UEX CORPORATION

Quarterly Report
For the
Three Months Ending
March 31, 2006

UEX Corporation, Vancouver, B.C., Canada

Message to Shareholders

New acquisitions and exploration success in a rapidly rising uranium market has had a dramatic impact on the market capitalization of UEX Corporation ("UEX", or the "Corporation") over the last 24 months. The Corporation has taken the opportunity to equity finance its exploration requirements at significantly higher share prices throughout the last fifteen months, for gross proceeds of $91.6 million. UEX's First Quarter 2006 exploration expenditures for its projects were approximately $7.6 million, and the Corporation estimates its total annual expenditures at $19.0 million for 2006. In March 2006, UEX was added to the S&P/TSX Composite Index.

In the First Quarter 2006, UEX carried out exploration activities on its uranium exploration projects, including a drilling program at the Shea Creek Project, the site of the Kianna Deposit, a new high-grade uranium discovery in July 2005. UEX management looks forward to the successful pursuit of an economic uranium resource on its world-class Kianna Deposit discovery and related Shea Creek deposits, as well as to the advancement of the West Bear Deposit towards commercial production, and further progress on its other highly prospective Athabasca Basin projects.

"signed"

Stephen H. Sorensen, President & CEO

May 10, 2006

Management Discussion & Analysis

<u>Overview</u>

Strategy

UEX's goal is to remain the leading uranium explorer in the uranium-rich Athabasca Basin of northern Saskatchewan and, through its efforts, eventually join the elite ranks of Canada's uranium producers. 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 diversification of projects, project locations and project partners is the key to successful discoveries. UEX holds a diversified portfolio of 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.

<u>About UEX</u>

UEX is a Canadian uranium exploration company formed under an agreement between Pioneer Metals Corporation ("Pioneer") and Cameco Corporation ("Cameco"), the world's largest supplier of uranium. Cameco is UEX's largest shareholder, holding approximately 21.7% of the common shares of UEX, and has one representative on UEX's Board of Directors. UEX began trading on the Toronto Stock Exchange in July 2002 and is actively involved in the exploration and development of 19 uranium projects in the Athabasca Basin, including seven that are 100% owned and operated by UEX, one joint venture with COGEMA Resources Inc. ("COGEMA") that is operated by UEX, ten under option from COGEMA and one under option from Japan-Canada Uranium Company, Limited, which are operated by COGEMA. COGEMA is part of the AREVA group, the world's largest nuclear energy company. The 19 projects, totaling 386,650 hectares

(955,400 acres), are located in the eastern, western and northern perimeters of the Athabasca Basin, the world's richest uranium belt, which accounts for approximately 30% of global primary uranium production.

UEX 100% owned projects are the Hidden Bay Project, the Riou Lake Project, and the Northern Athabasca Projects, which is a collective term for the Butler Lake, Fond du Lac, Munroe Lake, Otherside River and Jacques Point projects, staked in 2004.

UEX operates the Black Lake Project, a joint venture with COGEMA. UEX holds a 76.4% interest and COGEMA holds a 23.6% interest in the Black Lake Project, which was the site of a new uranium discovery made by UEX during a drilling program in September 2004.

In March 2004, UEX entered into a letter agreement with COGEMA whereby UEX was granted the option to acquire up to a 49% interest in eight uranium projects owned by COGEMA, including the Shea Creek Project (containing the Anne and Colette uranium deposits) located in the western Athabasca Basin in northern Saskatchewan (collectively the "Western Athabasca Projects"). In December 2004, the Brander Lake and James Creek projects were staked by COGEMA, bringing the total number of projects under the UEX-COGEMA Western Athabasca Projects option agreement to ten. UEX and COGEMA entered into a definitive option agreement relating to the Western Athabasca Projects dated November 10, 2004. In order to earn a 49% interest, UEX must fund $30 million in exploration expenditures over the eleven years of the agreement as follows:

Prior to December 31, 2005	Minimum $2,000,000
2006:	Minimum $2,000,000
2007 to 2010:	Minimum $2,500,000 per year
2011 to 2013:	Minimum $3,000,000 per year
2014 and 2015:	Minimum $3,500,000 per year

The Corporation earns a 12.25% interest in the Western Athabasca Projects for every $7,500,000 of expenditures incurred to a maximum total interest in the projects of 49%. Excess contributions in any year are carried forward and reduce the obligations of UEX in subsequent years. To date, UEX has expended approximately $13.0 million under the Western Athabasca Projects option agreement and has earned a 12.25% interest. In the event that the Anne and Colette deposits are mined, UEX has agreed to pay to COGEMA a royalty of US$0.212 per pound of U_3O_8, to a maximum royalty of US$10 million. COGEMA is the operator of the Western Athabasca Projects.

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 the Shea Creek uranium deposits. JCU through its wholly-owned subsidiary, JCU (Canada) Exploration Company Limited, holds interests in 14 uranium exploration projects, primarily in the Athabasca Basin, that were purchased from the Japan Nuclear Cycle Development Institute in late 2000.

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. COGEMA plans to maintain its 50.71% interest in Beatty River by matching UEX's exploration expenditures.

Growth Strategy

UEX, having remained the leading uranium explorer in the Athabasca Basin, has planned expenditures estimated at $19.0 million for 2006 in the Athabasca Basin. The main strategies of UEX are:

- To improve the geological model and complete the additional drilling required to delineate and develop an economic resource at the Shea Creek Project;
- To complete a final feasibility study at the West Bear uranium deposit;
- To further explore the uranium discovery made in the Fall of 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;
- To provide for a diversification of project stages (from early exploration through to 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 short-term spot price has more than quintupled since January 2001 and by May 8, 2006 the spot price was US$42.75 per pound U_3O_8, an increase of over 47% from the short-term spot price of US$29.00 per pound U_3O_8 on May 9, 2005.

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. UEX believes that 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 (approximately 19.4% of global mine production in 2005) and COGEMA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2005, worldwide annual fuel consumption totaled approximately 175 million pounds U_3O_8 while world primary production was approximately 108 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. As of January 2005, 439 reactors were in operation worldwide. 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 approximately 90% in 2005. Nuclear-generated energy supplies approximately 16% of the world's electricity.

Long Term Outlook

In 2000, uranium spot prices reached 26 year lows of US$7.10 per pound U_3O_8 due to the increased availability of secondary supplies, short term lower demand, and increased inventory sales. The spot price has since increased to US$42.75 per pound U_3O_8 as of the date of this document, 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_3O_8 at US$42.75 per pound, uranium exploration budgets still fall 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, Africa, Kazakhstan and the United States. 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 several years.

Selected Financial Information

The following is selected financial data from the audited financial statements of UEX for the last three complete fiscal years. The data should be read in conjunction with the audited financial statements for the year ending December 31, 2005 and the notes thereto.

For the Years Ended December 31

	2005	2004	2003
(CDN$)			
Investment Income	$812,979	$254,714	$30,167
Net Loss (Before Income Taxes)	($261,533)	($1,919,682)	($462,093)
Loss Per Share (Before Income Taxes)	($0.00)	($0.01)	($0.00)
Capitalized Exploration Expenditures, net of Stock-Based Compensation	$17,124,476	$6,677,175	$921,706
Total Assets	$83,128,228	$44,521,387	$16,677,563

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

	Mar. 2006	Dec. 2005	Sept. 2005	Jun. 2005	Mar. 2005	Dec. 2004	Sept. 2004	Jun. 2004
(CDN$)								
Investment Income	$595,667	$355,349	$275,478	$42,513	$139,639	$138,860	$63,933	$35,651
Net Earnings (Loss) Before Income Taxes	($4,371,276)	$183,104	($4,710)	($176,786)	($263,141)	($635,422)	($1,067,835)	($142,222)
Earnings (Loss) Per Share Before Income Taxes	($0.026)	$0.001	($0.000)	($0.001)	($0.001)	($0.005)	($0.008)	($0.001)
Capitalized Exploration Expenditures, net of Stock-Based Compensation	$7,595,177	$3,908,244	$4,829,102	$2,899,159	$5,487,971	$4,467,923	$735,885	$385,594
Total Assets	$138,336,861	$83,128,228	$82,711,917	$56,386,345	$46,585,561	$44,521,387	$33,403,058	$25,869,055

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 179,891,285 common shares were issued and outstanding as of March 31, 2006, 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 May 10, 2006, the number of common shares outstanding was 180,091,285.

At March 31, 2006, a total of 233,333 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

Number of shares	Exercise price	Expiry date
233,333	0.75	June 3, 2006

At March 31, 2006, the Corporation had reserved a total of 5,701,300 common shares related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, March 31, 2006	Weighted average remaining contractual life
$ 0.08	1,360,000	7.5 years
0.10	86,000	6.7 years
0.12	138,100	4.7 years
0.84	500,000	8.3 years
0.95	875,000	8.4 years
1.69	367,200	8.6 years
1.80	250,000	9.3 years
2.75	175,000	8.9 years
5.00	1,950,000	9.8 years
	5,701,300	8.6 years

Results of Operations for the Three Months Ending March 31, 2006

For the three months ending March 31, 2006, the Corporation reported a net loss of $4,471,898 compared to a net loss of $263,141 for the three months ending March 31, 2005. The larger net loss for the three months ending March 31, 2006, was primarily due to a $4,351,650 increase of stock-based compensation expense, and a $100,622 increase in future income tax expense. These increased costs were partially offset by a $456,028 increase in investment income.

Investment income was $595,667 for the three months ending March 31, 2006, compared to $139,639 for the three months ending March 31, 2005, an increase of $456,028. The increase was generated by a larger cash balance invested by the Corporation as a result of its equity financings, which was higher than the amount of cash invested by the Corporation during three months ending March 31, 2005.

The granting and vesting of stock options during the three months ending March 31, 2006 resulted in total stock-based compensation expense of $4,922,603, of which $281,465 was included in mineral property expenditures and the remaining $4,641,138 was charged to operations. Total stock based compensation expense for the three months ending March 31, 2005 was $343,488, of which $54,000 was included in mineral property expenditures and $289,488 was charged to operations.

The future income tax expense of $100,622 for the three months ending March 31, 2006 is due to the reduction of future income tax assets relating to loss carry forwards applied against taxable income generated during the period. There was no future income tax expense during the three months ending March 31, 2005.

Operating expenses before stock-based compensation expense for the three months ending March 31, 2006 were $280,439 compared to $183,717 for the three months ending March 31, 2005, a difference of $96,722, mainly due to a significant increase in the Corporation's business activity, which led to higher administrative expenses, salaries, legal and accounting fees, and stock exchange listing fees.

General and administrative expenses were $15,849 for the three months ending March 31, 2006, slightly lower than the general and administrative expenses of $16,810 for three months ending March 31, 2005. Salaries and benefits totaled $106,819 in three months ending March 31, 2006, an increase over the salaries and benefits cost of $53,899 incurred by the Corporation in three months ending March 31, 2005, primarily due to the hiring of additional employees, and higher salary costs attributed to a significant increase in the Corporation's business activity. Rent costs for the three months ending March 31, 2006 were $17,685, higher than the rent costs of $8,650 for the three months ending March 31, 2005 due mainly to the expansion of the Corporation's office premises. Legal, accounting and audit expenses for the three months ending March 31, 2006 were $64,845 higher than the cost of $35,443 during three months ending March 31, 2005, an increase of $29,402 due mainly to higher audit fees incurred by the Corporation. Filing fees and stock exchange fees rose in the three months ending March 31, 2006 to $107,760, an increase of $53,498 over the same period in 2005, in which those expenses were $54,262, due mainly to increased costs relating to stock exchange and regulatory fees which are based on the Corporation's market capitalization.

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

	Balance December 31 2005	**Exploration & development expenditures during the Three Months Ending March 31, 2006**	**Balance March 31 2006**
	$	**$**	**$**
West Athabasca	11,050,485	1,545,350	12,595,835
Hidden Bay	15,612,941	2,578,458	18,191,399
Black Lake	5,015,925	3,085,832	8,101,757
Riou Lake	4,684,083	621,535	5,305,618
Beatty River	238,687	82,233	320,920
North Athabasca	1,086,931	153,566	1,240,497
	37,689,052	8,066,974	45,756,026

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

Exploration and development expenditures during the three months ending March 31, 2006 totaled $8,066,974, an increase of $2,525,003 over the exploration and development expenditures of $5,541,971 for the three months ending March 31, 2005, due to a successful implementation of the Corporation's strategy.

Financing Activities

UEX completed a brokered private placement during the three months ending March 31, 2006. On February 15, 2006, UEX issued 8,222,600 common shares at $5.00 per share and 2,000,000 flow-through common shares at $6.00 per share for gross proceeds of $53,113,000. A commission of $1,995,000 was paid to the broker. The net amount raised in the three months ending March 31, 2006 was $50,996,246 after costs. During three months ending March 31, 2005, the Corporation did not complete any private placements.

The Corporation realized $250,040 from the exercise of stock options and $37,500 from the exercise of share purchase warrants during the three months ending March 31, 2006 compared to $589,650 received from stock options exercised and $736,325 from share purchase warrants exercised during the three months ending March 31, 2005.

Subsequent to the three months ending March 31, 2006, UEX issued 270,000 common shares on the exercise of stock options for gross proceeds of $197,000 (see "Events Subsequent to March 31, 2006").

Exploration Activities

Following is a general discussion of UEX's exploration activities during the three months ending March 31, 2006. As the programs discussed below are only recently completed, or in the case of the Shea Creek Project are still ongoing, the program descriptions refer only to the exploration statistics available at the date of this document, and do not include specific results from those programs. UEX will update its shareholders following receipt of each program's results, and their compilation and interpretation.

For detailed information regarding UEX's exploration projects as of March 30, 2006, please refer to UEX's current Annual Information Form, available at www.sedar.com or to UEX's website at www.uex-corporation.com

West Athabasca Projects: 2006 Exploration Programs

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

The Shea Creek Project ("Shea Creek"), containing the uranium deposits known as Anne, Colette and the newly-discovered Kianna, consists of 11 claims totaling 19,581 hectares (48,365 acres).

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

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

In January 2006, COGEMA began its third drilling campaign at Shea Creek since the inception of the UEX-COGEMA Western Athabasca Projects option agreement. The 2006 drilling program is focused on follow-up of significant intersections encountered in 2005 of high-grade, uranium mineralization in the 63B area, now called the Kianna Deposit. The Kianna Deposit area lies within a 2.2 kilometre conductive corridor between the Anne and Colette Deposits, 600 metres northwest of the Anne Deposit and 1,600 metres southeast of the Colette Deposit.

Drilling in 2005 within the Kianna Deposit area defined two favourable settings at which high-grade uranium mineralization occurs, namely as high-grade elevated sandstone-hosted mineralization, usually 20 to 40 metres above the unconformity (SHE-114-5, for example), and as high-grade, deep basement-hosted uranium mineralization, usually 100 to 150 metres below the unconformity (SHE-114-8, for example). At the Colette Deposit, COGEMA's drilling in 2005 continued to intersect uranium mineralization in both the sandstone and in the basement rocks. Uranium grades quoted for Shea Creek are obtained from gamma probe logging.

2006 Shea Creek Exploration

Two drill rigs were mobilized for the 2006 diamond drilling program at Shea Creek totaling approximately 12,000 metres on the Kianna Deposit and the Colette Deposit areas. The drilling program is planned to consist of about 35 holes (4 to 6 vertical, and 29 to 31 directional). As of March 31, 2006, five unconformity impacts totaling approximately 2,465 metres had been completed at the Kianna Deposit from pilot holes SHE-114 and SHE-115, and two holes totaling 1,600 metres were completed on geophysical targets near the Collette Deposit.

2006 Laurie Project Exploration

A diamond drilling program of five holes totaling approximately 2,060 metres was carried out over the TEM conductors defined by previous ground geophysical programs.

2006 Brander Lake Project Exploration

A ground geophysical program was carried out totaling 37.2 line kilometres of TEM moving loop.

2006 Nikita Project Exploration

A ground geophysical program totaling 14.0 kilometres of TEM moving loop was carried out. Due to poor field conditions a planned DC Resistivity survey was cancelled.

2006 Mirror River Project Exploration

Due to poor field conditions, the planned diamond drilling program at Mirror River of approximately 2,300 metres in 6 diamond drill holes to test previously-defined TEM conductors was postponed.

2006 Alexandra, Erica and Uchrich Projects Exploration

Processing and interpretation of the collected data from the 2004 Fugro MEGATEM® and Falcon® Gravity Gradiometer survey, integrated with ground geophysical data, is ongoing.

Hidden Bay Project: 2006 Winter Exploration Program

In January 2006, UEX commenced the winter 2006 exploration program budgeted at approximately $2.7 million, using two diamond drills. The first drill tested targets in the West Bear, Mitchell Lake and Dwyer Lake areas, following up previously intersected prospective areas of mineralization and alteration, and tested several occurrences where uranium mineralization has been historically intersected, including the Blanche Lake and North Shore prospects. During the Winter 2006 program, the first drill completed 36 holes totaling 3,926 metres.

The second drill focused on testing targets along the Telephone Lake fault system, which represents the southern continuation of a network of faults and graphitic conductors that, to the north, host the Sue uranium deposits at the McClean Lake Mine, operated by COGEMA. Drilling was planned to follow-up on the intersection of 4.52% U_3O_8 over 0.5 metres in hole SP-156 during the 2005 exploration program, as well as testing some large gaps between previous drill holes along the Telephone Lake fault system, such as a three kilometre strike length of the fault around Phantom Lake. The second drill completed 24 holes, and another 5 holes were abandoned due to difficult ground conditions, for a total of 3,926 metres.

UEX planned to continue the sonic drilling program in the West Bear area during the winter of 2006 to define the eastern end of the West Bear Deposit and to test open targets in the immediate deposit area. However, the sonic drilling program was postponed until the winter of 2007 because of access problems created by unusually warm winter weather.

An airborne electromagnetic survey (VTEM) totaling 1,127 line kilometres was carried out over four separate survey areas within Hidden Bay to assist in the definition of conductors.

2006 West Bear Deposit Exploration and Development

Based on the results of the 2005 West Bear sonic drilling program, UEX retained Roger Lemaitre of Cameco, a qualified person, to calculate a National Instrument 43-101 ("N.I. 43-101") compliant resource estimate. This resource estimate dated March 2, 2006 (the "2005 West Bear Report") estimates the West Bear Deposit contains an indicated resource of 45,600 metric tonnes averaging 1.385% U_3O_8, for a total uranium content of 1,391,000 pounds of U_3O_8, using a geostatistical-block model technique and the GEMCOM software package. The 2005 West Bear Report indicates that the deposit also contains 0.34% nickel, 0.11% cobalt, and 0.50% arsenic.

This new resource estimate represents a three-fold increase in uranium grade and an increase in total pounds of uranium from the historical 1980 Gulf Minerals ("Gulf") resource estimate of 131,000 tonnes at an average grade of 0.44% U_3O_8, representing 1.26 million pounds of U_3O_8 [Note: Gulf's 1980 historical resource estimate was not calculated using current Canadian Institute of Mining, Metallurgy and Petroleum categories, and no current resource or reserve confidence categories were applied. As a result, Gulf's resource estimate is not compliant with N.I. 43-101].

The 2005 West Bear Report notes that only two-thirds of the strike length of the mineralized area included as part of the historical resource outlined by Gulf was tested during the 2005 program. A number of historical Gulf holes indicate that uranium mineralization likely extends to the east up to 150 metres beyond the current boundaries of the deposit. UEX believes this eastern area has the potential to significantly increase the total pounds of uranium contained in the deposit.

A series of recommendations for future work is included in the 2005 West Bear Report that would lead to the commencement of a final feasibility study. These recommendations include:

- the implementation of a 70-hole, 2,100 metres sonic drill program to define the eastern extent of the deposit;
- the commencement of metallurgical test work on the West Bear mineralization;
- improving the method used to determine dry bulk densities, since values obtained in 2005 may have, in Cameco's opinion, understated the resource;
- the continuation of the environmental baseline study initiated in 2005;
- scouting of a road route to connect West Bear to provincial Highway 905.

The 2005 West Bear Report is available for review at www.sedar.com

2006 West Bear Deposit Feasibility Study

In July 2005 an Environmental Baseline Study ("EBS") began at the West Bear Deposit. An EBS is a required first step in any mine development plan and forms the basis of the Environmental Impact Statement normally required for the development of uranium mines in Saskatchewan. Golder Associates ("Golder") of Saskatoon, Saskatchewan, a division of a premier global group of consulting companies specializing in ground engineering and environmental science is carrying out the EBS at the West Bear Deposit. The EBS is estimated to cost approximately $400,000 and will span a minimum of one year.

With the relatively soft nature of the host rocks and overburden, UEX believes that the deposit could be mined using low cost, open pit mining techniques within a very short timeframe. The deposit is located close to two existing uranium mills: Cameco's Rabbit Lake Mill (51.9 kilometres by road), and the McClean Lake Mill (73.7 kilometres by road), operated by COGEMA. In March 2006, UEX awarded the contract for a final feasibility study to Golder.

The technical information in this document was compiled and reviewed by David Rhys, P. Geo., a qualified person as defined by N.I. 43-101.

Black Lake Project: 2006 Winter Exploration Program

Diamond drilling in the winter of 2006 was designed to follow up mineralized intercepts, and to systematically test the fault/conductor system on the property in areas interpreted to be prospective. Two drills were used in the Winter 2006 program and 35 holes were completed, with 4 others abandoned due to difficult ground conditions, for a total of 15,969 metres.

A program of linecutting and 53.2 kilometres of UTEM III moving loop electromagnetic surveys was completed to better detail the geophysical conductors outlined by the 2005 airborne MEGATEM® survey and previous ground electromagnetic surveys. A ground gravity survey totaling 56.2 kilometres was also carried out to identify areas of low gravity potentially associated with alteration.

Riou Lake Project: 2006 Winter Exploration Program

A program consisting of 46.4 kilometres of UTEM III moving loop electromagnetic surveys was carried to better define the geophysical conductors outlined by the 2005 airborne MEGATEM® survey and previous ground electromagnetic surveys. A ground gravity survey totaling 83.3 kilometres was also carried out to identify potentially prospective areas of low density associated with alteration along the Riou Lake and other faults.

Geophysical surveys planned for the area between the Radioactive Springs and the W-Zone uraniferous boulder field on the southeastern shore of Riou Lake are designed to further define basement conductors identified in previous fixed-loop EM survey programs. This new data, when integrated with the results of the airborne surveys, will assist in the selection of drill targets for future drilling programs, including the planning of a summer 2006 drilling program.

Northern Athabasca Projects: 2006 Winter Exploration Program

A ground geophysical survey of 40.8 kilometres of fixed-loop, time-domain electromagnetic and magnetic surveying was carried out on UEX's 100%-owned Butler Lake Project ("Butler Lake"). The Butler Lake 2006 winter program is the first to follow-up conductive trends identified by the 2005 MEGATEM® airborne survey and represents the beginning of the next stage of exploration on UEX's Northern Athabasca Projects. The conductive trend (BTL-1) covered by the 2006 geophysical grid at Butler Lake is one of three identified by the MEGATEM® survey and was selected as the first to be followed-up due to its relatively easy access from Stony Rapids and close proximity to UEX's other winter exploration programs at the Black Lake and Riou Lake Projects.

UEX plans to follow-up other MEGATEM® conductive trends with future geophysical programs designed on the basis of an integrated interpretation of the MEGATEM® and FALCON® airborne surveys and historical drillhole data. These follow-up programs may include detailed surveying using ground geophysics or helicopter-borne systems, where ground follow-up is impractical and the sandstone cover is less than 300 metres thick. Historical drillhole data suggests that the maximum depth to basement in the area is approximately 300 metres. UEX plans to drill test as many of the most prospective targets as possible during the summer of 2006 as part of a helicopter-assisted exploration program.

Beatty River Project: 2006 Winter Exploration Program

A ground geophysical time-domain electromagnetic survey totaling 17.7 kilometres and a DC Resistivity survey totaling 54.0 kilometres were carried out to better define the location of the previously-identified conductor, associated faulting, and alteration at Beatty River. Results from the 2006 surveys will be compiled with existing geological and geophysical data to provide potential targets for drilling in the winter of 2007.

Liquidity and Capital Resources

As UEX has not begun production on any of its exploration properties, the Corporation does not generate cash from operations. As at March 31, 2006 the Corporation had current assets of $92,393,250, including $91,741,698 in cash and cash equivalents compared to current assets at December 31, 2005 that totaled $45,378,076. Working capital at March 31, 2006 was $87,304,074, compared to working capital of $43,481,557 at December 31, 2005.

Accounts payable and accrued liabilities at March 31, 2006 were $5,089,176, which is significantly higher than the amount at December 31, 2005 of $1,896,519. The increase is due to significantly more exploration activity during March 2006 than the level of exploration activity at December 31, 2005.

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 net future income tax liability of $13,375,467 at March 31, 2006, is comprised of a $15,499,922 future income tax liability related to the tax effect of the difference between the carrying value of the Corporation's mineral properties determined in accordance with GAAP and their tax values, offset by the Corporation's future income tax assets totaling $2,124,455. At December 31, 2005, the Corporation's net future income tax liability was $9,121,818. The increase in the future income tax liability in 2005 was primarily due to flow-through share expenditures renounced to shareholders during the year.

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

Related party transactions

During the three months ending March 31, 2006, the Company did not enter into any related party transactions as compared to the three months ending March 31, 2005, in which fees for legal and accounting services totaling $30,943 were paid to firms of which a director, and a former director of the Company, are partners or owners, namely: Graham C. Thody, Director, a partner at Nemeth, Thody, Anderson, Chartered Accountants, of Vancouver, B.C., and a former director, Peter C. Kalbfleisch, a partner at Blake Cassels & Graydon LLP, of Vancouver, B.C. There are no ongoing contractual obligations to either party. As of July 1, 2005, Nemeth Thody Anderson no longer provides accounting services to the Company.

Cameco's management contract for exploration activities at the Hidden Bay Project ended on December 31, 2005, and since that date Cameco has provided certain exploration and claims management services from time-to-time. During the three months ending March 31, 2006, the Corporation was charged by Cameco a total of $23,733 (2005 - $185,826) for expenses incurred by Cameco at the Hidden Bay Project, of which no mark-up over Cameco's cost was charged. At the three months ending March 31, 2006, $90,809 due to Cameco was included in accounts payable and accrued liabilities (December 31, 2005 - $92,093).

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 2006 fiscal year will be utilized to continue exploration work on the Corporation's properties and for general corporate purposes.

2006 Exploration Programs

In 2006, the Corporation intends to carry out exploration on the Hidden Bay, Riou Lake, Black Lake, Northern Athabasca, Western Athabasca and Beatty River projects with budgets totaling approximately $19.0 million to December 31, 2006, net of any recoveries from joint venture partners and Saskatchewan government exploration incentives. Further exploration on UEX's projects for 2007 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 May 10, 2006, with exploration programs underway, the Corporation had approximately $87.3 million in cash and cash equivalents.

Events Subsequent to March 31, 2006

Subsequent to March 31, 2006, the Corporation issued 270,000 common shares on the exercise of stock options for proceeds of $197,000.

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 the Corporation'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.

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

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

Caution Regarding Forward Looking Statements

Statements contained in this document which are not historical facts are forward looking statements and are prospective. These statements appear in a number of different places in this Management Discussion and Analysis, but principally under the headings "Overview" and "Outlook" above and can be identified by words such as "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the commencement or advancement of exploration activities on our properties, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of any legal proceedings, and other expectations, intention and plans that are not historical fact. Such forward-looking statements are subject to risks, uncertainties and other factors, including without limitation the risk factors described in UEX's Annual Information Form under the heading "Risk Factors" and include unanticipated and unusual events. These and other factors could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, volatility and sensitivity to market price for precious and base metals, environmental and safety issues including increased regulatory burdens, changes in government regulations and policies, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources and reserves, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development or mining results will not be consistent with the Company's expectations, and significant changes in the supply-demand fundamentals for precious and base metals that could negatively affect prices. Although UEX believes that the assumptions intrinsic in forward looking statements are reasonable, many of these factors are beyond the control of UEX. Consequently, all forward-looking statements made in this Management Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by UEX will be realized. For the reasons set forth above, investors should not place undue reliance on forward-looking 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.

Additional Information

Additional information concerning UEX, including the Corporation's Annual Information Form for the year ended December 31, 2005 is available at www.sedar.com

UEX CORPORATION

INTERIM FINANCIAL STATEMENTS

MARCH 31, 2006

(Unaudited - Prepared By Management)

Suite 1007 – 808 Nelson Street, Vancouver, B.C. V6Z 2H2
PH: (604) 669-2349 FAX: (604) 669-1240 uex@intergate.ca

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)

	March 31 2006	December 31 2005
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	91,741,698	44,921,021
Amounts receivable	604,150	423,835
Prepaid expenses	47,402	33,220
	92,393,250	45,378,076
Equipment (Note 3)	187,585	61,100
Mineral properties (Note 4)	45,756,026	37,689,052
	138,336,861	83,128,228
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	5,089,176	1,896,519
Future income taxes (Note 5)	13,375,467	9,121,818
	18,464,643	11,018,337
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	119,010,155	71,526,422
Contributed surplus (Note 7)	6,749,069	1,998,577
Deficit	(5,887,006)	(1,415,108)
	119,872,218	72,109,891
	138,336,861	83,128,228

Subsequent events (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 MARCH 31	2006	2005
	$	$
Expenses		
Amortization	753	4,793
Bank charges and interest	343	382
Filing fees and stock exchange	107,760	54,262
General and administration	15,849	16,810
Insurance	6,355	4,147
Legal, accounting and audit	64,845	35,443
Rent	17,685	8,650
Salaries and benefits	106,819	53,899
Stock-based compensation	4,641,138	289,488
Telephone	2,973	2,245
Travel and promotion	2,423	3,086
Loss before the following	(4,966,943)	(473,205)
Investment income	595,667	139,639
Administrative expense recovery	-	70,425
Loss before income taxes	(4,371,276)	(473,205)
Future income taxes	(100,622)	-
Net loss for the period	(4,471,898)	(263,141)
Deficit, beginning of period	(1,415,108)	(1,904,029)
Deficit, end of period	(5,887,006)	(2,167,170)
Basic and diluted loss per share	(0.026)	(0.002)
Weighted average number of shares outstanding		
Basic	174,565,894	149,032,115
Diluted	178,119,051	155,962,815

Refer to accompanying notes.

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

THREE MONTH PERIOD ENDED MARCH 31	2006	2005
	$	$
Cash provided by (used for):		
Operating activities		
Net loss for the period	(4,471,898)	(263,141)
Items not involving cash		
Amortization	753	4,793
Stock-based compensation	4,641,138	289,488
Future income taxes	100,622	-
Changes in non-cash operating working capital		
Amounts receivable	(7,413)	(55,376)
Prepaid expenses	(14,182)	3,795
Accounts payable and accrued liabilities	52,031	(78,091)
	301,051	(98,532)
Investing activities		
Mineral property expenditures	(7,595,177)	(5,487,971)
Change in accounts payable and accrued liabilities relating to mineral property expenditures	3,140,626	735,943
Change in amounts receivable relating to mineral property expenditures	(172,902)	(673,250)
Purchase of equipment	(136,707)	(11,908)
	(4,764,160)	(5,437,186)
Financing activities		
Issuance of share capital	51,283,786	1,325,975
Change in cash and cash equivalents during the period	46,820,677	(4,209,743)
Cash and cash equivalents, beginning of period	44,921,021	24,248,183
Cash and cash equivalents, end of period	91,741,698	20,038,440
Supplementary information		
Interest received	615,629	135,906
Non-cash stock-based compensation included in mineral property expenditures	281,465	54,000
Increase to mineral properties due to future income taxes	180,863	-
Amortization included in mineral properties	9,469	-

Refer to accompanying notes.

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, 2005.

2. Nature of Operations

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, 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 or the proceeds from the disposition of its mineral properties.

3. Equipment

	March 31 2006			December 31 2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Exploration equipment	194,886	35,999	158,887	52,653
Computer equipment	29,217	4,528	24,689	7,329
Computer software	5,859	1,850	4,009	1,118
	229,962	42,377	187,585	61,100

4. Mineral Properties

The continuity of expenditures on mineral properties is as follows:

	Balance December 31 2005	Exploration and development expenditures during the period	Balance March 31 2006
	$	$	$
West Athabasca	11,050,485	1,545,350	12,595,835
Hidden Bay	15,612,941	2,578,458	18,191,399
Black Lake	5,015,925	3,085,832	8,101,757
Riou Lake	4,684,083	621,535	5,305,618
Beatty River	238,687	82,233	320,920
North Athabasca	1,086,931	153,566	1,240,497
	37,689,052	8,066,974	45,756,026

4. Mineral Properties *(Cont'd)*

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

(a) West Athabasca Projects

During 2004, the Company entered into an agreement with COGEMA Resources Inc. ("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

The Company will earn a 12.25% interest in the West Athabasca Projects, which include the Anne, Colette and Kianna Deposits, for every $7,500,000 incurred to a maximum total interest of 49%. At March 31, 2006, 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_3O_8 sold to a maximum of US $10,000,000.

(b) Hidden Bay Project

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

(c) Black Lake Project

The Company has a 76.43% interest and COGEMA has a 23.57% interest in the Black Lake Project. A joint venture agreement is currently being negotiated.

(d) Riou Lake Project

The Company has a 100% interest in the Riou Lake uranium exploration project located in the Athabasca Basin.

(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 assets and liabilities at March 31, 2006 and December 31, 2005 are presented below:

	March 31 2006	December 31 2005
	$	$
Future income tax assets:		
Loss carry forwards	535,928	636,807
Equipment	11,228	10,971
Share issuance costs	1,577,299	855,063
	2,124,455	1,502,841
Future income tax liabilities:		
Mineral properties	15,499,922	10,624,659
Net future income tax liabilities	13,375,467	9,121,818

6. Share Capital

(a) Authorized

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

(b) Issued And Outstanding Common Shares

	Number Of Shares	Value
		$
Balance, December 31, 2005	169,272,485	71,526,422
Issued for cash:		
Private placement, net of share issuance costs	10,222,600	50,996,246
Exercise of stock options	346,200	250,040
Exercise of warrants	50,000	37,500
Contributed surplus transferred on exercise of stock options	-	172,111
Future income taxes on share issuance costs	-	722,236
Future income taxes on flow-through expenditures renounced to shareholders	-	(4,694,400)
Balance, March 31, 2006	179,891,285	119,010,155

6. Share Capital *(Cont'd)*

(b) Issued And Outstanding Common Shares *(Cont'd)*

On February 15, 2006, the Company issued 8,222,600 common shares at $5.00 per share and 2,000,000 flow-through common shares at $6.00 per share for gross proceeds of $53,113,000, pursuant to a brokered private placement. A commission of $1,995,000 was paid to the broker and $121,754 of additional issuance costs were incurred.

(c) Stock-Based Compensation

A summary of the status of the Company's stock-based compensation plan as of March 31, 2006, and changes during the three month period then ended are presented below:

	Number Of Shares	Weighted-Average Exercise Price
		$
Outstanding - December 31, 2005	4,097,500	0.78
Granted during the period	1,950,000	5.00
Exercised during the period	(346,200)	0.72
Outstanding - March 31, 2006	5,701,300	2.23
Exercisable - March 31, 2006	5,167,969	

As at March 31, 2006, the Company had reserved a total of 5,701,300 common shares for issuance related to director and employee options, the details of which are as follows:

Exercise Prices	Number Outstanding March 31, 2006	Weighted Average Remaining Contractual Life
$		
0.08	1,360,000	7.48 years
0.10	86,000	6.73 years
0.12	138,100	4.71 years
0.84	500,000	8.25 years
0.95	875,000	8.41 years
1.69	367,200	8.59 years
1.80	250,000	9.26 years
2.75	175,000	8.92 years
5.00	1,950,000	9.79 years
	5,701,300	8.60 years

6. Share Capital *(Cont'd)*

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

The estimated fair value of all options granted and vested during the three month period ended March 31, 2006 is $4,922,603 (2005 - $343,488). Included in deferred exploration and development expenditures is $281,465 (2005 - $54,000) of stock-based compensation. The unamortized balance of stock-based compensation expense for options that were not vested at March 31, 2006 is $721,690 (2005 - $342,004).

The weighted average fair value of options granted during the three month period ended March 31, 2006 was $2.73 per option (2005 - $1.65 per option) using the Black-Scholes option pricing model with the following weighted average assumptions:

	2006	2005
Volatility percentage	69.01%	79.32%
Risk-free interest rate	3.90%	3.48%
Dividend yield	-	-
Expected life of options	4 years	4 years

(d) Warrants

At March 31, 2006, the following share purchase warrants enabling holders to acquire shares were outstanding:

Number Of Shares	Exercise Price	Expiry Date
	$	
233,333	0.75	June 3, 2006

(e) Flow-Through Shares

In February 2006, the Company renounced $12,000,000 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 $4,694,400, with a corresponding reduction in share capital.

7. Contributed Surplus

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

	$
Contributed surplus, December 31, 2005	1,998,577
Fair value of options granted and vested during the period	4,922,603
Transferred to share capital on exercise of options	(172,111)
Contributed surplus, March 31, 2006	6,749,069

8. 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.

9. Related Party Transactions

During the three month period ended March 31, 2006, the Company was charged by Cameco Corporation ("Cameco") a total of $23,733 (2005 - $185,826) 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 March 31, 2006, $90,809 due to Cameco was included in accounts payable and accrued liabilities (December 31, 2005 - $92,093).

During the three month period ended March 31, 2006, no fees for legal and accounting services were paid to related parties. During the three month period ended March 31, 2005, fees for legal and accounting services in the amount of $30,943 were paid or accrued to firms of which a director or a former director of the Company are partners.

10. Subsequent Events

Subsequent to March 31, 2006, the Company issued 270,000 common shares on the exercise of stock options for proceeds of $197,000.

Corporate Information

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Directors & Officers

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Graham C. Thody
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Director

Walter T. Segsworth
Director

Suraj P. Ahuja
Director

Warren W. Stanyer
Vice-President, Corporate Development, and Corporate Secretary

Patrick D. McGowan
Vice-President, Exploration

E. Louie Zioulas
Vice-President, Finance