



Third Quarter Report  
For the  
Period Ending  
September 30, 2005

UEX Corporation, Vancouver, B.C., Canada



### **Message to Shareholders**

*UEX Corporation ("UEX", or the "Corporation") continued to make progress in its exploration objectives in the Third Quarter of 2005. Highlights of activities during the period included initiation of a baseline study at UEX's 100%-owned West Bear Uranium Deposit, as well as expanded diamond drilling programs at its other projects. During the period, UEX announced the discovery of a new high-grade, mineralized zone in the 63B area between the Anne and Colette Deposits at the Shea Creek Project – 27.4% U<sub>3</sub>O<sub>8</sub> over 8.8 metres in hole SHE-114-5. Follow-up holes in the 63B area have encountered more high-grade uranium mineralization. Uranium prices reached recent highs during the period and that, combined with the Corporation's effective acquisition and exploration strategy helped sustain the substantial increase in shareholder value realized since the acceleration in the growth of the uranium market in late 2003. UEX's management looks forward to the exploration and development of its uranium projects and the future growth of the Corporation.*

*"signed"*

*Stephen H. Sorensen  
President & CEO*

November 7, 2005

### **Management Discussion & Analysis**

This management discussion and analysis is intended to provide investors with an informed discussion of UEX's business activities. It incorporates requirements from the Canadian Securities Administrators and reflects guidelines from the Canadian Institute of Chartered Accountants ("CICA"). UEX prepares its Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All monetary values are expressed in Canadian dollars unless noted otherwise. Additional information concerning UEX is available at [www.sedar.com](http://www.sedar.com).

### **Highlights of the Third Quarter 2005**

During the three months ending September 30, 2005, highlights included:

- Completion of an equity financing on August 3, 2005 of 10,000,000 common shares at \$2.65 per share for gross proceeds of \$26.5 million;
- UEX earned a 12.25% interest in the West Athabasca Projects from COGEMA Resources Inc. following UEX's exploration expenditures of \$7.5 million since March 2004;
- Discovery of a new zone of high-grade uranium mineralization, both sandstone and basement-hosted, in the 63B area at the Shea Creek Project;
- Exploration expenditures totaled over \$4.8 million on the Corporation's Athabasca Basin uranium projects.

### **Overview**

#### **Goals**

UEX's goal is to remain the dominant uranium explorer in the uranium-rich Athabasca Basin and, through these efforts, eventually join the elite ranks of Canada's uranium producers.

#### **Strategy**

Our business is the exploration and development of uranium resources in the Athabasca Basin. Sustainable growth is realized by the acquisition and partnering of prospective uranium projects at various stages of exploration and development, located in different but prospective geological domains in the Athabasca Basin.

UEX believes that a strong commitment to exploration, diversification of projects, project locations and project partners is the key to successful discoveries. UEX holds a diversified portfolio of uranium projects, located in several prospective geological domains in the Athabasca Basin and has strong affiliations with nuclear industry leaders. Since going public in July of 2002, UEX has aggressively pursued this strategy and has produced a growing capital appreciation for its shareholders.

### **About UEX**

UEX is a Canadian exploration company initially formed under an agreement between Pioneer Metals Corporation ("Pioneer") and Cameco Corporation ("Cameco"). Its business is the exploration and development of uranium resources in the Athabasca Basin of northern Saskatchewan, the richest uranium belt in the world. UEX began trading on the Toronto Stock Exchange in July 2002 and currently has 19 uranium projects either 100% owned, joint ventured or under option totaling approximately 386,650 hectares (955,400 acres) located in the eastern, western and northern areas of the Athabasca Basin.

Cameco, the world's largest supplier of uranium, holds approximately 21.8% of the common shares of UEX and has one representative on UEX's Board of Directors. UEX and Cameco have an exploration service agreement in place, under which Cameco manages exploration programs on the 100% UEX-owned and operated Hidden Bay Project. The service agreement can be cancelled by either party prior to any calendar year end. The Hidden Bay Project is located in the eastern Athabasca Basin, and surrounds on three sides Cameco's producing Rabbit Lake operation. UEX will manage exploration at the Hidden Bay Project beginning in 2006.

UEX operates seven projects in the northeastern and north-central Athabasca Basin, including its 100% owned Riou Lake Project and its five 100%-owned Northern Athabasca Projects, staked in late 2004. The Northern Athabasca Projects is a collective term for the Butler Lake, Fond du Lac, Munroe Lake, Otherside River and Jacques Point projects. UEX operates the Black Lake Project, a joint venture with AREVA subsidiary COGEMA Resources Inc. ("COGEMA"). The AREVA group is the world's largest nuclear energy company. The Black Lake Project is a joint venture between UEX and COGEMA under which UEX holds a 70% interest and COGEMA holds a 30% interest. A new uranium discovery was made by UEX during a drilling program at the Black Lake Project in September 2004.

In March 2004, UEX signed an agreement with COGEMA to acquire a 49% interest in eight uranium projects located in the Western Athabasca Basin, then 100%-owned and operated by COGEMA. Two additional projects were staked in late 2004, bringing the total number of projects in the agreement to ten. The ten projects include Shea Creek (containing the Anne and Collette Deposits, and the recently-discovered 63B Zone), Douglas, Erica, Alexandra, Laurie, Mirror, Nikita, Uchrich, James Creek and Brander Lake. Under the terms of the agreement with COGEMA, UEX has an option to earn a 49% interest in the COGEMA projects by funding \$30 million of exploration expenditures over the next 11 years, as follows:

First and second years:	Minimum \$2,000,000 per year,
Third to sixth years:	Minimum \$2,500,000 per year
Seventh to ninth years:	Minimum \$3,000,000 per year
Tenth and eleventh years	Minimum \$3,500,000 per year

The Corporation will earn a 12.25% interest in the projects for every \$7.5 million incurred to a maximum total interest in the West Athabasca Projects of 49%. On August 11, 2005, the Corporation announced the earning of its first 12.25% interest from COGEMA, and to date, has expended approximately \$9.0 million in exploration expenditures on the West Athabasca Projects.

The Shea Creek Project encompasses the Anne and Colette Deposits. A resource estimate at the Colette deposit is currently not available due to the smaller number of drill holes. COGEMA's historical resource for the Anne deposit indicates an inferred resource of 715,150 tonnes containing approximately 47,200,000 pounds of U<sub>3</sub>O<sub>8</sub> (an oxide of uranium) at an average grade of approximately 3% U<sub>3</sub>O<sub>8</sub>. In the event that these resources are mined, UEX has agreed to pay to COGEMA a royalty of US\$0.212 per pound of U<sub>3</sub>O<sub>8</sub> to a maximum royalty of US\$10 million. (Note: this is a historical resource estimate completed by COGEMA that was not estimated using current Canadian Institute of Mining, Metallurgy and Petroleum categories, and for which no resource or reserve confidence categories were applied.)

In June 2004, UEX announced an agreement with Japan-Canada Uranium Company, Limited ("JCU") whereby JCU granted UEX an option to acquire a 25% interest in the Beatty River Project ("Beatty River"), located in the western Athabasca Basin in northern Saskatchewan. Beatty River is located 40 kilometres south of Shea Creek Project. At present, COGEMA owns a 50.71% interest and JCU owns a 49.29% interest in Beatty River. Under the agreement, UEX can earn a 25% interest in Beatty River by funding \$865,000 in exploration expenditures

by December 31, 2008. As of the date of this document, UEX has expended approximately \$230,000 at the Beatty River. COGEMA plans to maintain its 50.71% interest in Beatty River by matching UEX's exploration expenditures.

JCU was incorporated in Japan on October 18, 2000 by four companies, Itochu Corp., OURD Co. Ltd., Mitsubishi Corp. and Mitsubishi Materials Corp. JCU through its wholly-owned subsidiary, JCU (Canada) Exploration Company Limited, holds interests in 14 uranium exploration projects that were purchased from the Japan Nuclear Cycle Development Institute in late 2000.

### **Growth Strategy**

UEX's vision is to remain the dominant uranium explorer in the Athabasca Basin and to become a future uranium producer. Incurred and planned expenditures by UEX in the Athabasca Basin for 2005 are estimated at \$16.0 million.

The main strategies of UEX are:

- To improve the geological model and complete the additional drilling required to develop an economic resource at the Shea Creek Project;
- To upgrade the historical resource present at the West Bear uranium deposit to a level that defines a mineable economic resource;
- To further explore the uranium discovery made in 2004 at the Black Lake Project;
- To maintain and aggressively explore and advance to discovery its other uranium projects;
- To continue the negotiation and acquisition of new uranium projects in the Athabasca Basin that can be readily financed in current market conditions;
- To provide for a diversification of project stages (early exploration through development), project locations and project partners;
- To leverage its strong relationships with the world's two largest uranium companies, Cameco and AREVA/COGEMA.

### **Uranium Industry Trends**

A number of trends in the nuclear industry have the potential to affect UEX's business environment.

Current trends are encouraging for explorers and producers of uranium. The uranium spot price has appreciated approximately 460% since January 2001, and on November 7, 2005 the spot price was quoted at US\$33.50 per pound  $U_3O_8$ , an increase of approximately 65% from the spot price quoted on November 8, 2004 of US\$20.25 per pound  $U_3O_8$ .

In recent years, the nuclear industry has seen increased capacity at existing nuclear plants, extensions of plant licenses, and new plant construction. For example, in September 2004, the China Atomic Energy Authority announced plans to accelerate construction of up to 27 new nuclear power plants in order to quadruple its nuclear power capacity to 36 million kilowatts by 2020. Public opinion in many countries has moved in favour of nuclear power, and rising natural gas and oil prices have made nuclear energy the lowest cost option in some countries. In the U.S., other than hydro, nuclear energy is the cheapest source of electricity, and in recent months, several U.S. utilities have taken steps towards the construction of new nuclear power plants. Global warming concerns support increased interest in nuclear power.

### **Uranium Supply and Demand**

Uranium supply sources include primary mine production and secondary sources. Principal primary producers of uranium include Cameco (20.1% of global mine production in 2004) and COGEMA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2004, worldwide demand totaled approximately 160 million pounds  $U_3O_8$  while world primary production was approximately 102 million pounds  $U_3O_8$ . The resulting shortfall has been covered by several secondary sources including excess inventories held by utilities, producers, other fuel cycle participants, reprocessed uranium and plutonium derived from used reactor fuel, and uranium derived from the dismantling of Russian nuclear weapons. These secondary sources will decline in importance as excess inventories and recycled uranium from nuclear weapons are progressively consumed over the next decade, resulting in the need for further primary mine supply.

Demand for uranium is directly linked to the level of electricity generated by nuclear power plants. Nuclear electricity generation worldwide is growing, since world nuclear generating capacity continues to expand as more reactors are built than are closed, and existing reactors are being operated at higher capacity. Reactors in the United States, for example, increased operational capacity from an average of 58% in 1980 to 90% in 2000. Nuclear energy supplies approximately 16% of the world's electricity.

## Long Term Outlook

In 2000, uranium spot prices reached 26 year lows of less than US\$7.00 per pound U<sub>3</sub>O<sub>8</sub> due to the increased availability of secondary supplies, short term lower demand, and increased inventory sales. The spot price has since increased to US\$33.50 per pound U<sub>3</sub>O<sub>8</sub> as of the date of this report, and the long term uranium market outlook remains positive with increased consumption, and the continuing draw down of secondary uranium sources. Given the lead time necessary to find and develop new mines, the projected gaps in both supply and future depletion of existing high grade uranium deposits means that uranium exploration must be accelerated in order to meet future demand. Even now, with the spot price of U<sub>3</sub>O<sub>8</sub> at US\$33.50 per pound, uranium exploration budgets fall far short of the exploration expenditures carried out in the Athabasca Basin during the 1970's and 1980's when several new discoveries were made.

The recent resurgence of concern over energy security and supply, and the corresponding interest in nuclear power as a reliable and clean source of energy has heightened the awareness that new uranium supplies will be needed in the long term. The new uranium production is likely to come from deposits in Canada, Australia, the United States and Kazakhstan. Most deposits generally have much lower grades than the high grade deposits in the Athabasca Basin, and consequently it is anticipated that the new supply will come at higher cost, which is expected to put further upward pressure on the uranium price over the next ten years, and increase both the need to find and exploit additional high grade deposits. UEX believes it is well positioned to capitalize on these potential future trends.

## Selected Financial Information

The following is selected financial data from the audited financial statements of UEX for the last three complete fiscal years, which are UEX's first three fiscal years of operation. The data should be read in conjunction with the audited financial statements for the year ending December 31, 2004 and the notes thereto.

### For the Years Ended December 31

	2004	2003	2002
(CDN\$)			
Investment Income	\$254,714	\$30,167	\$20,136
Net Loss (Before Income Taxes)	(\$1,919,682)	(\$462,093)	(\$256,396)
Loss Per Share (Before Income Taxes)	(\$0.01)	(\$0.00)	(\$0.01)
Capitalized Exploration Expenditures, Net of Stock-Based Compensation	\$6,677,175	\$921,706	\$1,790,977
Total Assets	\$44,521,387	\$16,677,563	\$13,870,959

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

### For the Quarters Ended

	Sept. 2005	Jun. 2005	Mar. 2005	Dec. 2004	Sept. 2004	Jun. 2004	Mar. 2004	Dec. 2003
(CDN\$)								
Investment Income	\$275,478	\$42,513	\$139,639	\$138,860	\$63,933	\$35,651	\$16,270	\$10,097
Net Loss (Before Income Taxes)	(\$4,710)	(\$176,786)	(\$263,141)	(\$635,422)	(\$1,067,835)	(\$142,222)	(\$74,203)	(\$178,338)
Loss Per Share (Before Income Taxes)	(\$0.000)	(\$0.001)	(\$0.001)	(\$0.005)	(\$0.008)	(\$0.001)	(\$0.001)	(\$0.002)
Capitalized Exploration Expenditures, Net of Stock-Based Compensation	\$4,829,102	\$2,899,159	\$5,487,971	\$4,467,923	\$735,885	\$385,594	\$1,087,773	\$77,517
Total Assets	\$82,711,917	\$56,386,345	\$46,585,561	\$44,521,387	\$33,403,058	\$25,869,055	\$17,256,165	\$16,677,653

## **Share Capital**

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 169,172,485 common shares were issued and outstanding as of September 30, 2005, and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 shares, none of which are issued and outstanding. As of November 7, 2005, the number of common shares outstanding was 169,272,485 (see "Subsequent Events").

At September 30, 2005, a total of 383,333 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

<u>Number of shares</u>	<u>Exercise price</u>	<u>Expiry date</u>
100,000	0.25	December 18, 2005
283,333	0.75	June 3, 2006

At September 30, 2005, the Company had reserved a total of 4,097,500 common shares related to director and employee options, the details of which are as follows:

<u>Exercise prices</u>	<u>Number outstanding, September 30, 2005</u>	<u>Weighted average remaining contractual life</u>
\$ 0.08	1,360,000	7.98 years
0.10	86,000	7.22 years
0.12	351,500	5.65 years
0.84	500,000	8.75 years
0.95	875,000	8.91 years
1.69	500,000	9.09 years
1.80	250,000	9.76 years
2.75	175,000	9.42 years
	4,097,500	8.36 years

## **Results of Operations**

### **Three Months Ending September 30, 2005**

The Corporation incurred a net loss for the three months ending September 30, 2005 of \$4,710, compared to a net loss of \$1,067,835 for the three months ending September 30, 2004. The smaller loss for the three months ending September 30, 2005, was mainly due to a lesser stock-based compensation expense of \$118,012, compared to a stock-based compensation expense of \$1,024,819 for the three months ending September 30, 2004.

Investment income was \$275,478 for the three months ending September 30, 2005, compared to \$63,933 for the three months ending September 30, 2004, an increase of \$211,545. The increase was generated by larger amounts of cash invested by the Corporation during the three months ending September 30, 2005.

Operating expenses before stock-based compensation expense for the three months ending September 30, 2005 were \$167,191 compared to \$106,949 for the three months ending September 30, 2004, a difference of \$58,570, mainly due to an increase in the Corporation's business activity in the three months ending September 30, 2005.

General and administrative expenses were \$15,143 for the three months ending September 30, 2005, lower than the expenses of \$22,910 for the same period in 2004. Salaries and benefits totaled \$69,363 during the three months ending September 30, 2005, an increase of \$17,738 over the \$51,625 incurred by the Corporation in the three months ending September 30, 2004. Legal, accounting and audit expenses for the three months ending September 30, 2005 were \$12,219, lower than the 2004 cost for the same period of

\$19,898. Filing fees and stock exchange fees were \$24,614 during the three months ending September 30, 2005, an increase of \$20,746 over the amount for the three months ending September 30, 2004, in which those expenses were \$3,868, due mainly to the expense of amending the Corporation's stock option plan.

### Nine Months Ending September 30, 2005

The Corporation incurred a net loss for the nine months ending September 30, 2005 of \$444,637, compared to a net loss of \$1,284,260 for the nine months ending September 30, 2004. The smaller loss for the nine months ending September 30, 2005, was due mainly to a lesser stock-based compensation expense of \$407,500, compared to a stock-based compensation expense of \$1,024,819 for the nine months ending September 30, 2004.

During the nine months ending September 30, 2005, the granting of stock options resulted in a stock-based compensation expense of \$407,500, compared to a stock-based compensation expense of \$1,024,819 for the same period in 2004.

In 2002, the Corporation recorded a Future Income Tax ("FIT") liability of \$3,809,000 associated with the acquisition of the Hidden Bay property from Cameco and \$522,000 due to renunciation of exploration expenditures for a total of \$4,331,000. This FIT liability showed a net increase in 2003 to \$4,815,710, due to continued renunciation of exploration expenditures resulting from flow-through share issuances and a reduction in Federal Income Tax rates which required the recording of an FIT recovery and corresponding reduction of the liability.

In 2004, the FIT liability declined marginally to \$4,738,677 as a result of recording a recovery of \$77,000 of FIT due to the write-off of previously capitalized exploration expenses. As a result of an accounting pronouncement by the CICA in 2004, the recording of FIT associated with flow-through share issuances occurs when the company files the renunciation with Canada Revenue Agency. As this filing occurred in 2005, the company did not record \$5,574,600 of FIT liability for the fiscal year ending December 31, 2004. In the First Quarter of 2005, the Corporation recorded this FIT liability related to its 2004 renunciation of exploration expenditures, resulting in a total FIT liability of \$10,313,277. Share capital was correspondingly reduced by the \$5,574,600 increase in FIT.

The FIT liability related to the Hidden Bay property acquisition was calculated consistent with the terms for such acquisitions as outlined in the CICA Handbook. The obligation to pay the FIT liabilities is contingent upon the Corporation realizing the carrying values of its mineral properties. These liabilities would only arise after UEX has recovered all capital costs associated with putting its property into commercial production.

Investment income was \$457,630 for the nine months ending September 30, 2005, compared to \$115,854 for the nine months ending September 30, 2004, an increase of \$341,776. The increase was generated by larger amounts of cash invested by the Corporation in the nine months ending September 30, 2005 than were held during the same period in 2004.

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

Project Name	Balance at December 31, 2004	Exploration Expenditures During the Nine Month Period	Balance at September 30, 2005
Riou Lake	\$2,826,141	\$ 1,531,990	\$ 4,358,131
Black Lake	1,654,998	2,711,864	4,366,862
Hidden Bay	11,514,610	3,378,151	14,892,761
W. Athabasca	3,480,946	5,391,945	8,872,891
Beatty River	27,009	200,472	227,481
N. Athabasca	534,506	163,812	698,318
<b>Totals</b>	<b>\$20,038,210</b>	<b>\$13,378,234</b>	<b>\$33,416,444</b>

Exploration spending during the nine months ending September 30, 2005 totaled \$13,378,234, an increase of \$11,168,982 over the level of exploration spending for the nine months ending September 30, 2004, due to successful implementation of the Corporation's strategy.

Operating expenses before stock-based compensation expense for the nine months ending September 30, 2005 were \$578,882 compared to \$375,295 for the nine months ending September 30, 2004, a difference of \$203,587, mainly due to a significant increase in the Corporation's business activity in the nine months ending September 30, 2005.

General and administrative expenses were \$65,118 for the nine months ending September 30, 2005, higher than the expenses of \$46,294 for the same period in 2004. Salaries and benefits totaled \$195,681 during the nine months ending September 30, 2005, a decrease of \$22,504 over the \$218,185 incurred by the Corporation in the nine months ending September 30, 2004. Legal, accounting and audit expenses for the nine months ending September 30, 2005 were \$118,877, higher than the 2004 cost for the same period of \$53,157, due mainly to increased costs associated with the implementation of new regulatory requirements. Filing fees and stock exchange fees also rose during the nine months ending September 30, 2005 to \$107,870, an increase of \$81,582 over the amount for the nine months ending September 30, 2004, in which those expenses were \$29,288, due mainly to the expense of completing substantial common shares financings during the period, and amendments to the Corporation's stock option plan.

### **Financing Activities**

UEX completed two private placements during the nine months ending September 30, 2005. On June 29, 2005, the Corporation received \$12,000,000 from the gross proceeds of a private placement of 6,000,000 common shares, before broker's commissions of \$480,000 and financing expenses of \$70,237. On August 3, 2005, the Corporation received \$26,500,000 from the gross proceeds of a private placement of 10,000,000 common shares, before broker's commissions of \$1,590,000 and financing expenses of \$64,122.

The Corporation realized \$617,650 from the exercise of stock options in the nine months ending September 30, 2005 compared to \$217,200 received from stock options exercised in during the nine months ending September 30, 2004. The Corporation received \$1,081,325 on the exercise of share purchase warrants in the nine months ending September 30, 2005, compared to \$358,869 for the same period in 2004.

### **Exploration Activities**

#### **West Athabasca Projects**

##### ***2005 Spring/Summer Exploration Program***

COGEMA acts as operator at the West Athabasca Projects, which collectively are ten uranium exploration projects, namely Shea Creek, Douglas, Erica, Alexandra, Mirror River, Laurie, Nikita, Uchrich, James Creek and Brander Lake totaling 181,509 hectares (448,327 acres).

##### **Shea Creek Project Drilling Program**

The Shea Creek Project ("Shea Creek") consists of eleven claims totaling 19,581 hectares (48,365 acres), with its northern boundary located approximately 15 kilometres south of COGEMA'S formerly-producing Cluff Lake Mine.

On April 20, 2005, UEX announced the commencement of directional drilling at the Anne and Colette Deposits. The 2005 Spring/Summer drilling program, using two drill rigs operating simultaneously, consisted of approximately 12,000 metres, and concluded in October 2005.

The purpose of the 2005 drilling program at Shea Creek was to continue determining the extent of mineralization at the Anne and Colette Deposits and to further explore a new zone of uranium mineralization found in the 63B area, located between the two deposits. On July 13, 2005, September 14, 2005 and October 11, 2005, UEX announced that COGEMA had reported to UEX results of the 2005 Shea Creek drilling program, carried out on the Colette Deposit and in the 63B area. Drilling at the Anne Deposit was postponed because of the discovery of high-grade uranium mineralization in directional cuts from pilot hole SHE-114 in 63B area. For complete results of the 2005 Shea Creek drilling program, see Table 1 and Table 2 below.

##### **63B Area Drilling Program**

The drilling in the 63B area has so far defined two favourable settings at which high-grade uranium mineralization occurs. High-grade uranium mineralization has been intersected in the 63B area as:

- high-grade elevated sandstone-hosted mineralization, usually 20 to 40 metres above the unconformity (SHE-114-5, for example); and

- high-grade, deep basement-hosted uranium mineralization, usually 100 to 150 metres below the unconformity (SHE-114-8, for example).

**SHE-114-5 (27.4% U<sub>3</sub>O<sub>8</sub> over 8.8 metres, including 58.32% U<sub>3</sub>O<sub>8</sub> over 3.5 metres)**, the fifth unconformity impact from pilot hole SHE-114, intersected high-grade uranium mineralization at a point approximately 30 metres above the unconformity. The unconformity was intersected at 714.3 metres down the hole. This intersection represents the most significant uranium mineralization, and with the highest grade, ever encountered at Shea Creek. Hole SHE-114-5 also intersected significant uranium mineralization approximately 100 metres below the unconformity in the basement rocks, including 1.08% U<sub>3</sub>O<sub>8</sub> over 2.2 metres and 5.48% U<sub>3</sub>O<sub>8</sub> over 1.8 metres within a strongly argillitized fault/breccia zone from 812.0 to 826.0 metres.

It is unprecedented to see a mineralized intersection of this grade and thickness so high in the sandstone above the unconformity. As previously reported (UEX News Release, February 10, 2005), 2004 hole SHE-114, the pilot hole for SHE-114-5, also intersected high-grade, elevated mineralization at 29.9 metres above the unconformity, averaging 3.26% U<sub>3</sub>O<sub>8</sub> over 2.0 metres. Hole SHE-102-11 located some 65 metres to the southeast of SHE-114 intersected similar, elevated mineralization at 28.90 metres above the unconformity (2.50% U<sub>3</sub>O<sub>8</sub> over 2.6 metres). SHE-114-1, the first directional cut from pilot hole SHE-114, also intersected elevated mineralization 40.4 metres above the unconformity, averaging 1.36% U<sub>3</sub>O<sub>8</sub> over 7.5 metres. These intersections of elevated mineralization in the SHE-114 to SHE-102 area may represent the outer fringes of a much larger mineralized zone connected to the unconformity. Hole SHE-114-5 appears to have made the closest approach yet to the source of this elevated mineralization.

**SHE-114-6 (mineralized - hole lost - no probe grade available)**, targeted both the westward, down-dip extension of the high-grade, elevated sandstone-hosted mineralization, and the zone of basement-hosted mineralization intersected in SHE-114-5. Hole SHE-114-6 intersected the unconformity at 715.3 metres, approximately 15 metres west of SHE-114-5 and was lost when the drill rods broke at 702 metres in a large zone of intense alteration, quartz dissolution, and poor core recovery, located between 647 and 709 metres. Several metres of mineralization were intersected above the unconformity, however, the hole could not be gamma-probed and, consequently, no grades and thicknesses could be calculated for the mineralized interval. A new directional cut from SHE-114 is planned for 2006 to test approximately the same location as SHE-114-6.

**SHE-114-7 (7.73% U<sub>3</sub>O<sub>8</sub> over 14.1 metres)**, intersected the unconformity at 722.5 metres, approximately 10 metres east of hole SHE-114-5 and intersected high-grade, elevated sandstone-hosted mineralization at a point approximately 43 metres above the unconformity. The mineralized interval graded 7.73% U<sub>3</sub>O<sub>8</sub> over 14.1 metres between 665.6 and 679.7 metres, including 23.82% U<sub>3</sub>O<sub>8</sub> over 1.5 metres, 16.22% U<sub>3</sub>O<sub>8</sub> over 1.9 metres and 12.47% U<sub>3</sub>O<sub>8</sub> over 1.8 metres.

This high-grade interval of elevated sandstone-hosted mineralization provides continuity between holes SHE-114-7 and SHE-114-5 and consequently increases the potential size of the zone of high-grade, elevated sandstone-hosted mineralization, which remains open in all directions.

**SHE-114-8 (5.81% U<sub>3</sub>O<sub>8</sub> over 7.9 metres and 4.38% U<sub>3</sub>O<sub>8</sub> over 8.4 metres)**, intersected the unconformity at 715.8 metres, approximately 30 metres west-northwest of SHE-114-5, and intersected two high-grade zones of basement-hosted mineralization approximately 120 and 140 metres below the unconformity. The first intersection graded 5.81% U<sub>3</sub>O<sub>8</sub> over 7.9 metres between 835.7 and 843.6 metres, including 19.11% U<sub>3</sub>O<sub>8</sub> over 1.4 metres. The second intersection, located 9.8 metres below, graded 4.38% U<sub>3</sub>O<sub>8</sub> over 8.4 metres between 853.4 and 861.8 metres, including 15.13% U<sub>3</sub>O<sub>8</sub> over 1.2 metres.

These two high-grade, basement-hosted intersections in hole SHE-114-8 are located in a large sub-vertical structure that, according to COGEMA, could be the source of the high-grade, elevated sandstone-hosted mineralization seen 150 metres above. If the mineralization in the basement and sandstone are connected, it would represent a unique geological model for uranium mineralization, where the "roots" of the high-grade sandstone-hosted mineralization have been intersected deep in the basement, which is not seen at the McArthur River and Cigar Lake deposits, for example.

**SHE-114-9 (5.88% U<sub>3</sub>O<sub>8</sub> over 20.0 metres, and 1.48% over 10.0 metres)**, which intersected the unconformity at 720.1 metres, approximately 25 metres north-northwest of SHE-114-5, intersected high-grade, elevated sandstone-hosted mineralization at a point approximately 23 metres above the unconformity. The mineralized interval graded 5.88% U<sub>3</sub>O<sub>8</sub> over 20.0 metres between 677.0 and 697.0 metres, including 13.59% U<sub>3</sub>O<sub>8</sub> over 2.9 metres and 10.30% U<sub>3</sub>O<sub>8</sub> over 1.3 metres. This high-grade interval represents the northwestward extension of the high-grade, elevated sandstone-hosted mineralization intersected in SHE 114-5 and provides further evidence of the continuity of this high-grade zone to the northwest.

Hole SHE-114-9 also intersected 1.48%  $U_3O_8$  over 10.0 metres between 709.2 and 719.2 metres immediately above the unconformity, as well as several smaller intervals grading over 1%  $U_3O_8$  in the basement between 803.9 and 841.9 metres. If these mineralized stringers and veins observed in SHE 114-9 are controlled by a northeast trending structure, typical of significant mineralized zones in the Shea Creek area, then the basement-hosted mineralization observed in SHE 114-8, SHE 114-9 and SHE 114-4 may all be related.

The results from holes SHE-114-9 and SHE-114-7, in conjunction with previous results from SHE-114-5, SHE-114-1 and SHE-114, define a zone of high-grade, elevated sandstone-hosted mineralization having a strike length in excess of 50 metres. The zone remains open in all directions.

**SHE-114-10A (1.15%  $U_3O_8$  over 6.1 metres)**, intersected the unconformity at 728.4 metres, approximately 10 metres north of SHE-114-7 and encountered unconformity-style uranium mineralization straddling the unconformity. The mineralized interval graded 1.15%  $U_3O_8$  over 6.1 metres between 726.4 and 732.5 metres.

Intervals of weak mineralization, grading less than 0.5%  $U_3O_8$ , were encountered between 671.9 and 679.5 metres depth within a zone of desilicified sandstone. This interval corresponds to the same zone of desilicified sandstone hosting the elevated sandstone-hosted mineralization intersected in SHE-114-5 (27.40%  $U_3O_8$  over 8.8 metres) and other holes in the immediate vicinity, and may represent either the outer fringe of the high-grade sandstone hosted mineralization or simply a local low-grade zone within the generally high-grade, elevated sandstone-hosted uranium mineralization.

The basement consisted of strongly tectonized and altered graphitic aluminous gneisses and moderately altered felsic gneisses. A small mineralized shear zone was intersected between 780.5-781.6 metres (1.1 metres at 0.86%  $U_3O_8$ ) that contained pitchblende veinlets in a chloritic matrix.

**SHE-114-11 (In the sandstone: 5.83%  $U_3O_8$  over 13.7 metres, including 8.89%  $U_3O_8$  over 8.3 metres, which includes 17.05%  $U_3O_8$  over 3.5 metres. In the basement: 5.40%  $U_3O_8$  over 37.7 metres, including 7.03%  $U_3O_8$  over 26.6 metres, which includes 10.02%  $U_3O_8$  over 14.5 metres, which also includes 25.46%  $U_3O_8$  over 4.0 metres.)** Hole SHE-114-11 is the first hole at Shea Creek to intersect significant intervals of both high-grade, elevated sandstone-hosted mineralization and high-grade, deep basement-hosted uranium mineralization. The drill hole was targeted to test the continuity of the high-grade, elevated sandstone-hosted uranium mineralization between SHE-114-5 and SHE-114-9, as well as the down-dip extension of the high-grade basement mineralization intersected in SHE-114-5 and up-dip extension in SHE-114-8. SHE-114-11 intersected the unconformity at 714.2 metres, 12 meters to the northwest of SHE-114-5, 15 metres south of SHE-114-9 and 20 metres east of SHE-114-8.

High-grade, elevated sandstone-hosted uranium mineralization was intersected in SHE-114-11 between 678.5 and 692.2 metres, 22.0 metres above the unconformity, grading 5.83%  $U_3O_8$  over 13.7 metres, including 8.89%  $U_3O_8$  over 8.3 metres, which includes 17.05%  $U_3O_8$  over 3.5 metres. The majority of the high-grade, elevated sandstone-hosted uranium mineralization was intersected within an extensive zone of desilicified and strongly altered sandstone above the unconformity. This intersection verifies the continuity of the high-grade, elevated sandstone-hosted uranium mineralization between SHE-114-5 and SHE-114-9, and, in conjunction with previous results from SHE-114-7, SHE-114-1 and SHE-114, defines a zone of high-grade, elevated sandstone-hosted mineralization having a strike length in excess of 50 metres. The mineralization remains open in all directions.

High-grade, deep basement-hosted uranium mineralization was intersected between 816.1 and 853.8 metres at a depth of 101.9 metres below the unconformity, grading 5.40%  $U_3O_8$  over 37.7 metres, including 7.03%  $U_3O_8$  over 26.6 metres, which includes an interval of 10.02%  $U_3O_8$  over 14.5 metres, which also includes 25.46%  $U_3O_8$  over 4.0 metres.

The total grade-thickness of uranium mineralization for SHE-114-11 at 298.5, of which 213.4 is from the basement alone, is the highest value ever encountered in the Shea Creek area. A grade-thickness is the product of the grade, here expressed in %  $U_3O_8$ , for any given interval and the thickness of the interval, expressed in metres. The total grade-thickness for a drill hole is the sum of all mineralized intervals above a selected cut-off grade.

The high-grade, deep basement-hosted uranium mineralization is structurally controlled and is found within a strongly altered, faulted and brecciated felsic gneiss. This structure dips to the west and may subcrop at the unconformity to the east of SHE-114-11 and SHE-102-11. The zone of high-grade, deep basement-hosted mineralization intersected in SHE-114-11 remains open both up-dip of SHE-114-5 and down-dip of SHE-114-8. There appears to be the possibility that more than one high-grade, mineralizing structure exists in the 63B

area, possibly representing the basement "roots" of one structure and the exhalation of mineralization within the sandstone of another structure.

**SHE-115** was collared 100 metres south of pilot hole SHE-114. As a pilot hole, SHE-115 was strategically positioned away from the target area to optimize the trajectory of subsequent directional (angled) cuts directed towards high-grade, elevated sandstone-hosted targets south of SHE-114-5 and the possible southwest (down-dip) and northeast (up-dip) extension of the structure controlling the high-grade, deep basement-hosted mineralization. Although SHE-115 was not targeted to intersect mineralization, it did intersect weak mineralization straddling the unconformity grading 0.48% U<sub>3</sub>O<sub>8</sub> over 3.9 metres between 716.1 and 720.0 metres.

Table 1 below summarizes the most significant mineralized intersections from the 2005 drilling at the 63B Zone, calculated from gamma probe logging. The technical information in Table 1 and Table 2 below and in this document has been compiled and reviewed by Erwin Koning, P. Geo., COGEMA's District Geologist, West Athabasca Region, a qualified person as defined by National Instrument 43-101.

**TABLE 1.**  
**Shea Creek 2005 Drill Results - 63B Area,**  
**Significant Drillhole Intersections over 1.0% U3O8,**  
**Equivalent Grade Calculated from Gamma Probe Logging,**  
**(using a 0.118% U3O8 cut-off unless stated otherwise)**

Hole	Area	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U3O8)
<b>SHE-114-5</b>	<b>63B</b>	<b>866.0</b>	<b>714.2</b>	<b>677.8</b>	<b>686.6</b>	<b>8.8</b>	<b>27.40</b>
				<i>Including*</i>	<b>681.1</b>	<b>684.6</b>	<b>3.5</b>
					814.4	816.6	2.2
					821.2	823.0	1.8
SHE-114-6	63B	747.0	715.3	<i>Mineralized - hole lost - no probe grade available</i>			
<b>SHE-114-7</b>	<b>63B</b>	<b>800.0</b>	<b>722.5</b>	<b>665.6</b>	<b>679.7</b>	<b>14.1</b>	<b>7.73</b>
				<i>Including*</i>	<b>667.4</b>	<b>668.9</b>	<b>1.5</b>
				<i>and*</i>	<b>669.2</b>	<b>671.1</b>	<b>1.9</b>
				<i>and*</i>	<b>673.9</b>	<b>675.7</b>	<b>1.8</b>
<b>SHE-114-8</b>	<b>63B</b>	<b>889.5</b>	<b>715.8</b>	<b>835.7</b>	<b>843.6</b>	<b>7.9</b>	<b>5.81</b>
				<i>Including*</i>	<b>836.8</b>	<b>838.2</b>	<b>1.4</b>
					<b>853.4</b>	<b>861.8</b>	<b>8.4</b>
				<i>Including*</i>	<b>857.2</b>	<b>858.4</b>	<b>1.2</b>
<b>SHE-114-9</b>	<b>63B</b>	<b>890.0</b>	<b>720.1</b>	<b>677.0</b>	<b>697.0</b>	<b>20.0</b>	<b>5.88</b>
				<i>Including*</i>	<b>683.6</b>	<b>684.9</b>	<b>1.3</b>
				<i>and*</i>	<b>692.6</b>	<b>695.5</b>	<b>2.9</b>
					<b>709.2</b>	<b>719.2</b>	<b>10.0</b>
					803.9	805.4	1.5
					808.5	812.9	4.4
					825.7	827.5	1.8
					829.9	832.5	2.6
					840.7	841.9	1.2
<b>SHE-114-10A</b>	<b>63B</b>	<b>804.0</b>	<b>728.4</b>	726.4	732.5	6.1	1.15
<b>SHE-114-11</b>	<b>63B</b>	<b>934</b>	<b>714.2</b>	<b>678.5</b>	<b>692.2</b>	<b>13.7</b>	<b>5.83</b>
				<i>Including</i>	<b>683.9</b>	<b>692.2</b>	<b>8.3</b>
				<i>Including*</i>	<b>687.3</b>	<b>690.8</b>	<b>3.5</b>
					710.3	713.7	3.4
					789.9	791.3	1.4
					800.0	802.4	2.4
				<b>816.1</b>	<b>853.8</b>	<b>37.7</b>	<b>5.40</b>
				<i>Including</i>	<b>827.2</b>	<b>853.8</b>	<b>26.6</b>
				<i>Including</i>	<b>827.2</b>	<b>841.7</b>	<b>14.5</b>
				<i>Including*</i>	<b>827.8</b>	<b>828.4</b>	<b>0.6</b>

			<i>and*</i>	<b>830.7</b>	<b>831.1</b>	<b>0.4</b>	<b>14.39</b>
			<i>and*</i>	<b>835.2</b>	<b>839.2</b>	<b>4.0</b>	<b>25.46</b>
			<i>and*</i>	<b>839.5</b>	<b>840.0</b>	<b>0.5</b>	<b>8.71</b>
			<i>and*</i>	<b>840.5</b>	<b>841.2</b>	<b>0.7</b>	<b>11.0</b>
			<b>Including</b>	<b>842.4</b>	<b>853.8</b>	<b>11.4</b>	<b>3.66</b>
			<b>Including*</b>	<b>843.6</b>	<b>844.4</b>	<b>0.8</b>	<b>9.99</b>
			<i>and*</i>	<b>844.6</b>	<b>845.7</b>	<b>1.1</b>	<b>20.39</b>
SHE-115	63B	845	718.0	<i>Pilot hole – not targeted on mineralization</i>			
<b>* using 5.90% U3O8 cut-off</b>							

### Colette Deposit Drilling Program

Additional directional cuts from pilot holes SHE-111 and SHE-113 to test the unconformity were completed during the 2005 drilling program (see Table 2 below). In the Fall of 2004, for the first time, basement-hosted mineralization was intersected at the Colette Deposit, which had previously been characterized by unconformity-type mineralization, opening the possibility that the same high-grade type of basement mineralization found at Anne is present at Colette as well (see UEX News Release, February 10, 2005). Drilling in 2005 continued to intersect uranium mineralization in both the sandstone and in the basement rocks.

**TABLE 2.**  
**Shea Creek 2005 Drill Results - Colette Area**  
**Significant Drillhole Intersections over 1.0% U3O8,**  
**Calculated from Gamma Probe Logging**

Hole	Area	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U3O8)
SHE-111-10	Colette	808.0	743.0	<i>Weak mineralization - no intersections over 1.0% U3O8</i>			
SHE-111-11	Colette	825.0	732.8	689.7	695.8	6.1	1.47
SHE-111-12	Colette	815.0	737.0	766.9	769.6	2.7	2.27
				769.8	770.9	1.1	1.57
SHE-111-13	Colette	830.0	752.4	<i>Weak mineralization - no intersections over 1.0% U3O8</i>			
SHE-113-1	Colette	804.0	722.3	<i>Barren</i>			

The Shea Creek drilling program concluded in October 2005 and preparations are ongoing for the 2006 winter drilling program. Additional drilling from pilot holes SHE-114 and SHE-115 is scheduled to commence on January 9, 2006.

During the 2005 winter exploration program a DC resistivity survey was initiated, and 60 line kilometres were completed by the end of April 2005. The program continued into the Third Quarter 2005 and was completed in September 2005, for a total of 117 line kilometres of resistivity surveying.

### **Hidden Bay Project**

#### **Winter 2005 Exploration Program**

On June 2, 2005, July 25, 2005 and July 26, 2005, UEX Corporation announced the results from a \$2.5 million winter exploration program that ended in April 2005 at its 100%-owned Hidden Bay Project ("Hidden Bay"). Hidden Bay is located in the eastern Athabasca Basin and consists of 56 claims covering 57,154 hectares (141,170 acres).

#### West Bear Deposit, Sonic Drilling Program

The 2005 winter exploration included a large-diameter, "sonic" drilling program to establish certifiable grades at the West Bear Deposit. The sonic drilling program was intended to properly define the West Bear Deposit, which has a historical resource estimate of 1.26 million pounds of U<sub>3</sub>O<sub>8</sub> at an average grade of 0.44% U<sub>3</sub>O<sub>8</sub> [Note: this is a historical resource estimate completed by Gulf Minerals ("Gulf") in 1980 that was not estimated using current Canadian Institute of Mining, Metallurgy and Petroleum categories, and for which no resource or reserve confidence categories were applied.] The mineralization occurs at a vertical depth of between 15-26 metres (50-85 feet) from surface and is one of the shallowest undeveloped uranium deposits in the prolific Athabasca Basin. The shallow depth, combined with the relatively soft nature of the host rocks and overburden, causes UEX to believe that the deposit could be mined using low cost, open pit techniques within a very short

timeframe. The deposit is located close to two existing uranium mills, Cameco's Rabbit Lake Mill and COGEMA's McClean Lake Mill.

UEX believes that a modest increase in the uranium content of the West Bear Deposit in a rapidly rising uranium market could transform this deposit into a viable source of cash flow that could fund on-going exploration for its other projects. The sonic drilling program is being undertaken to confirm the reliability and accuracy of Gulf's deposit resource estimate. A sonic drill uses little, if any, water during the drilling process, which better allows clay-rich lithologies, especially those that may be mineralized, to be recovered in core. Gulf's diamond drilling and reverse circulation drilling campaigns were plagued by poor core recoveries, particularly within the mineralized intervals. The previously-reported Gulf resource estimate was calculated using chemical assays from these poorly-recovered intervals.

During the 2005 winter program, a total of 2,839 metres was completed in 101 sonic holes at the West Bear Deposit. The sonic holes were drilled at 5 metre centres on lines either spaced 12.5 or 25 metres apart for the purposes of calculating an accurate resource estimate. The 2005 winter sonic drilling program was implemented following the efforts of the 2004 test sonic program in which three holes were drilled, twinning historical Gulf holes. The results of the 2004 twinning program suggested that the historical Gulf holes failed to properly sample the mineralized zones. The results of the 2005 sonic drilling program generally confirm this observation, with most of the twinned holes over the core of the West Bear Deposit yielding significantly higher grades and greater thicknesses than their historical Gulf counterparts.

A cut-off grade of 0.15% U<sub>3</sub>O<sub>8</sub> and a grade-thickness product of 0.45 metres-percent U<sub>3</sub>O<sub>8</sub> were used to determine the boundaries of the deposit (see Table 3 below). Mineralization that did not meet the cut-off grade requirements was not included in the composite grade calculations. As the deposit is very shallow and could be mined using open pit techniques, all material located above the mineralized zone would be removed during mining. Thus, a cut-off grade of 0.10% U<sub>3</sub>O<sub>8</sub> was used to determine the upper boundary of the deposit in select situations where uranium mineralization was located immediately up-hole and in contact with mineralization that met the regular grade and grade-thickness requirements. The unmineralized holes determine the limits of the deposit, and no unmineralized holes lie within these limits.

**Table 3: Composite Assay Intervals from All Winter 2005 Mineralized Holes Meeting Cut-off Grade Criteria of 0.15% U<sub>3</sub>O<sub>8</sub>**

Hole*	From (m)	To (m)	Length† (m)	U <sub>3</sub> O <sub>8</sub> (wt%)	Ni (wt%)	Co (wt%)
UEX-005	15.0	21.0	6.0	3.626	0.618	0.585
UEX-006	17.7	20.4	2.7	4.113	0.760	0.526
UEX-012††	16.3	23.5	7.2	0.480	N/A	N/A
UEX-013	13.2	21.0	7.8	1.287	0.141	0.047
UEX-014	15.3	19.6	4.3	0.420	0.076	0.011
UEX-017	15.2	19.1	3.9	3.167	0.371	0.567
UEX-018	15.4	21.3	5.9	1.267	0.104	0.020
UEX-021	17.3	19.5	2.2	0.270	0.051	0.014
UEX-022	19.5	21.1	1.6	1.308	0.147	0.089
UEX-024	18.6	22.3	3.7	0.407	0.081	0.017
UEX-026	13.8	23.9	10.1	4.927	0.146	0.085
UEX-027	13.7	23.8	10.1	0.826	0.035	0.016
UEX-028	16.5	23.5	7.0	0.731	0.089	0.048
UEX-029	19.9	26.1	6.2	1.498	0.200	0.107
UEX-031	16.6	24.1	7.5	2.869	0.364	0.145
UEX-033	18.0	22.9	4.9	0.392	0.012	0.007
UEX-034	16.2	25.8	9.6	0.882	0.181	0.054
UEX-035	18.6	26.2	7.6	2.144	0.270	0.077
UEX-036	16.8	21.2	4.4	0.539	0.020	0.005
UEX-039	20.1	23.0	2.9	0.511	0.222	0.021
UEX-042	18.6	21.5	2.9	0.318	0.810	0.171
UEX-043	21.8	23.0	1.2	0.558	14.066	3.058

UEX-046	19.8	22.7	2.9	0.270	0.178	0.048
UEX-049	21.0	25.0	4.0	0.165	0.291	0.077
UEX-050	19.8	24.6	4.8	3.278	1.062	0.277
UEX-052	22.1	22.9	0.8	0.626	1.475	0.075
UEX-053A	18.6	24.5	5.9	0.676	0.167	0.055
UEX-058	18.6	21.1	2.5	2.545	0.281	0.081
UEX-060	20.5	22.9	2.4	0.196	0.116	0.018
UEX-064	19.8	20.9	1.1	1.127	0.667	0.126
UEX-065	17.7	19.8	2.1	0.681	0.219	0.068
UEX-073	13.0	20.9	7.9	0.239	0.019	0.005
UEX-074	16.3	26.3	10.0	1.171	0.088	0.026
UEX-075	21.3	24.8	3.5	0.336	0.064	0.029
UEX-079	21.1	26.9	5.8	0.246	0.123	0.027
UEX-080	22.3	26.0	3.7	1.222	0.082	0.021
UEX-088	18.5	29.0	10.5	0.690	0.196	0.080
UEX-089	19.8	29.0	9.2	0.901	0.139	0.045
UEX-093	19.9	29.3	9.4	0.943	0.021	0.010
UEX-094	24.5	30.5	6.0	0.474	0.095	0.033
† The stated lengths of the mineralized intersections are considered representative of the true width of the deposit at each hole location.						
†† Hole UEX-012 was abandoned in mineralization by the sonic drill and later extended by diamond drilling. There was no core recovery during diamond drilling; U <sub>3</sub> O <sub>8</sub> values were determined by down-hole radiometric probe calculations.						

All sonic drilling program samples were analyzed at Saskatchewan Research Council ("SRC") Geoanalytical Laboratories using the fluorimetry method. Check samples submitted to SRC's Analytical Laboratory (a separate facility) were analyzed using the delayed neutron activation technique. The check sample results confirmed that the accuracy of the original analysis was excellent and was well within industry standards for reproducibility.

The 2005 winter sonic drilling program defined the West Bear Deposit over a strike length of 350 metres on drill fences spaced 25 metres apart. Between Lines 18+00E and 18+50E, holes were drilled on fences spaced at 12.5 metre intervals. On each fence, holes were spaced at 5 metre intervals. At this stage, UEX is encouraged by the number of sonic drill holes that have returned uranium grades that significantly exceed the historical average grade of 0.44% U<sub>3</sub>O<sub>8</sub> of the deposit as determined by Gulf.

Cameco is using the data from the 2005 winter sonic drilling program to calculate an interim, National Instrument 43-101 compliant resource estimate of the West Bear Deposit. In July 2005, UEX awarded the contract for a baseline environmental study of the West Bear area to Golder Associates of Saskatoon, SK. The baseline environmental study began in July 2005 for potential inclusion into environmental permitting applications, as would be required for future development of the deposit.

#### Hidden Bay Diamond Drilling Program

A total of 6,802 metres of diamond drilling was completed in 52 holes. The 2005 winter diamond drilling program may be summarized as follows:

#### Telephone Lake Trend (6 holes, totaling 1,539 metres)

Six holes were drilled to follow up on encouraging geochemistry, alteration, and structure in holes SP-148 and SP-146 (drilled by UEX in 2002 and 2003). Those holes are located at the north end of the Telephone Lake Trend, only 2.1 kilometres southwest of the Sue E Deposit and 2.5 kilometres south of the McClean Lake Deposits, both located on COGEMA's McClean Lake Mine Property.

Hole SP-156, located 50 metres south of SP-148, encountered uranium mineralization in basement rocks approximately 6.2 metres below the unconformity, which was reached at 183.6 metres. The mineralized interval, from 189.8 to 190.3 metres, averaged 4.52% U<sub>3</sub>O<sub>8</sub> over its 0.5 metres. Hole SP-156 represents the best uranium intersection encountered to date along the Telephone Lake Trend.

Hole SP-158, drilled 15 metres in the down-dip direction of SP-156, did not intersect the down-dip extension of the mineralization. However, a second mineralized interval was encountered at the unconformity that returned an assay of 0.52% U<sub>3</sub>O<sub>8</sub> over 0.2 metres.

Mineralization from these holes remains open down-dip to the east and will be a priority drill target in the Winter 2006 drilling program.

The original drill plan in the Telephone Lake area called for the drill testing of targets along the southern end of the Telephone Lake Trend where in 2004 anomalous radioactivity and alteration were observed in the shallow basement environment. These targets, located under a lake, could not be drilled during the Winter 2005 exploration program due to poor ice conditions on the lake.

#### West Bear Area (22 holes, totaling 2,276 metres)

Closely-spaced holes were drilled to determine whether uranium mineralization extended east and southeast of the limits of the West Bear Deposit as defined by historical Gulf Minerals holes, in the direction of the high Ni-Co mineralization encountered in WBE-019, 027, 028 and 029 by UEX in 2002 and 2003. Almost every hole encountered strong hydrothermal alteration, faulted graphitic basement rocks, and highly anomalous radioactivity at the unconformity, an identical geological environment to that which hosts the West Bear Deposit. Hole WBE-078, the only hole that did encounter significant uranium mineralization at the unconformity, returned a probe-defined grade of 0.28% eU<sub>3</sub>O<sub>8</sub> over 1.0 metre.

The diamond drill rig was also used to extend sonic holes UEX-011 and 012, which were abandoned in mineralization when the sonic rig was unable to reach the intended depth.

#### Pebble Hill Area (24 holes, totaling 2,987 metres)

The objective of this program was to determine the limits of uranium mineralization associated with the Pebble Hill Occurrence, located 1 kilometre west of the West Bear Deposit, and to test for additional mineralization in the immediate area. This program failed to extend the known mineralization at Pebble Hill Occurrence or define additional mineralization in the immediate area. However, the drilling program did extend the alteration zone associated with the Pebble Hill Occurrence 100 metres to the northwest, where it remains open for expansion. Additional drilling is planned in 2006 to test for uranium mineralization in this direction.

All diamond drilling samples were analyzed at SRC Geoanalytical Laboratories by ICP. The technical information in this document regarding Hidden Bay was compiled and reviewed by Roger Lemaitre, P. Geo., a qualified person as defined by National Instrument 43-101.

### **2006 Exploration Programs**

UEX plans to continue the sonic drilling program in the West Bear area during the winter of 2006, both over the core of the West Bear Deposit and to test open targets in its immediate area, including uranium resources at the eastern margin of the deposit outlined by Gulf's previous drilling. This historical drilling suggests that uranium mineralization continues up to 150 metres east of the current boundary of the deposit as defined by the UEX sonic drilling program. While Gulf concluded that the mineralization in this eastern area was of lower uranium grade than that defined to the west by the UEX sonic drilling program, the potential does exist to expand the resource at the West Bear Deposit in this direction using UEX's successful sonic drilling approach and the same cut-off criteria. Although planned as part of the original 120-hole 2005 winter sonic drilling program, the drilling of this eastern target was not carried out during the 2005 program due to an early spring thaw.

Additional target areas at Hidden Bay remain to be tested by diamond drilling in favourable geological, geochemical, and geophysical settings, including several which could not be drill-tested due to poor ice conditions during the 2005 winter program. Testing of these targets will be carried out as part of a diamond drilling campaign at Hidden Bay in the winter of 2006.

#### Raven-Horseshoe Deposits

At the Raven and Horseshoe Deposits, a \$2.0 million first phase diamond drilling program of 12,812 metres was carried out from July to October 2005. The first phase drilling program was intended to establish whether there is continuity in the key areas of the deposits, where the highest grades are known to occur, prior to commencing a more extensive second phase of drilling. Both deposits are accessible for year-round drilling programs. If phase one of the program is successful at defining continuity, a larger, phase two 41,000-metre diamond drilling program would be undertaken to evaluate both deposits at a similar hole spacing, and further define higher grade zones identified during the first phase. During the Third Quarter 2005, twenty-eight (28) holes were drilled at the Raven Deposit and sixteen (16) holes were drilled at the Horseshoe Deposit.

The ultimate goal of the two-phase program is to establish a National Instrument 43-101 compliant resource, which, pending a feasibility assessment, could potentially support a mining operation which would exploit multiple zones in both deposits. These redefined resources may take the form of lower tonnage, but higher grade zones within the area of the historical resource estimate using economically feasible, higher cutoff grades.

The Raven and Horseshoe Deposits 2005 drilling program concluded in October 2005. At the date of this document, results from the program were still being received, compiled and interpreted.

## **Riou Lake Project**

The Riou Lake Project is located in the northeastern Athabasca Basin near Stony Rapids, Saskatchewan and consists of 13 claims totaling 33,283 hectares (82,209 acres).

### ***Winter 2005 Exploration Program***

On July 22, 2005, UEX announced the results of the 2005 winter exploration program at the Riou Lake Project.

**Hole RLG-D21**, was drilled in the radioactive springs area and targeted on the interpreted intersection point of the graphitic conductor and the fault zone, was shown by a borehole electromagnetic survey to have closely approached the conductor. This hole also verified that a substantial vertical offset in the unconformity (in excess of 30 metres) exists between RLG-D21 and RLG-D15, lying 40 metres to the north, indicating that a fault zone lies between these two holes. Follow-up planned for the Summer 2005 drilling program will again attempt to locate both the fault and graphitic conductor, and ultimately their intersection point at the unconformity.

**Hole RLG-D22**, tested an interpreted conductive target along the Riou Lake Fault system beneath Riou Lake encountered no significant faulting or alteration. The source of the conductivity appears to lie in the sandstone.

**Hole RLG-D23**, was targeted on the eastern termination of the KC conductor, which is known to be a basement graphitic conductor from previous drilling (Pioneer hole RLG-D8, Winter 1999), and appears to have missed the main graphitic conductor. Follow-up drilling of this target will require direction by borehole electromagnetic surveys, which were not available due to an early spring breakup at Riou Lake this winter.

Preliminary results from the Winter 2005 MEGATEM survey indicate that the KC Conductor is directly connected to the graphitic conductor in the radioactive springs area, located 10 kilometres to the southwest. Pending final interpretation of the MEGATEM survey data, targets along the KC Conductor may be selected for future drilling programs.

### ***Summer 2005 Exploration Program***

An extensive Mobile Metal Ion ("MMI") soil geochemistry survey was carried out along the trend of the KC Conductor as well as along the land portion of the Riou Lake Fault system.

Directional drilling was employed for the first time in the northern Athabasca Basin at the Riou Lake Project during the 2005 summer/fall drilling program. The drilling program, totaling 1,917.5 metres, began in July 2005 to test for a graphitic conductor and a controlling fault structure interpreted from previously drilling in the radioactive springs area. Two directional drilling cuts were carried out, using RLG-D21 as the pilot hole. A second pilot hole was abandoned at 842 metres and directional drilling hole RLG-D24-1 was completed from the pilot hole to a depth of 977.0 metres.

A FALCON airborne gravity-radiometrics survey is currently underway to provide coverage of the Riou Lake Project. Gravity data can be used to identify structural zones and areas of near-surface alteration which are common signatures of uranium mineralization at depth. The radiometric data may be used to identify possible radioactivity and alteration in the near surface.

At the date of this document, results from the 2005 summer/fall drilling program, the airborne MEGATEM and gravity surveys, and the MMI survey were still being received, compiled and interpreted.

## **Black Lake Project**

### ***Winter 2005 Exploration Program***

On July 26, 2005, UEX Corporation announced the results of the \$2.9 million 2005 winter exploration program at the Black Lake Project ("Black Lake"). Black Lake is located in the northeastern part of the Athabasca Basin and covers 30,381 hectares (75,041 acres), and is a joint venture between UEX and COGEMA (UEX 70% - COGEMA 30%). Black Lake was the site of a new uranium discovery in hole BL-18 during the 2004 fall reconnaissance drilling program. Hole BL-18 discovered unconformity-type uranium mineralization in the sandstone, immediately above the unconformity at a vertical depth of 310.5 metres (see UEX News Release, October 12, 2004). Composited geochemical analyses from this intersection average 0.694 %  $U_3O_8$  over 4.4 metres between 310.5 and 314.9 metres. Maximum grade in this interval is 1.96%  $U_3O_8$  over 0.5 metres between 313.3 and 313.8 metres.

The 2005 winter program included 14,043 metres of diamond drilling in 30 holes, as well as ground and airborne geophysical surveys. The diamond drilling program, using two drill rigs, was intended to determine the extent of the unconformity-type uranium mineralization encountered in hole BL-18 and to continue reconnaissance exploration of the graphitic conductors which extend along strike for approximately 20 kilometres.

#### Step-Out Drilling Program, BL-18 Discovery Area

An 11-hole step-out drilling program, totaling 4,645 metres, tested the extent of the uranium mineralization intersected in BL-18 in all directions, with holes spaced 12.5 metres apart. Although favourable graphitic basement rocks were intersected, only hole BL-32, located 12.5 metres grid west of BL-18 intersected uranium mineralization immediately above the unconformity in an interval from 313.9 to 315.3 metres that averaged 0.16% over 1.4 metres, including 0.27%  $U_3O_8$  over 0.5 metres.

The other ten step-out holes did not encounter significant uranium mineralization or alteration in the overlying sandstone. Also, a fault system has yet to be found in the immediate vicinity of BL-18. Such a fault system could be a conduit along which mineralization was forced laterally along the unconformity from its source, an unknown distance away. The disseminated style of mineralization and lack of faulting in the BL-18 intersection suggest that it may represent a lower-grade style of mineralization peripheral to a higher-grade mineralizing system. Such a mineralizing system can form a typical unconformity-type deposit like at McArthur River, or a basement-hosted deposit like at the Millennium Deposit, where the mineralization occurs approximately 100 metres below the unconformity. The step-out drilling grid needs to be expanded at hole BL-18 in order to locate the source of the uranium mineralization, which appears to be further away than originally thought. Geochemical analytical data have been received and are presently being interpreted, to help direct exploration in the vicinity of BL-18.

#### Reconnaissance Drilling Program

A second drill was dedicated to reconnaissance drilling as part of the ongoing systematic drill testing of the 20 kilometre-long Black Lake conductive zone. Nineteen holes totaling 9,398 metres, tested the Eastern Fault Zone as well as several of the best moving loop survey defined conductors. The Eastern Fault Zone is interpreted to be a secondary, parallel fault, or "splay", associated with the regional Platt Creek Fault Zone, which transects the Property. The Eastern Fault Zone is comprised of several individual, steeply east-dipping faults.

**BL-23** was intended to pierce the unconformity on Line 118N approximately 160 metres east of the point where uranium mineralization was intersected in BL-18. This is also in the vicinity of the Eastern Fault Zone, which in hole BL-05 to the north (Line 120N) was found to be mineralized just below the unconformity. A major fault zone was intersected just above the unconformity at 309.0 metres and, as is characteristic of the Eastern Fault Zone, the minerals dravite, pyrite and siderite were found to be present along fractures on the margin of the fault. This assemblage of minerals is indicative of hydrothermal alteration typically associated with unconformity-type uranium mineralization in the Athabasca Basin. The hole also encountered unconformity-type uranium mineralization in the sandstone immediately above the unconformity, in a narrow interval from 307.9 to 308.0 metres, which averaged 0.28%  $U_3O_8$  over its 0.10 metre length. The combination of a major fault zone, hydrothermal alteration in the sandstone, a strongly graphitic and brecciated basement immediately below the unconformity, and uranium mineralization indicate that the required processes for the emplacement of an unconformity-type uranium deposit typical of the Athabasca Basin were active in the vicinity of hole BL-23.

Thirteen holes targeted on the Eastern Fault Zone, primarily to the north of hole BL-23 in areas only accessible during the winter, showed similar, favourable structural and geochemical characteristics, although only weak uranium mineralization was intersected.

**BL-43**, located 5.4 kilometres to the south of hole BL-23, tested a secondary moving loop survey defined conductor, interpreted to be the southern extension of the Eastern Fault Zone. The hole intersected three separate, major fault zones. As in the hole BL-23 area, siderite, pyrite and dravite were also present along fractures in the vicinity of the faults. In the basement, the rocks encountered were granitic rather than pelitic and no graphite was intersected. However, drilling to the north has shown that the Black Lake conductive zone is an assemblage of interbedded, steeply dipping pelitic and granitic rocks. The basement rocks to the east of where BL-43 intersected the unconformity may be pelitic rocks, as the magnetic data suggest. Therefore, follow-up drilling of the interpreted down-dip projection of each fault encountered by hole BL-43 is warranted. The area is only accessible during the winter and is a high priority target for Winter 2006 drilling.

Four drill holes targeted on the Western Conductor did not intersect favourable environments for uranium mineralization.

All samples were analyzed at Saskatchewan Research Council Geoanalytical Laboratories by ICP, with additional uranium analyses by fluorimetry. The technical information in this document has been compiled and reviewed by Sierd Eriks, P. Geo., a qualified person as defined by National Instrument 43-101.

#### Ground Geophysics

Moving loop electromagnetic surveys detected at least one discrete conductor on most of the lines surveyed. The Western and Eastern conductors, which are mapped more precisely by the moving loop survey method, are shown to lie within or near the edges of the Black Lake conductive zone as defined by the MEGATEM survey data. The moving loop data indicate that the Western Conductor is much more conductive than the Eastern Conductor. A discrete conductor was also detected in a second, parallel magnetic low, lying to the northwest of the Black Lake conductive zone, which may be a second, as yet untested corridor of basement graphitic metapelites.

Gravity measurements were made along each of the moving loop survey lines. The gravity survey appears to map the Eastern Fault Zone.

#### Airborne Geophysics

A deep-penetrating, airborne electromagnetic MEGATEM survey totaling 1,476 line kilometres was completed, providing blanket coverage for Black Lake. The final data set has recently been received and interpretation is underway.

#### **Summer/Fall 2005 Exploration Program**

A \$1.5 million exploration program of diamond drilling, and geophysical and geochemical surveys commenced in July 2005 at Black Lake. The program concluded in October 2005. Eighteen holes were completed totaling 8,701 metres.

A FALCON airborne gravity-radiometrics survey is currently underway to provide coverage of the Black Lake. Gravity data can be used to identify structural zones and areas of near-surface alteration which are common signatures of uranium mineralization at depth. The radiometric data may be used to identify possible radioactivity and alteration in the near surface.

As of the date of this document, results of the Black Lake 2005 summer/fall exploration program were still being received, compiled and interpreted.

#### **Northern Athabasca Projects**

In January 2005, UEX announced the acquisition of five uranium projects in the northern Athabasca Basin. The five 100%-owned projects, totaling 83,758 hectares (206,900 acres) are located on the northern rim of the Athabasca Basin near Stony Rapids, Saskatchewan. UEX staked the ground following its uranium discovery in September 2004 at Black Lake. The Black Lake discovery renewed interest in the northern Basin, with its numerous uraniumiferous occurrences such as radioactive boulders, radioactive springs, and lake sediment and uranium-in-till anomalies.

UEX's Northern Athabasca projects are as follows:

Butler Lake - 19,648 hectares (48,531 acres), Fond du Lac - 16,838 hectares (41,590 acres), Otherside River - 12,762 hectares (31,522 acres), Munroe Lake - 18,275 hectares (45,139 acres) and Jacques Point - 16,235 hectares (40,100 acres).

UEX selected the five project areas in consideration of their favourable geophysical and structural characteristics. The most prospective ground in the Basin is characterized by a low amplitude magnetic signature and associated regional fault structures.

### **2005 Exploration Program**

During the 2005 winter exploration program UEX carried out a MEGATEM survey totaling 4,968 line kilometres on the five new projects. As of the date of this document, results from the Northern Athabasca Projects 2005 MEGATEM airborne survey were still being compiled and interpreted.

A FALCON airborne gravity-radiometrics survey is currently underway to provide coverage of the Northern Athabasca Projects. Gravity data can be used to identify structural zones and areas of near-surface alteration which are common signatures of uranium mineralization at depth. The radiometric data may be used to identify possible radioactivity and alteration in the near surface.

### **Liquidity and Capital Resources**

As UEX has not begun production on any of its properties, the Corporation does not generate cash from operations. As at September 30, 2005 the Corporation had current assets of \$49,232,829, including \$48,885,670 in cash and cash equivalents, compared to current assets for the period ending December 31, 2004 that totaled \$24,425,230. Working capital at September 30, 2005 was approximately \$47,158,000 compared to working capital of approximately \$22,421,000 as at December 31, 2004.

Accounts payable and accrued liabilities at September 30, 2005 were \$2,075,276, higher than the amount at December 31, 2004 of \$2,004,227.

The Corporation has no financial commitments or obligations beyond those required to fund exploration related to the maintenance and title of its mineral dispositions and its option agreement obligations to COGEMA and JCU.

The Corporation's FIT liability of \$10,313,277 results from the tax effect of the difference between the carrying value of the Corporation's mineral properties determined in accordance with GAAP and their tax basis. The obligation to pay the FIT liability is contingent upon the Corporation realizing the carrying values of its mineral properties.

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

### **Risks and Uncertainties**

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

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

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

### **Competition from other energy sources and public acceptance of nuclear energy**

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the

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

**Uranium price fluctuations could adversely affect UEX's operations.**

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

**Competition in the uranium industry could adversely affect UEX.**

The international uranium industry is highly competitive. The uranium mining industry is global, and consists of a small, decreasing number of large players. In 2003, (the latest year for which figures are available) eight producers accounted for approximately 80% of the world's uranium production. However, given the large number of commercial reactors and diverse fuelling requirements, there are market niches for smaller low cost producers. The key requirement for most producers now is low cost production and flexible marketing more than high volume production. An enabling factor is mine location. Geographically, about 50% of the world's mined uranium comes from Canada and Australia – with Canada well positioned for further development. UEX competes with other domestic and international companies that have greater financial, human and technical resources.

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

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

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

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

## **Dependence on Key Management Employees**

UEX's development to date has depended, and in the future will continue to depend, on the efforts of key management employees.

## **Related party transactions**

During the nine months ending September 30, 2005, the Corporation was charged by Cameco a total of \$533,907 (2004 - \$190,161) for expenses incurred by Cameco on the Corporation's Hidden Bay Project, of which no mark-up over Cameco's cost was charged. At September 30, 2005, \$143,386 due to Cameco was included in accounts payable and accrued liabilities (December 31, 2004 - \$84,061).

During the nine months ending September 30, 2005 fees for legal and accounting services in the amount of \$115,759 (2004 - \$99,563), a portion of which were share issuance costs, were paid to firms of which a director and a former director of the Corporation are partners or owners.

## **Outlook**

UEX will continue to focus its efforts on the development of its Saskatchewan uranium exploration properties. The Corporation will use its current resources as well as the net proceeds of future share issuances to achieve its goals. The ability of UEX to maintain the continuity of its exploration is dependent upon the results of future exploration programs and UEX's ability to obtain the necessary financing to further explore and develop its Saskatchewan uranium properties. Funds raised during the 2005 fiscal year will be utilized to continue exploration work on the Corporation's properties and for general corporate purposes.

## **2005 Exploration Programs**

In 2005, the Corporation has incurred and plans to carry out exploration on the Hidden Bay, Riou Lake, Black Lake, Northern Athabasca, Western Athabasca and Beatty River projects with budgets totaling approximately \$16.0 million to December 31, 2005, net of any recoveries from joint venture partners and Saskatchewan government exploration incentives. Further exploration on UEX's projects for the latter part of 2005 is dependent upon results obtained from the aforementioned programs, and future exploration budgets will be allocated to best pursue the exploration objectives of each project. As of November 7, 2005, with exploration programs ongoing, the Corporation had approximately \$47.0 million in cash and cash equivalents.

## **Events Subsequent to September 30, 2005**

Subsequent to September 30, 2005, The Company issued 100,000 common shares on the exercise of share purchase warrants for proceeds of \$25,000.

## **Critical Accounting Estimates**

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

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

**Future Site Restoration** - The Corporation's mining, exploration and development activities are subject to various environmental government regulations, including those for future removal and site restoration costs. Because all of the company's current and historic activities have involved exploration stage work, where environmental reclamation is carried out simultaneously with exploration activity, the Corporation's view is that at this time, no accounting provision is necessary to offset future estimated environmental costs. These estimates may be revised as a result of changes in government regulations, or as a result of escalation of exploration properties to development or production stage.

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

**Caution Regarding Forward Looking Statements**

Statements contained in this document which are not historical facts are forward looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause such differences include, but are not limited to, volatility and sensitivity to market price for uranium, environmental and safety issues including increased regulatory burdens, possible change in political support for nuclear energy, changes in government regulations and policies, and significant changes in the supply-demand fundamentals for uranium that could negatively affect prices. Although UEX believes that the assumptions inherent in forward looking statements are reasonable we recommend that one should not rely heavily on these statements. UEX disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

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**UEX CORPORATION**  
**INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
*(Unaudited - Prepared By Management)*

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**UEX CORPORATION**  
**BALANCE SHEET**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	September 30 2005	December 31 2004
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	48,885,670	24,248,183
Amounts receivable	284,446	153,875
Prepaid expenses	62,713	23,172
	<u>49,232,829</u>	<u>24,425,230</u>
<b>Equipment</b> (Note 3)	62,644	57,947
<b>Mineral Properties</b> (Note 4)	33,416,444	20,038,210
	<u>82,711,917</u>	<u>44,521,387</u>
<b>LIABILITIES</b>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	2,075,276	2,004,227
	10,313,277	4,738,677
<b>Future Income Taxes</b> (Note 5)		
	<u>12,388,553</u>	<u>6,742,904</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	70,751,056	37,776,499
Contributed Surplus	1,920,974	1,906,013
Deficit	(2,348,666)	(1,904,029)
	<u>70,323,364</u>	<u>37,778,483</u>
	<u>82,711,917</u>	<u>44,521,387</u>

Subsequent Event (Note 10)

APPROVED BY THE DIRECTORS

Graham C. Thody (Signed)

Stephen H. Sorensen (Signed)

Refer to accompanying notes.

**UEX CORPORATION**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended September 30 2005	Three Month Period Ended September 30 2004	Nine Month Period Ended September 30 2005	Nine Month Period Ended September 30 2004
	\$	\$	\$	\$
<b>Expenses</b>				
Amortization	5,253	-	15,758	-
Bank charges and interest	321	244	1,031	957
Filing fees and stock exchange	24,614	3,868	107,870	29,288
General and administration	15,143	22,910	65,118	46,294
Insurance	4,147	-	12,442	-
Legal, accounting and audit	12,219	19,898	118,877	53,157
Rent	10,783	6,521	28,225	23,109
Salaries and benefits	69,363	51,625	195,681	218,185
Stock-based compensation	118,012	1,024,819	407,500	1,024,819
Telephone	1,816	1,106	6,193	3,009
Travel and promotion	23,532	777	27,687	1,296
<b>Loss before the following</b>	(285,203)	(1,131,768)	(986,382)	(1,400,114)
Investment and other income	275,478	63,933	457,630	115,854
Administrative expense recovery	5,015	-	84,115	-
<b>Net loss for the period</b>	(4,710)	(1,067,835)	(444,637)	(1,284,260)
	(2,343,956)	(277,805)	(1,904,029)	(61,380)
<i>Deficit, beginning of period</i>				
<b>Deficit, end of period</b>	(2,348,666)	(1,345,640)	(2,348,666)	(1,345,640)
<b>Basic and diluted loss per share</b>	(0.000)	(0.008)	(0.003)	(0.010)
<b>Weighted average number of shares</b>				
Basic	165,269,767	135,884,640	155,525,567	126,686,246
Diluted	168,757,613	135,884,640	160,297,458	126,686,246

Refer to accompanying notes.

**UEX CORPORATION**  
**STATEMENT OF CASH FLOWS**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended September 30 2005	Three Month Period Ended September 30 2004	Nine Month Period Ended September 30 2005	Nine Month Period Ended September 30 2004
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(4,710)	(1,067,835)	(444,637)	(1,284,260)
Items not involving cash				
Amortization	5,253	-	15,758	-
Stock-based compensation	118,012	1,024,819	407,500	1,024,819
Changes in non-cash working capital				
Amounts receivable	(47,925)	3,137	14,506	(2,204)
Prepaid expenses	(5,331)	(1,727)	(39,541)	(2,566)
Accounts payable and accrued liabilities	(74,871)	(44,526)	19,652	45,608
	(9,572)	(86,132)	(26,762)	(218,603)
<b>Investing Activities</b>				
Mineral property expenditures	(4,829,102)	(735,885)	(13,216,232)	(2,209,252)
Change in accounts payable and accrued liabilities relating to mineral property expenditures	1,037,262	431,196	51,397	408,805
Change in amounts receivable relating to mineral property expenditures	(2,001)	(158,277)	(145,077)	(195,593)
Purchase of equipment	-	-	(20,455)	-
	(3,793,841)	(462,966)	(13,330,367)	(1,996,040)
<b>Financing Activities</b>				
Issuance of share capital	25,195,878	7,190,349	37,994,616	16,530,523
<b>Increase in cash and cash equivalents during the period</b>				
	21,392,465	6,641,251	24,637,487	14,315,880
Cash and cash equivalents, beginning of period	27,493,205	11,012,242	24,248,183	3,337,613
<b>Cash and cash equivalents, end of period</b>				
	48,885,670	17,653,493	48,885,670	17,653,493
<b>Supplementary Information</b>				
Interest received	222,162	71,470	397,931	124,993
Non-cash stock-based compensation included in mineral property expenditures	54,001	-	162,002	-

Refer to accompanying notes.

**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
**(UNAUDITED - PREPARED BY MANAGEMENT)**

**1. Basis of Presentation**

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as used in the most recent annual financial statements. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2004.

**2. Operations**

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

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable resources in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, completion of commitments required under option agreements in order for the Company to earn its interest in the underlying mineral claims and upon future profitable production from, or the proceeds from, the disposition of its mineral properties.

**3. Equipment**

	<b>September 30 2005</b>		<b>December 31 2004</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Exploration equipment	80,410	23,126	57,284	52,318
Computer equipment	6,623	2,260	4,363	5,629
Computer software	1,595	598	997	-
	<b>88,628</b>	<b>25,984</b>	<b>62,644</b>	<b>57,947</b>

**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
**(UNAUDITED - PREPARED BY MANAGEMENT)**

**4. Mineral Properties**

The continuity of expenditures on mineral properties is as follows:

	Balance December 31 2004	Exploration & Development Expenditures During The Period	Balance September 30 2005
	\$	\$	\$
Riou Lake	2,826,141	1,531,990	4,358,131
Black Lake	1,654,998	2,711,864	4,366,862
Hidden Bay	11,514,610	3,378,151	14,892,761
West Athabasca	3,480,946	5,391,945	8,872,891
Beatty River	27,009	200,472	227,481
North Athabasca	534,506	163,812	698,318
	20,038,210	13,378,234	33,416,444

A summary of the Company's uranium projects is as follows:

(a) Riou Lake Project

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

(b) Black Lake Project

The Company has a 70% interest and COGEMA Resources Inc. ("COGEMA") has a 30% interest in the Black Lake Project.

(c) Hidden Bay Project

The Company's 100%-owned Hidden Bay Project assets are located immediately west of Wollaston Lake in Saskatchewan.

(d) West Athabasca Projects

During 2004, the Company entered into an agreement with COGEMA whereby the Company was granted the option to acquire up to a 49% interest in certain uranium projects (the "West Athabasca Projects") located in the western Athabasca Basin in northern Saskatchewan. In order to earn this interest, the Company must fund \$30,000,000 in exploration expenditures over an eleven year period, as follows:

First and second years	-	Minimum \$2,000,000 per year
Third to sixth years	-	Minimum \$2,500,000 per year
Seventh to ninth years	-	Minimum \$3,000,000 per year
Tenth and eleventh years	-	Minimum \$3,500,000 per year

**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
**(UNAUDITED - PREPARED BY MANAGEMENT)**

**4. Mineral Properties (Cont'd)**

(d) West Athabasca Projects (Cont'd)

The Company will earn a 12.25% interest in the West Athabasca Projects for every \$7,500,000 incurred to a maximum total interest of 49%. At September 30, 2005, the Company has earned a 12.25% interest in the West Athabasca Projects.

The Anne and Colette Deposits, located within the West Athabasca Projects, are subject to a royalty of US \$0.212 per pound of U<sub>3</sub>O<sub>8</sub> sold, to a maximum of US \$10,000,000.

(e) Beatty River Project

During 2004, the Company entered into an option agreement with Japan-Canada Uranium Company, Limited ("JCU"), whereby the Company was granted an option to acquire a 25% interest in the Beatty River Project, located in the western Athabasca Basin in northern Saskatchewan, by funding \$865,000 in exploration expenditures by December 31, 2008. At the time of the agreement, COGEMA held a 50.71% interest and JCU held a 49.29% interest in the Beatty River Project.

(f) North Athabasca Projects

During 2004, the Company staked five uranium projects in the northern Athabasca Basin near Stony Rapids, Saskatchewan.

**5. Future Income Taxes**

The tax effects of temporary differences that give rise to significant portion of the Company's future income tax liabilities are presented below:

	<b>September 30</b>	<b>December 31</b>
	<b>2005</b>	<b>2004</b>
	\$	\$
Mineral properties	3,153,887	3,153,887
Exploration expenditures renounced	7,159,390	1,584,790
Future income tax liabilities	10,313,277	4,738,677

**6. Share Capital**

(a) Authorized

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

**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(UNAUDITED - PREPARED BY MANAGEMENT)

6. Share Capital (Cont'd)

(b) Issued and Outstanding Common Shares

	Number Of Shares	Value \$
<b>Balance, December 31, 2004</b>	146,949,685	37,776,499
Issued for cash:		
By way of private placements	16,000,000	38,500,000
Exercise of stock options	1,097,500	617,650
Exercise of warrants	5,125,300	1,081,325
Share issuance costs	-	(2,204,359)
Contributed surplus transferred on exercise of stock options	-	554,541
Future income taxes on flow-through expenditures renounced to shareholders	-	(5,574,600)
<b>Balance, September 30, 2005</b>	<b>169,172,485</b>	<b>70,751,056</b>

During the nine month period ended September 30, 2005, the Company entered into the following private placements:

- i) On June 29, 2005, the Company issued 6,000,000 flow-through common shares at \$2.00 per share for gross proceeds of \$12,000,000, pursuant to a brokered private placement. A commission of \$480,000 was paid to the broker.
- ii) On August 3, 2005, the Company issued 10,000,000 common shares at \$2.65 per share for gross proceeds of \$26,500,000, pursuant to a brokered private placement. A commission of \$1,590,000 was paid to the broker.

(c) Stock-Based Compensation

A summary of the status of the Company's stock-based compensation plan as of September 30, 2005, and changes during the nine month period then ended are presented below:

	Number Of Shares	Weighted-Average Exercise Price \$
<b>Outstanding - December 31, 2004</b>	4,770,000	0.60
Granted during the period	425,000	2.19
Exercised during the period	(1,097,500)	0.56
<b>Outstanding - September 30, 2005</b>	<b>4,097,500</b>	<b>0.78</b>
<b>Exercisable - September 30, 2005</b>	<b>3,597,501</b>	

**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(UNAUDITED - PREPARED BY MANAGEMENT)**

**6. Share Capital (Cont'd)**

(c) Stock-Based Compensation (Cont'd)

As at September 30, 2005, the Company had reserved a total of 4,097,500 common shares for issuance related to director and employee options, the details of which are as follows:

<u>Exercise Prices</u>	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>
\$		
0.08	1,360,000	7.98 years
0.10	86,000	7.22 years
0.12	351,500	5.65 years
0.84	500,000	8.75 years
0.95	875,000	8.91 years
1.69	500,000	9.09 years
1.80	250,000	9.76 years
2.75	175,000	9.42 years
	4,097,500	8.36 years

The estimated fair value of all options granted and vested during the nine month period ended September 30, 2005 is \$569,502. Included in deferred exploration and development expenditures is \$162,002 of stock-based compensation.

The weighted average fair value of options granted during the nine month period ended September 30, 2005 was \$1.35 per option using the Black-Scholes option pricing model with the following weighted average assumptions:

Volatility percentage	82.66%
Risk-free interest rate	3.31%
Dividend yield	-
Expected life of options	4 years

(d) Warrants

At September 30, 2005, the following share purchase warrants enabling holders to acquire shares were outstanding:

<u>Number Of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	\$
100,000	0.25	December 18, 2005
283,333	0.75	June 3, 2006

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**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**  
**(UNAUDITED - PREPARED BY MANAGEMENT)**

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**6. Share Capital (Cont'd)**

(e) Flow-Through Shares

In February 2005, the Company renounced \$14,250,000 of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds. The Company recorded a future income tax liability of \$5,574,600, with a corresponding reduction in share capital.

**7. Loss Per Share**

Basic loss per share is calculated using the weighted average number of common shares outstanding and net loss for the period. The treasury stock method is used to calculate diluted earnings per share. However, outstanding options and warrants have no dilutive effect on basic loss per share for the periods presented.

**8. Related Party Transactions**

During the nine month period ended September 30, 2005, the Company was charged by Cameco a total of \$533,907 (2004 - \$190,161) for expenses incurred by Cameco on the Company's Hidden Bay mineral property, of which no mark-up over Cameco's cost was charged. At September 30, 2005, \$143,386 due to Cameco was included in accounts payable and accrued liabilities (December 31, 2004 - \$84,061).

During the nine month period ended September 30, 2005, fees for legal and accounting services in the amount of \$115,759 (2004 - \$99,563), a portion of which were share issue costs, were paid or accrued to firms of which a director or a former director of the Company are partners.

**9. Comparative Figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

**10. Subsequent Event**

Subsequent to September 30, 2005, the Company issued 100,000 common shares on the exercise of share purchase warrants for proceeds of \$25,000.

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**UEX CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005  
(UNAUDITED - PREPARED BY MANAGEMENT)

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Corporate Information

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Director

Graham C. Thody  
Director

Colin C. Macdonald  
Director

Walter T. Segsworth  
Director

Suraj P. Ahuja  
Director

Warren W. Stanyer  
Vice-President, Corporate Secretary