes in governments or senior government officials; (ii) changes to existing laws or policies on foreign investments, environmental protection, mining and ownership of mineral interests; (iii) renegotiation, cancellation, expropriation and nationalization of existing permits or contracts; (iv) foreign currency controls and fluctuations; and (v) civil disturbances, terrorism and war.

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

The title to our mineral property interests may be challenged.

Although we have taken reasonable measures to ensure proper title to our interests in mineral properties and other assets, there is no guarantee that the title to any of such interests will not be challenged. No assurance can be given that we will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to us, or that governments in the jurisdictions in which we operate will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments, aboriginal peoples or other claimants. The Company has had communications and filings with the MOPC, the mining regulator in Paraguay, whereby the MOPC is taking the position that certain concessions forming part of the Company’s Yuty, Oviedo and Alto Parana projects are not eligible for extension as to exploration or continuation to exploitation in their current stages. While the Company remains fully committed to its development path forward in Paraguay, it caused its legal counsel to file an appeal in Paraguay to reverse the MOPC’s position in order to protect the Company’s continuing rights in those concessions. In the interim the Company also continues to conduct its business in a manner to comply with all applicable mining laws in Paraguay. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. A successful challenge to the precise area and location of our claims could result in us being unable to operate on our properties as permitted or being unable to enforce our rights with respect to our properties.

Due to the nature of our business, we may be subject to legal proceedings which may divert management's time and attention from our business and result in substantial damage awards.

Due to the nature of our business, we may be subject to numerous regulatory investigations, securities claims, civil claims, lawsuits and other proceedings in the ordinary course of our business including those described under Item 1. Legal Proceedings. The outcome of these lawsuits is uncertain and subject to inherent uncertainties, and the actual costs to be incurred will depend upon many unknown factors. We may be forced to expend significant resources in the defense of these suits, and we may not prevail. Defending against these and other lawsuits in the future may not only require us to incur significant legal fees and expenses, but may become time-consuming for us and detract from our ability to fully focus our internal resources on our business activities. The results of any legal proceeding cannot be predicted with certainty due to the uncertainty inherent in litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on our business, financial position or operating results.

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

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

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

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

The laws of the State of Nevada and our Articles of Incorporation may protect our directors and officers from certain types of lawsuits.

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

Several of our directors and officers are residents outside of the United States, and it may be difficult for stockholders to enforce within the United States any judgments obtained against such directors or officers.

Several of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process on such directors and officers, or enforce within the United States any judgments

obtained against such directors and officers, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, stockholders may be effectively prevented from pursuing remedies against such directors and officers under United States federal securities laws. In addition, stockholders may not be able to commence an action in a Canadian court predicated upon the civil liability provisions under United States federal securities laws. The foregoing risks also apply to those experts identified in this document that are not residents of the United States.

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

Management’s evaluation on the effectiveness of disclosure controls and procedures is designed to ensure that information required for disclosure in our public filings is recorded, processed, summarized and reported on a timely basis to our senior management, as appropriate, to allow timely decisions regarding required disclosure. Management’s report on internal control over financial reporting is designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported. However, any system of controls, no matter how well designed and operated, is based in part upon certain assumptions designed to obtain reasonable, and not absolute, assurance as to its reliability and effectiveness. Any failure to maintain effective disclosure controls and procedures in the future may result in our inability to continue meeting our reporting obligations in a timely manner, qualified audit opinions or restatements of our financial reports, any one of which may affect the market price for our common stock and our ability to access the capital markets.

Risks Related to Our Common Stock

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

On September 28, 2007, our common stock commenced trading on the NYSE American (formerly known as the American Stock Exchange, the NYSE Amex Equities Exchange and the NYSE MKT) and prior to that, traded on the OTC Bulletin Board.

The global markets have experienced significant and increased volatility in the past, and have been impacted by the effects of mass sub-prime mortgage defaults and liquidity problems of the asset-backed commercial paper market, resulting in a number of large financial institutions requiring government bailouts or filing for bankruptcy. The effects of these past events and any similar events in the future may continue to or further affect the global markets, which may directly affect the market price of our common stock and our accessibility for additional financing. Although this volatility may be unrelated to specific company performance, it can have an adverse effect on the market price of our shares which, historically, has fluctuated significantly and may continue to do so in the future.

In addition to the volatility associated with general economic trends and market conditions, the market price of our common stock could decline significantly due to the impact of any one or more events, including, but not limited to, the following: (i) volatility in the uranium market; (ii) occurrence of a major nuclear incident such as the events in Fukushima in March 2011; (iii) changes in the outlook for the nuclear power and uranium industries; (iv) failure to meet market expectations on our exploration, pre-extraction or extraction activities, including abandonment of key uranium projects; (v) sales of a large number of our shares held by certain stockholders including institutions and insiders; (vi) downward revisions to previous estimates on us by analysts; (vii) removal from market indices; (viii) legal claims brought forth against us; and (ix) introduction of technological innovations by competitors or in competing technologies.

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

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

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

We are authorized to issue 750,000,000 shares of common stock of which 176,123,390 shares were issued and outstanding as of October 31, 2018. Future issuances for financings, mergers and acquisitions, exercise of stock options and share purchase warrants and for other reasons may result in significant dilution to and be issued at prices substantially below the price paid for our shares held by our existing stockholders. Significant dilution would reduce the proportionate ownership and voting power held by our existing stockholders, and may result in a decrease in the market price of our shares.

We filed the 2017 Shelf, which was declared effective on March 10, 2017, providing for the public offer and sale of certain securities of our Company from time to time, at our discretion, up to an aggregate offering amount of $100 million, of which a total of $68.4 million has been utilized through public offerings as of October 31, 2018.

We are subject to the Continued Listing Criteria of the NYSE American and our failure to satisfy these criteria may result in delisting of our common stock.

Our common stock is currently listed on the NYSE American. In order to maintain this listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer: (i) if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; (ii) if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; (iii) if the issuer sells or disposes of principal operating assets or ceases to be an operating company; (iv) if an issuer fails to comply with the NYSE American's listing requirements; (v) if an issuer's common stock sells at what the NYSE American considers a "low selling price" and the issuer fails to correct this via a reverse split of shares after notification by the NYSE American; or (vi) if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable.

If the NYSE American delists our common stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our securities, reduced liquidity, decreased analyst coverage of our securities and an inability for us to obtain additional financing to fund our operations.

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

During our fiscal quarter ended October 31, 2018, we issued the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

- on each of August 3, 2018 and September 4, 2018, we issued 5,426 shares of common stock to a consultant in consideration for services under a consulting agreement at a deemed issuance price of $1.29 per share. We relied on exemptions from registration under the Securities Act provided by Regulation S and/or Section 4(a)(2) with respect to the issuance of these shares;

- on August 17, 2018, we issued 15,827 shares of common stock to a consultant in consideration for services under a consulting agreement at a deemed issuance price of $1.61 per share. We relied on exemptions from registration under the Securities Act provided by Regulation S and/or Section 4(a)(2) with respect to the issuance of these shares; and

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on October 5, 2018, we issued 4,166 shares of common stock to a consultant in consideration for services under a consulting agreement at a deemed issuance price of $1.68 per share. We relied on exemptions from registration under the Securities Act provided by Regulation S and/or Section 4(a)(2) with respect to the issuance of these shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 ("Mine Safety Act"), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended October 31, 2018, the Company's Palangana Mine was not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1	Certifications pursuant to the Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1NS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

URANIUM ENERGY CORP.

By:*/s/ Amir Adnani*
Amir Adnani
President, Chief Executive Officer (Principal Executive Officer) and Director
Date: December 7, 2018

By:*/s/ Pat Obara*
Pat Obara
Chief Financial Officer (Principal Financial Officer)
Date: December 7, 2018