



UEX CORPORATION

2005 ANNUAL REPORT



Message to Shareholders

2005 was an important and pivotal year for UEX Corporation ("UEX, or the "Corporation"). The Corporation continued to make significant progress at all of its uranium exploration projects, including a new high-grade uranium discovery in July 2005 at the Shea Creek Project in the Athabasca Basin of northern Saskatchewan Canada, an area that hosts the world's highest grade uranium deposits.

New acquisitions and exploration success in a rapidly rising uranium market has had a dramatic impact on the market capitalization of UEX 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. In March 2006, UEX was added to the S&P/TSX Composite Index.

UEX management looks forward to the future exploration and development of all of its existing uranium projects as well as sustained growth through its aggressive acquisition strategy. UEX spent approximately \$17.1 million at its projects in 2005, and estimates expenditures of \$19.0 million in 2006. In early 2006, the Corporation initiated a final feasibility study at the West Bear Deposit.

"signed"

Stephen H. Sorensen, President & CEO

March 29, 2006

Management Discussion & Analysis

This management discussion and analysis will provide investors with an informed discussion of UEX's business activities, as of the date above.

Overview

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 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 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 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. 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 Resources Inc. ("COGEMA"). COGEMA is part of the AREVA group, the world's largest nuclear energy company. 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 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

UEX has expended approximately \$12.0 million under the Western Athabasca Projects option agreement to the date of this document. Excess contributions in any year are carried forward and reduce the obligations of UEX in subsequent years. 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%. 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 U₃O₈, to a maximum royalty of US\$10 million. In August 2005, UEX was advised by COGEMA that UEX had earned its first 12.25% interest in the Western Athabasca Projects. 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 that can be readily financed in current market conditions;
- 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 spot price has appreciated over 550% since January 2001 and by March 20, 2006 the spot price was US\$40.50 per pound U_3O_8 , an increase of over 95% from the 2004 year end spot price of US\$20.70 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. 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\$40.50 per pound U₃O₈ 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 U₃O₈ at US\$40.50 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, 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, 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

	Dec. 2005	Sept. 2005	Jun. 2005	Mar. 2005	Dec. 2004	Sept. 2004	Jun. 2004	Mar. 2004
(CDN\$)								
Investment Income	\$355,349	\$275,478	\$42,513	\$139,639	\$138,860	\$63,933	\$35,651	\$16,270
Net Earnings (Loss) Before Income Taxes	\$183,104	(\$4,710)	(\$176,786)	(\$263,141)	(\$635,422)	(\$1,067,835)	(\$142,222)	(\$74,203)
Earnings (Loss) Per Share Before Income Taxes	\$0.001	(\$0.000)	(\$0.001)	(\$0.001)	(\$0.005)	(\$0.008)	(\$0.001)	(\$0.001)
Capitalized Exploration Expenditures, net of Stock-Based Compensation	\$3,908,244	\$4,829,102	\$2,899,159	\$5,487,971	\$4,467,923	\$735,885	\$385,594	\$1,087,773
Total Assets	\$83,128,228	\$82,711,917	\$56,386,345	\$46,585,561	\$44,521,387	\$33,403,058	\$25,869,055	\$17,256,165

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 169,272,485 common shares were issued and outstanding as of December 31, 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 March 29, 2006, the number of common shares outstanding was 179,891,885 (see "Events Subsequent to December 31, 2005").

At December 31, 2005, a total of 283,333 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

Number of shares	Exercise price	Expiry date
283,333	0.75	June 3, 2006

At December 31, 2005, the Corporation had reserved a total of 4,097,500 common shares related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2005	Weighted average remaining contractual life
\$ 0.08	1,360,000	7.7 years
0.10	86,000	7.0 years
0.12	351,500	5.4 years
0.84	500,000	8.5 years
0.95	875,000	8.7 years
1.69	500,000	8.8 years
1.80	250,000	9.5 years
2.75	175,000	9.2 years
	4,097,500	8.1 years

Results of Operations for the Year Ended December 31, 2005

For the year ended December 31, 2005, the Corporation reported earnings of \$488,921, compared to a net loss of \$1,842,649 for the year ending December 31, 2004. Before future income tax recovery, the Corporation incurred a loss of \$261,533 for the year ended December 31, 2005, compared to a loss of \$1,919,682 for the year ended December 31, 2004. The lower loss before income taxes for the year ending December 31, 2005, was primarily due to a \$558,265 increase in investment income and a \$1,063,965 decrease of stock-based compensation expense.

Investment income was \$812,979 for the year ended December 31, 2005, compared to \$254,714 for the year ended December 31, 2004, an increase of \$558,265. The increase was generated by a larger cash balance invested by the Corporation as a result of its equity financings completed during the year ended December 31, 2005, which was higher than the amount of cash invested by UEX during 2004.

The granting and vesting of stock options during the year ended December 31, 2005 resulted in total stock-based compensation expense of \$647,105, of which \$216,003 was included in mineral property expenditures and the remaining \$431,102 was charged to operations. Total stock based compensation expense for the year ended December 31, 2004 was \$1,747,070, of which \$252,003 was included in mineral property expenditures and \$1,495,067 was charged to operations.

The write-down of mineral properties for the year ended December 31, 2005 consisted of certain property investigation costs totaling \$1,672 incurred in the prior year. During the year ending December 31, 2004, the Corporation terminated its option to earn a 60% interest in the Serendipity Lakes property, resulting in a write-down of mineral properties of \$196,914.

The future income tax recovery of \$750,454 for the year ended December 31, 2005 is primarily due to the benefit of previously unrecognized future income tax assets including loss carry forwards and share issue costs to be applied against taxable income of future years. During the year ending December 31, 2004, the future income tax recovery of \$77,033 was due to temporary timing differences between accounting and tax resulting from the write-down of the costs related to the Serendipity Lakes property

Operating expenses before stock-based compensation expense for the year ended December 31, 2005 were \$724,436 compared to \$482,415 for the year ended December 31, 2004, a difference of \$242,021, mainly due to a significant increase in the Corporation's business activity during the year ended December 31, 2005, which led to higher administrative expenses, salaries, legal and accounting fees, and costs related to financings and stock exchange listing fees.

General and administrative expenses were \$85,200 for the year ended December 31, 2005, higher than the general and administrative expenses of \$ 72,002 for 2004. Salaries and benefits totaled \$259,594 in 2005, a small increase over the \$257,456 incurred by the Corporation in 2004. Legal, accounting and audit expenses for the year ended December 31, 2005 were \$148,406, higher than the 2004 cost of \$53,495, an increase of \$94,911 mainly due to increased costs associated with the implementation of new regulatory requirements. Filing fees and stock exchange fees also rose in 2005 to \$111,255, an increase of \$77,316 over 2004, in which those expenses were \$33,939, due mainly to increased costs relating to sustaining fees which are based on the Corporation's market capitalization, and amendments to the Corporation's stock option plan.

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

Project	2004			2005			Balance December 31, 2005
	Balance December 31, 2003	Exploration & development expenditures	Write-down of mineral properties	Balance December 31, 2004	Exploration & development expenditures	Write-down of mineral properties	
West Athabasca	\$ -	\$ 3,480,946	\$ -	\$ 3,480,946	\$ 7,569,539	\$ -	\$11,050,485
Hidden Bay	10,293,557	1,221,053	-	11,514,610	4,098,331	-	15,612,941
Black Lake	590,888	1,064,110	-	1,654,998	3,360,927	-	5,015,925
Riou Lake	2,224,587	599,882	-	2,824,469	1,859,614	-	4,684,083
Beatty River	-	27,009	-	27,009	211,678	-	238,687
North Athabasca	-	534,506	-	534,506	552,425	-	1,086,931
Serendipity Lakes	196,914	-	(196,914)	-	-	-	-
Other	-	1,672	-	1,672	-	(1,672)	-
	\$13,305,946	\$ 6,929,178	\$(196,914)	\$20,038,210	\$17,652,514	\$ (1,672)	\$37,689,052

(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 year ended December 30, 2005 totaled \$17,652,514, an increase of \$10,723,336 over the exploration and development expenditures of \$6,929,178 for the year ended December 31, 2004, due to a successful implementation of the Corporation's strategy.

Results of Operations for the Three Months Ending December 31, 2005

During the three months ending December 31, 2005, the Corporation earned \$183,104 before income taxes and \$933,558 after the recovery of future income taxes. The Corporation's fourth quarter results were affected by a year-end adjustment resulting from the Corporation's

determination that it considers it more likely than not that its future income tax assets will be recovered. Thus, under Canadian generally accepted accounting principles, the Corporation's previously unrecognized future income tax assets were offset against future income tax liabilities, resulting in a future income tax recovery of \$750,454.

Financing Activities

UEX completed two private placements during the year ended December 31, 2005. On June 29, 2005, the Corporation received \$12,000,000 from the gross proceeds of a private placement of 6,000,000 flow-through 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 \$66,796. The net amount raised in 2005 was \$36,292,967 after costs. During 2004, the Corporation completed four private placements resulting in a net amount raised of \$25,484,261.

The Corporation realized \$617,650 from the exercise of stock options and \$1,106,325 from the exercise of share purchase warrants during the year ended December 31, 2005 compared to \$281,000 received from stock options exercised and \$364,043 from share purchase warrants exercised during the year ended December 31, 2004.

UEX completed an additional private placement on February 15, 2006 for gross proceeds of \$53,113,000 (see "Events Subsequent to December 31, 2005").

Exploration Activities

Following is a general discussion of UEX's exploration activities during 2005. For detailed information regarding UEX's exploration projects, 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: 2005 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).

2005 Shea Creek Project Exploration Program

The Shea Creek Project ("Shea Creek"), containing the Anne, Colette and the newly-discovered Kianna Deposits, 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.

COGEMA began a drilling campaign in April 2005. In July 2005, hole 114-5 encountered a significant intersection of high-grade, uranium mineralization in the 63B area, now called the Kianna Deposit. Subsequent drilling in 2005 within the Kianna Deposit area has 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). Uranium grades quoted for Shea Creek are obtained from gamma probe logging.

2005 Kianna Deposit Area (formerly 63B Area) Exploration

In 2005, COGEMA resumed drilling in the relatively untested Kianna Deposit area, which 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.

SHE-114-5, the fifth directional cut from pilot hole SHE-114, intersected 27.40% U₃O₈ over 8.8 metres, including 58.32% U₃O₈ over 3.5 metres, at a point approximately 30 metres above the unconformity (see UEX News Release, July 13, 2005). The same hole also intersected significant uranium mineralization in the basement rocks approximately 100 metres below the unconformity, including 5.49% U₃O₈ over 1.8 metres and 1.08% U₃O₈ over 2.2 metres.

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. 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.

SHE-114-7 (7.73% U₃O₈ over 14.1 metres, including 23.82% U₃O₈ over 1.5 metres, 16.22% U₃O₈ over 1.9 metres and 12.47% U₃O₈ over 1.8 metres), intersected the unconformity at 722.5 metres, approximately 10 metres east of SHE-114-5 and intersected high-grade, elevated sandstone-hosted mineralization at a point approximately 43 metres above the unconformity.

SHE-114-8 (5.81% U₃O₈ over 7.9 metres including 19.11% U₃O₈ over 1.4 metres, and 4.38% U₃O₈ over 8.4 metres, including 15.13% U₃O₈ over 1.2 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.

SHE-114-9 (5.88% U₃O₈ over 20.0 metres, including 13.59% U₃O₈ over 2.9 metres and 10.30% U₃O₈ over 1.3 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, also intersected high-grade, elevated sandstone-hosted mineralization at a point approximately 23 metres above the unconformity.

SHE-114-10A (1.15% U₃O₈ 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.

SHE-114-11 (In the sandstone: 5.83% U₃O₈ over 13.7 metres, including 8.89% U₃O₈ over 8.3 metres, which includes 17.05% U₃O₈ over 3.5 metres. In the basement: 5.40% U₃O₈ over 37.7 metres, including 7.03% U₃O₈ over 26.6 metres, which includes 10.02% U₃O₈ over 14.5 metres, which also includes 25.46% U₃O₈ over 4.0 metres.), 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.

2005 Colette Deposit Area Exploration

Additional directional cuts from pilot holes SHE-111 and SHE-113 to test the unconformity were completed in 2005. 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. COGEMA's drilling in 2005 continued to intersect uranium mineralization in both the sandstone and in the basement rocks.

2005 Laurie Project Exploration

During the winter 2005, a transient electromagnetic ("TEM") moving loop survey totaling 19.8 kilometres and a DC Resistivity survey totaling 41.0 kilometres were carried out on the project. Grid preparation for the ground survey amounted to 73.0 line kilometres. One diamond drill hole was completed totaling 351.0 metres, and was planned to intersect the Laurie conductor along strike with a fence of historical drillholes to the south. The drillhole encountered graphite in enough quantity to explain the conductor, but alteration and structural disruption was minimal.

During the summer 2005, a DC Resistivity survey totaling 41.0 kilometres was carried out on the Laurie Project. Grid preparation for the ground survey amounted to 13.7 line kilometres.

2005 Alexandra Project Exploration

A total of two vertical drill holes (1,788 metres) were completed by COGEMA during the winter of 2005 over the UTEM III conductors already defined during the 2004 field season. None of the holes intersected a conductor or anomalous radioactivity.

2005 Erica Project Exploration

The winter 2005 geophysics exploration program consisted of 62.6 kilometres of grid preparation, 23.6 line kilometres of UTEM III moving loop and 65.8 line km of GPS surveys. A DC Resistivity survey totaling 35 line kilometres was completed over the UTEM grid during late summer of 2005. Interpretation of results is ongoing. Follow-up diamond drilling in the 2005 winter program consisted of three regional drill holes (ERC-06, 07, 08) totaling 2,110 metres. Only two holes intersected the unconformity while the third (ERC-08) was stopped at 422.0 metres due to early spring break-up; the casing was left in the hole to return at a later date. Two drill holes intersected unaltered Athabasca sandstone before reaching the unconformity at a depth between 740 metres and 745 metres. No structures or graphite-rich lithology was intersected in the basement.

2005 Uchrich Project Exploration

During the winter of 2005, a TEM moving loop survey totaling 13.2 kilometres was carried out on the project. Grid preparation for the ground surveys amounted to 47.2 line kilometres. During the summer 2005, a DC Resistivity survey totaling 40.0 kilometres was carried out to search for areas of hydrothermal alteration within the Athabasca sandstone unit on the property.

West Athabasca Projects: 2006 Exploration Programs

In January 2006, COGEMA commenced exploration programs on the Western Athabasca Projects, consisting of geophysical surveys and diamond drilling, budgeted at approximately \$7.0 million, as follows:

- *Shea Creek*: A diamond drilling program consisting of approximately 12,000 metres is planned for Shea Creek over the Kianna Deposit, and the Anne and Colette Deposit areas. Two drill rigs have been mobilized for the 2006 drilling program, which is planned to consist of about 35 holes (4 to 6 vertical, and 29 to 31 directional);
- *Laurie Project*: The 2006 winter program is planned to consist of a 6-hole diamond drilling program of approximately 2,300 metres over the TEM conductors defined by the ground geophysical programs carried out from 2003 to 2005;
- *Mirror River Project*: A diamond drilling program consisting of approximately 2,300 metres is planned in 6 diamond drill holes to test TEM conductors defined by the 2004 and 2005 geophysical programs;
- *Brander Lake Project*: A ground geophysical program is planned consisting of 43.4 line kilometres of TEM moving loop, and 137.4 line kilometres of grid preparation;
- *James Creek Project*: A ground geophysical program is planned totaling 60.0 line kilometres of DC Resistivity and 70.0 line kilometres of grid preparation;

- *Nikita Project:* A ground geophysical program is planned totaling 32.0 kilometres of TEM moving loop, 42.0 kilometres of DC Resistivity and 66.8 line kilometres of grid preparation over conductive "bright spots" outlined by the 2004 airborne MEGATEM® survey;
- *Alexandra and Erica Projects:* Processing and interpretation of the collected data from the 2004 Fugro MEGATEM® and Falcon® Gravity Gradiometer survey is ongoing;
- *Uchrich Project:* In 2006, work will consist of processing and interpretation of the collected data from the 2005 ground geophysical surveys to define potential drill targets.

Hidden Bay Project: 2005 Winter Exploration Program

This \$2.5 million exploration program commenced in January 2005 and consisted of an estimated 4,000 metres of sonic drilling program in 120 holes at the West Bear Deposit, approximately 8,700 metres of diamond drilling totaling 59 holes at five other locations on the project and helicopter-borne, VTEM geophysical surveys.

2005 West Bear Deposit Sonic Drilling Program

The 2005 winter sonic drilling program was implemented at West Bear following the efforts of the 2004 test sonic program in which three holes were drilled, twinning historical holes drilled by Gulf. The results of the 2004 twinning program suggested that the historical Gulf holes failed to properly sample the mineralized zones. Previous Gulf diamond drilling and reverse circulation drilling campaigns were plagued by poor recoveries, particularly within the mineralized intervals. 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. A review of the Gulf reports on the West Bear Deposit led the Cameco project team to consider the possibility that the uranium resource was understated.

The results of the 2005 sonic drilling program confirm this observation, with most of the twinned holes over the core of the West Bear Deposit yielding significantly higher grades and grade-thickness products than their historical Gulf counterparts. A cut-off grade of 0.15% U₃O₈ and a grade-thickness product of 0.45 metres-percent U₃O₈ were used by UEX to determine the boundaries of the deposit.

All samples were analyzed at Saskatchewan Research Council Geoanalytical Laboratories ("SRC") 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 were 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% U₃O₈ of the deposit as determined by Gulf.

2005 West Bear Deposit Resource Estimate Report

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% U₃O₈, for a total uranium content of 1,391,000 pounds of U₃O₈, 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 resource estimate of 131,000 tonnes at an

average grade of 0.44% U₃O₈, representing 1.26 million pounds of U₃O₈ [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. UEX planned to test the eastern area with a sonic drilling program in the winter of 2006 but has postponed the program until 2007 due to delays caused by unusually warm weather in the region.

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

2005 West Bear Environmental Baseline 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.

2006 West Bear Deposit Feasibility Study

In March 2006, UEX awarded the contract for a final feasibility study to Golder. 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.

2005 Winter Hidden Bay Diamond Drilling Program

The 2005 winter exploration program planned for 8,700 metres of diamond drilling to be completed, testing six target areas at Hidden Bay. However, only three of these target areas could be tested this winter due to poor ice conditions, an unusually heavy snow pack, and an early spring thaw. A total of 6,802 metres of diamond drilling was completed in 52 holes, 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) located at the north end of the Telephone Lake Trend. Hole SP-156, located 50 metres south of SP-148, encountered uranium mineralization located in basement rocks approximately 6.2 metres below the unconformity, which was reached at 183.6 metres. This mineralized interval averaged 4.52% U₃O₈ over 0.5 metres from 189.8 to 190.3 metres, and 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_3O_8 over 0.2 metres. Mineralization from these holes remains open down-dip to the east and is a priority drill target in the 2006 Winter drilling program. Some targets could not be drilled in the winter of 2005 due to poor ice conditions.

- 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 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 was the only hole that encountered significant uranium mineralization at the unconformity, returned a probe-defined grade of 0.28% eU_3O_8 over 1.0 metre.
- 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.

Drilling was planned to test prospective targets in the Tent-Seal Trend, Moosippi Lake and Post Landing Area during the winter of 2005 but could not be carried out due to inclement weather conditions.

2005 Raven-Horseshoe Deposits Drilling Program

In July 2005 UEX began Phase 1 of a two-phase, drilling program on the Raven-Horseshoe Uranium Deposits ("Raven-Horseshoe"). Raven-Horseshoe hosts a historical resource estimated at 6.7 million tonnes at an average grade of 0.16% U_3O_8 , representing approximately 23 million contained pounds of U_3O_8 . [Note: this is a historical resource estimate completed by Gulf in 1980 that was not estimated using current Canadian Institute of Mining, Metallurgy and Petroleum categories, and for which no current resource or reserve confidence categories were applied. As a result, Gulf's resource estimate is not compliant with N.I. 43-101. This resource estimate has not been independently verified by UEX.]

The two deposits are of the basement-hosted type and are located approximately 5 kilometres southeast of the edge of the Athabasca Group sandstones, and less than 5 kilometres south of Cameco's Rabbit Lake Mill. The deposits comprise two shallow plunging zones developed over a 2.5 kilometre strike length, and at depths of 50 to 450 metres below surface in quartzite. Unlike unconformity-type deposits such as McArthur River and Cigar Lake, Raven-Horseshoe is within competent pre-Athabasca basement rocks with no overlying sandstone that could allow underground ramp access and conventional underground mining methods if an economic resource is defined. Cameco's producing Eagle Point Mine, located 17 kilometres to the northeast, is also in basement rocks and is mined by such methods.

Approximately 13,000 metres of drilling was completed in 44 drill holes, with 28 holes targeting the Raven Deposit (holes RV-001 to RV-0028) and 16 targeting the Horseshoe Deposit (holes HO-001 to HO-016). The program tested five 50-metre spaced cross sections in the western portion of the Raven Deposit over a 200 metre strike length, and three 50-metre spaced cross sections in the western Horseshoe Deposit over a 100 metre strike length, with drill holes spaced 25 metres apart on each cross section.

Highlights of the 2005 Phase 1 drilling program include the following mineralized intercepts:

- 0.55% U₃O₈ over 6.6 metres in hole HO-003
- 0.57% U₃O₈ over 8.7 metres and 0.44% U₃O₈ over 6.9 metres in hole HO-004
- 2.82% U₃O₈ over 2.9 metres in hole HO-009
- 0.48% U₃O₈ over 7.9 metres in hole HO-015
- 0.46% U₃O₈ over 8.0 metres in hole RV-020

All uranium assay samples were analyzed at SRC by fluorimetry.

The 2005 drilling only tested short portions of the 1,100 metre strike length of the Raven Deposit, and the 800 metre strike length of the Horseshoe Deposit as defined by Gulf. Based on the results of Phase 1, UEX plans to initiate Phase 2 drilling in the summer of 2006 to delineate the extent of mineralization, and to outline further higher grade portions of the historical Gulf resource that have only been tested by widely-spaced historical drilling. These historical intersections include 16 metres grading 0.8% U₃O₈ in Gulf hole HS-013 and 10.36 metres of 0.47% U₃O₈ in hole HS-027, both which are in eastern parts of the Horseshoe Zone. The focus of summer 2006 drilling is planned on the Horseshoe Deposit, which hosts most of the contained U₃O₈ in the historical Gulf resource, and where greater continuity of mineralization is suggested by the 2005 results.

Hidden Bay Project: 2006 Winter Exploration Program

The winter 2006 exploration program budgeted at approximately \$2.7 million using two diamond drills began in January 2006. The first drill is testing targets in the West Bear, Mitchell Lake and Dwyer Lake areas, following up previously intersected prospective areas of mineralization and alteration, and testing several occurrences where uranium mineralization has been historically intersected, including the Blanche Lake and North Shore prospects.

The second drill is 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 McClean Lake, operated by COGEMA. Drilling will follow-up on the intersection of 4.52% U₃O₈ 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.

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 2007 because of access problems created by unusually warm weather.

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: 2005 Winter Exploration Program

An 11-hole step-out drilling program, totaling 4,645 metres, tested the extent of the uranium mineralization intersected in 2004 discovery hole 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% U₃O₈ 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.

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.

Hole 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. 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% U₃O₈ over its 0.10 metre length.

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. Drilling in this area has been limited to a 900 metre-long segment of the Eastern Fault Zone.

Hole 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. 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 SRC 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 N. I. 43-101.

2005 Airborne Geophysics

A MEGATEM[®] survey was completed, to provide blanket coverage for the entire property. Interpretation of the data is ongoing and is integrated with geological data as it is obtained by drilling

2005 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.

Black Lake Project: 2005 Summer/Fall Exploration Program

The \$1.4 million 2005 summer/fall exploration program consisted of an 18-hole diamond drilling program totaling 8,360 metres, a geochemical soil sampling program, and a Falcon[®] Gravity Gradiometer airborne geophysical survey. The drilling program was carried out from July to October 2005, testing the extent of the mineralization encountered in discovery hole BL-18, and

continued systematic testing of the graphitic conductors that extend along strike within the property.

2005 Summer/Fall Diamond Drilling Program

Significant uranium mineralization was encountered in two holes along the Eastern Fault Zone at, or immediately below the Athabasca unconformity. In hole BL-56, located approximately 200 metres south of hole BL-18, mineralization was intersected from 319.9 metres to 322.5 metres, grading 0.22% U₃O₈ over 2.9 metres (calculated from geochemical analysis). Hole BL-64, located approximately 600 metres south of BL-18, intersected unconformity-style uranium mineralization similar to that found in hole BL-18, from 338.75 metres to 340.75 metres, grading 0.45% U₃O₈ over the 2.0 metre interval, including 0.66% U₃O₈ over 0.5 metres, from 340.25 to 340.75 metres (calculated from geochemical analysis).

Both of the mineralized holes, and other holes drilled along the Eastern Fault zone over several kilometres of strike length, encountered faulting with pervasive dravite, pyrite, chlorite and illite alteration and anomalous uranium, lead and boron enrichment in the sandstone up to tens of metres above the unconformity. Together with favorable graphitic basement rocks that were intersected in all of the 18 holes drilled during the program, the anomalous alteration and geochemistry continues to underscore the prospectivity of this fault zone. UEX is encouraged by the latest drilling results and plans to continue systematic drilling of the conductive system to locate additional uranium mineralization.

All core samples were analyzed at SRC by ICP, with additional uranium analyses by fluorimetry.

2005 Summer/Fall Geochemical Survey

An Mobile Metal Ion ("MMI") geochemical sampling program was carried out on the northern Black Lake grid to seek anomalous responses from potential buried mineralization. 551 samples were collected at 25 metre spacing, and analyzed at SGS Laboratories of Toronto, ON. The MMI survey defined three multi-element anomalies. UEX plans to integrate the results of the MMI survey with existing geological and geophysical data to assist in prioritizing targets for its 2006 drilling programs.

2005 Summer/Fall Airborne Geophysical Surveys

To complement the 2005 airborne MEGATEM[®] survey, an airborne Falcon[®] Gravity Gradiometer survey was completed late in 2005 to assist in identifying favorable structures and alteration in the sandstone. UEX is currently evaluating the data.

Black Lake Project: 2006 Winter Exploration Program

Diamond drilling in the winter of 2006 is designed to follow up mineralized intercepts, and to systematically test the conductive system on the Property in areas interpreted to be prospective. Two drills have been mobilized to drill approximately 25 to 30 holes, totaling about 12,000 metres.

A program of linecutting and 53.0 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 was also carried out to identify areas of low gravity potentially associated with alteration.

Riou Lake Project: 2005 Winter Exploration Program

Three holes totaling 2,484 metres were drilled during the 2005 winter program to test targets at the Riou Lake Project, summarized as follows:

- Hole RLG-D21, collared in the Radioactive Springs area, was 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.

- Hole RLG-D22, was targeted on an interpreted conductor along the Riou Lake Fault system beneath Riou Lake but encountered no significant faulting or alteration. The source of the conductivity appears to lie in the sandstone.
- Hole RLG-D23, targeted on the eastern termination of the KC conductor, which is known to be a basement graphitic conductor, 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 in the winter of 2005.

Acquisition of New Claims

In May 2005, two claims were acquired by staking on open ground adjacent to the eastern boundary of the the Riou Lake Project. These claims are strategically located along strike of the Black Lake Project and appear to encompass the southern extension of the Black Lake conductor system, which is known to be mineralized to the northeast.

Riou Lake Project: 2005 Summer/Fall Exploration Program

One pilot hole and three directional holes totaling 1,917.5 metres were drilled during the 2005 summer/fall program to test targets within the Radioactive Springs area. The drilling program was designed to intersect an altered fault zone identified by previous drilling at the unconformity where it intersects a known graphitic conductor, and is summarized as follows:

- Hole RLG-D21-1, the first directional hole from Winter 2005 hole RLG-D21, was intended to test for the presence of the basement conductor interpreted to lie to the south of RLG-D21. Due to ground conditions, the navigational drilling system was unable to achieve sufficient southward deflection of the directional hole to test the target. A new pilot hole (RLG-D24) was eventually drilled to test this target.
- Hole RLG-D21-2, the second directional hole from Winter 2005 hole RLG-D21 was intended to test for the presence of a fault to explain the greater than 30 metre vertical offset of the unconformity in the relatively short distance (40 metres) between RLG-D21 and Pioneer's 2000 hole RLG-D15. The hole encountered zones of bleached, brecciated and faulted sandstone and a sample taken at 774.9 metres, at a point approximately one metre above the unconformity, graded 0.44% U_3O_8 over 0.10 metre, with accompanying anomalous values of arsenic, nickel, cobalt, and copper.
- Hole RLG-D24, was an angled pilot hole intended to test the basement conductor, which was the target of RLG-D21-1. The hole was abandoned at a depth of 894.5 metres when the drill rods became jammed in an area of highly brecciated sandstone.
- Hole RLG-D24-1, the first directional hole from RLG-D24, intersected the unconformity at 769.35 metres, but was stopped short of its intended target, due to the technical limits of the drill rig on site. Intense bleaching, fracturing and faulting were noted in the sandstone over much of the length of the hole, suggesting that RLG-24-1 was drilled parallel to and either within or in close proximity to a major fault zone. Although no significant uranium mineralization was found in the hole, samples just above and below the unconformity showed some enrichment in uranium and base metals values. The casing was left in the hole and an attempt will be made to continue the hole with a more powerful drill rig at a later date, or drill an additional cut to test the interpreted basement conductor.

The 2005 summer drilling program has confirmed the presence of a major fault system in the Radioactive Springs area and further drilling is planned for the summer of 2006 using a more powerful navigational drilling rig.

All core samples were analyzed at SRC 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 N. I. 43-101.

2005 Summer/Fall Geochemical Survey

An MMI geochemical soil sampling program was carried out on the Riou Lake East and West grids to seek anomalous responses from potential buried mineralization. A total of 767 samples were collected at 25 metre spacings, and analyzed at SGS Laboratories of Toronto, ON. A multi-element anomaly measuring 1,200 metres long by 200 metres wide was outlined on the Riou Lake East grid, corresponding with the surface projection of the Riou Lake Fault. Within this trend, strongly elevated uranium "hot spots" are present that represent follow-up exploration targets. Similar anomalous trends are observed on the Riou Lake West Grid, although the uranium responses were lower. Follow-up sampling is planned for the summer of 2006 and integration of the results of the MMI survey with existing geological and geophysical data is ongoing to assist in prioritizing drill targets for UEX's 2006 and 2007 drilling programs.

2005 Summer/Fall Airborne Geophysical Surveys

To complement the 2005 airborne MEGATEM[®] survey, an airborne Falcon[®] Gravity Gradiometer survey of approximately 1,770 line kilometres was completed late in 2005 at a cost of approximately \$235,000 to assist in identifying favorable structures and alteration in the sandstone. UEX is currently evaluating the data.

Riou Lake Project: 2006 Winter Exploration Program

A program of 52.3 kilometres of UTEM III moving loop electromagnetic surveys is underway to better define the geophysical conductors outlined by the 2005 airborne MEGATEM[®] survey and previous ground electromagnetic surveys. A ground gravity survey is also scheduled 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 uraniumiferous 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 new drill targets for future drilling programs, including a summer 2006 drilling program.

Beatty River Project: 2005 Winter Exploration Program

The 2005 winter exploration program at the Beatty River Project consisted of four angled drill holes totaling 1,753 metres. Although each of the holes encountered zones of fractured, brecciated and/or desilicified sandstone, none intersected uranium mineralization. Weakly graphitic basement rocks were intersected in three of the holes; however, the quantity of graphite was insufficient to explain a previously-outlined basement conductor.

Of the holes drilled in 2005, holes BR-23, BR-24, and in particular BR-25, are geochemically of the most interest. In the latter drill hole, elevated boron values and dravite observed in the silicified sandstone suggest the presence of a large hydrothermal cell to the west of the drilling on the BR-2 grid. It is not certain as to the origin of such a cell, but it is noted that hole BR-25 lies in close proximity to the large east-west structure in that area.

COGEMA is confident that a good conductor has been identified in the area, and that significant fluid movement and structural disruption warrants further exploration. Follow-up drilling should attempt to intersect the conductor in close proximity to interpreted structures.

Geophysical surveys, including time-domain electromagnetic and DC Resistivity surveys, are planned for 2006 to better define the location of the conductor, 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 December 31, 2005 the Corporation had current assets of \$45,378,076, including \$44,921,021 in cash and cash equivalents compared to current assets in 2004 that totaled \$24,425,230. Working capital at December 31, 2005 was approximately \$43,481,557, compared to working capital of approximately \$22,241,003 at December 31, 2004.

Accounts payable and accrued liabilities at year end 2005 were \$1,896,519, which is comparable to the amount for 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 net future income tax liability of \$9,121,818 at December 31, 2005, is comprised of a \$10,624,659 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 \$1,502,841. At December 31, 2004, the Corporation's Future income tax liability was \$4,738,677. 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.

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 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, 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.

Failure to obtain additional financing on a timely basis could cause UEX to reduce its interest in its properties.

The Corporation has sufficient financial resources to carry out planned exploration on all its projects for the next several years and to fund its general administrative costs; however, there are no revenues from operations and no assurances that sufficient funding will be available to conduct further exploration and development of its projects or to fund exploration expenditures under the terms of any option agreements after that time. If the Corporation's exploration and development programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional funding could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Corporation's properties. It is intended that such funding will be obtained primarily from future equity issues. The ability of UEX to raise the additional capital and the cost of such capital will depend upon market conditions from time to time. There can be no assurances that such funds will be available at reasonable cost or at all.

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.

Resource estimates are based on interpretation and assumptions.

Mineralization figures presented in this document and in UEX's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or this mineralization could be mined or processed profitably.

Because UEX has not commenced production on any of its properties, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for UEX's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralization ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

In addition, certain of the resource estimates presented in this document and in UEX's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are historical estimates. These historical estimates were not made using current Canadian Institute of Mining, Metallurgy and Petroleum categories and no current resource or reserve confidence categories were applied. As a result, these estimates are not compliant with NI 43-101. UEX has not independently verified the results of these historical resource estimates and they may not be reliable.

Related party transactions

During the year ended December 31, 2005, fees for legal and accounting services in the amount of \$115,759 (2004 - \$164,591), 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, namely: Graham C. Thody, Partner at Nemeth, Thody, Anderson, Chartered Accountants, of Vancouver, B.C., and Peter C. Kalbfleisch, 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 Corporation.

In 2005, Cameco managed exploration activities at the Corporation's Hidden Bay Project, as part of a contractual agreement signed in 2001. During the year ended December 31, 2005, the Corporation was charged by Cameco a total of \$646,927 (2004 - \$256,992) for expenses incurred by Cameco at the Hidden Bay Project, of which no mark-up over Cameco's cost was charged. At December 31, 2005, \$92,093 due to Cameco was included in accounts payable and accrued liabilities (2004 - \$84,061). Cameco's management contract for exploration activities at the Hidden Bay Project ended on December 31, 2005.

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.

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 March 29, 2006, with exploration programs underway, the Corporation had approximately \$90.0 million in cash and cash equivalents.

Events Subsequent to December 31, 2005

Subsequent to December 31, 2005:

- (a) The Corporation 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;
- (b) The Corporation granted stock options enabling directors and employees to acquire up to 1,650,000 common shares at an exercise price of \$5.00 per share, expiring on January 11, 2016;
- (c) The Corporation granted stock options enabling employees to acquire up to 300,000 common shares at an exercise price of \$5.00 per share, vesting over a period of two years and expiring on January 11, 2016;
- (d) The Corporation issued 346,200 common shares on the exercise of stock options for proceeds of \$250,040;
- (e) The Corporation issued 50,000 common shares on the exercise of share purchase warrants for proceeds of \$37,500.

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.

Disclosure Controls and Procedures

UEX maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. UEX's Chief Executive Officer and acting Chief Financial Officer has evaluated UEX's disclosure controls and procedures as of December 31, 2005 and concluded that the current disclosure controls and procedures are effective.

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 herein 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

Financial Statements of

UEX CORPORATION

Years ended December 31, 2005 and 2004



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

March 10, 2006

UEX CORPORATION

Balance Sheets

December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,921,021	\$ 24,248,183
Amounts receivable	423,835	153,875
Prepaid expenses	33,220	23,172
	<u>45,378,076</u>	<u>24,425,230</u>
Equipment (note 3)	61,100	57,947
Mineral properties (note 4)	37,689,052	20,038,210
	<u>\$ 83,128,228</u>	<u>\$ 44,521,387</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 1,896,519	\$ 2,004,227
Future income taxes (note 5)	9,121,818	4,738,677
Shareholders' equity:		
Share capital (note 6)	71,526,422	37,776,499
Contributed surplus (note 7)	1,998,577	1,906,013
Deficit	(1,415,108)	(1,904,029)
	<u>72,109,891</u>	<u>37,778,483</u>
	<u>\$ 83,128,228</u>	<u>\$ 44,521,387</u>

Nature of operations (note 1)
Commitments (notes 4 and 6(e))
Subsequent events (notes 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Stephen H. Sorensen" Director

"Graham C. Thody" Director

UEX CORPORATION

Statements of Operations and Deficit

Years ended December 31, 2005 and 2004

	2005	2004
Expenses:		
Amortization	\$ 21,929	\$ 10,226
Bank charges and interest	2,243	1,364
Filing fees and stock exchange	111,255	33,939
General and administration	85,200	72,002
Insurance	16,742	2,765
Legal, accounting and audit	148,406	53,495
Rent	39,055	29,524
Salaries and benefits	259,594	257,456
Stock-based compensation (note 6(c))	431,102	1,495,067
Telephone	6,938	5,736
Travel and promotion	33,074	15,908
Loss before the following	(1,155,538)	(1,977,482)
Investment and other income	812,979	254,714
Administrative expense recovery	82,698	-
Write-down of mineral properties (note 4)	(1,672)	(196,914)
Loss before income taxes	(261,533)	(1,919,682)
Future income tax recovery (note 5)	750,454	77,033
Net earnings (loss) for the year	488,921	(1,842,649)
Deficit, beginning of year	(1,904,029)	(61,380)
Deficit, end of year	\$ (1,415,108)	\$ (1,904,029)
Earnings (loss) per share:		
Basic	\$ -	\$ (0.01)
Diluted	-	(0.01)
Weighted average number of shares outstanding:		
Basic	158,987,256	131,370,640
Diluted	163,503,886	138,561,927

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash provided by (used for):		
Operations:		
Net earnings (loss) for the year	\$ 488,921	\$ (1,842,649)
Items not involving cash		
Amortization	21,929	10,226
Future income tax recovery	(750,454)	(77,033)
Stock-based compensation	431,102	1,495,067
Write-down of mineral properties	1,672	196,914
Changes in non-cash operating working capital:		
Amounts receivable	(269,960)	(128,093)
Prepaid expenses	(10,048)	(14,950)
Accounts payable and accrued liabilities	(40,708)	30,132
	(127,546)	(330,386)
Investments:		
Mineral property expenditures	(17,124,476)	(6,677,175)
Change in accounts payable and accrued liabilities relating to mineral property expenditures	(67,000)	1,857,000
Purchase of equipment	(25,082)	(68,173)
	(17,216,558)	(4,888,348)
Financing:		
Common shares issued, net of share issuance costs	38,016,942	26,129,304
Increase in cash and cash equivalents	20,672,838	20,910,570
Cash and cash equivalents, beginning of year	24,248,183	3,337,613
Cash and cash equivalents, end of year	\$ 44,921,021	\$ 24,248,183
Supplementary information:		
Interest received	\$ 747,796	\$ 252,701
Non-cash stock-based compensation included in mineral property expenditures	216,003	252,003
Increase in mineral properties due to future income taxes	312,035	-

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

1. Nature of 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 and Black Lake Projects. On the same date, Cameco transferred its Hidden Bay uranium exploration property and certain related assets, in exchange for shares of the Company.

The Company is 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 proceeds from the disposition of its mineral properties.

2. Significant accounting policies:

(a) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties, determination of valuation allowances for future income tax assets and assumptions used in determining the fair value of non-cash stock-based compensation. Actual amounts may differ from such estimates.

(b) Cash equivalents

Cash equivalents are highly liquid investments having a maturity of three months or less at the date of acquisition and are readily convertible to contracted amounts of cash.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

2. Significant accounting policies (continued):

(c) Equipment:

Equipment is stated at cost less accumulated amortization. Amortization is provided on a declining-balance basis over the expected useful lives of the assets, using the following rates:

Asset	Rate
Exploration equipment	30%
Computer equipment	30%
Computer software	100%

In the year of acquisition, amortization is provided at one-half the declining balance rate.

(d) 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 the 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 amounts shown 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. All administrative costs are expensed in the year incurred.

(e) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it incurs a legal obligation, if a reasonable estimate of fair value can be made, based on the discounted estimated future cash settlement of an asset retirement obligation. The asset retirement obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. This asset retirement cost will be depreciated over the life of the related asset. The liability is accreted, through operating expense, over a period ending when the liability is finally settled in cash, subject to annual adjustments for changes in estimates. The Company has assessed each of its mineral projects and determined that no material asset retirement obligations exists.

(f) Financial instruments:

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

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

2. Significant accounting policies (continued):

(g) Stock-based compensation:

The Company has a share option plan which is described in note 6(c). The Company records all stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(h) Income taxes:

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period the substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

The future income tax effect on eligible mineral property expenditures funded by proceeds from the issuance of flow-through shares is charged to share issuance costs at the time the expenditures are renounced to shareholders.

(i) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury stock method is used to calculate diluted earnings per share. However, outstanding options and warrants would have no dilutive effects on basic loss per share for 2004 due to the Company's loss for that year.

(j) Variable interest entities:

Effective January 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG-15") on a prospective basis. AcG-15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the financial statements as management has determined the Company does not have any variable interest entities.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

3. Equipment:

2005	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 80,410	\$ 27,757	\$ 52,653
Computer equipment	10,609	3,280	7,329
Computer software	2,236	1,118	1,118
	\$ 93,255	\$ 32,155	\$ 61,100

2004	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 61,550	\$ 9,232	\$ 52,318
Computer equipment	6,623	994	5,629
	\$ 68,173	\$ 10,226	\$ 57,947

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

Project	Balance December 31, 2004	Exploration and development expenditures	Write-down of mineral properties	Balance December 31, 2005
West Athabasca	\$ 3,480,946	\$ 7,569,539	\$ -	\$ 11,050,485
Hidden Bay	11,514,610	4,098,331	-	15,612,941
Black Lake	1,654,998	3,360,927	-	5,015,925
Riou Lake	2,824,469	1,859,614	-	4,684,083
Beatty River	27,009	211,678	-	238,687
North Athabasca	534,506	552,425	-	1,086,931
Other	1,672	-	(1,672)	-
	\$ 20,038,210	\$ 17,652,514	\$ (1,672)	\$ 37,689,052

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

4. Mineral properties (continued):

Project	Balance December 31, 2003	Exploration and development expenditures	Write-down of mineral properties	Balance December 31, 2004
West Athabasca	\$ -	\$ 3,480,946	\$ -	\$ 3,480,946
Hidden Bay	10,293,557	1,221,053	-	11,514,610
Black Lake	590,888	1,064,110	-	1,654,998
Riou Lake	2,224,587	599,882	-	2,824,469
Beatty River	-	27,009	-	27,009
North Athabasca	-	534,506	-	534,506
Serendipity Lakes	196,914	-	(196,914)	-
Other	-	1,672	-	1,672
	\$ 13,305,946	\$ 6,929,178	\$ (196,914)	\$ 20,038,210

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 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 is required to 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 includes the Anne, Colette and Kianna deposits, for every \$7,500,000 incurred to a maximum total interest of 49%. At December 31, 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 U₃O₈ sold to a maximum royalty of US\$10,000,000.

(b) Hidden Bay Project:

The Company's 100%-owned Hidden Bay Project assets, including the West Bear and Raven-Horseshoe deposits, are located immediately west of Wollaston Lake in Saskatchewan.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

4. Mineral properties (continued):

(c) Black Lake Project:

Prior to 2002, the Company had an option to earn a 60% interest in the Black Lake Project lands, located in the Athabasca Basin, by spending \$2.5 million by December 31, 2007. The Black Lake Project lands were held 50% by Cameco and 50% by COGEMA Resources Inc. ("COGEMA"). Pursuant to the October 23, 2001 agreement between the Company and Cameco (note 1), Cameco was to transfer its 50% interest in the Black Lake Project lands to the Company and the Company's option agreement on the property was to be terminated. This transfer was completed in January 2004 and accordingly, at that time, the Company held a 50% interest in the Black Lake Project and the remaining 50% interest was held by COGEMA.

As a result of COGEMA electing not to participate in the winter 2004 and summer 2005 exploration programs, the Company's interest in the Black Lake Project increased to 76.43% and COGEMA's interest decreased to 23.57%. 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 Project:

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

(g) Serendipity Lakes:

Pursuant to the agreement entered into by Pioneer with D.F. Exploration Uranium Ltd., the Company could earn up to a 60% interest in this project by spending \$1.75 million by December 31, 2008. During the year ended December 31, 2004, the Company terminated this option and wrote-off the \$196,914 of deferred mineral property costs associated with this project.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

5. Income taxes:

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2005	2004
Loss before income taxes	\$ (261,533)	\$ (1,919,682)
Statutory rates	34.87%	39.12%
Income tax recovery at statutory rates	\$ 91,197	\$ 750,980
Non-deductible expenses and timing differences	(195,433)	(670,134)
Deductible share issuance costs	286,852	149,135
Future income taxes related to mineral properties	654	77,033
Benefit of previously unrecognized future income tax assets	583,667	-
Future tax rate differences	(16,483)	-
Losses not recognized	-	(229,981)
Future income tax recovery	\$ 750,454	\$ 77,033

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Loss carry forwards	\$ 636,807	\$ 486,000
Equipment	10,971	4,000
Share issuance costs	855,063	436,000
Valuation allowance	-	(926,000)
Net future tax assets	1,502,841	-
Future tax liabilities:		
Mineral properties	(10,624,659)	(4,738,677)
Net future tax liabilities	\$ (9,121,818)	\$ (4,738,677)

At December 31, 2005, the Company has approximately \$1,854,000 of non-capital loss carry forwards for federal income tax purposes that are available to offset future federal taxable income. These operating losses expire between 2009 and 2015.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

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.

(b) Issued and outstanding - common shares:

	Number of shares	Value
Balance, December 31, 2003	115,526,844	\$ 11,647,195
Issued in 2004:		
For cash by way of private placements, net of share issuance costs	26,666,667	25,484,261
For cash on exercise of stock options (note 6(c))	2,700,000	281,000
For cash on exercise of warrants	2,056,174	364,043
Balance, December 31, 2004	146,949,685	37,776,499
Issued in 2005:		
For cash by way of private placements, net of share issuance costs	16,000,000	36,292,967
Future income taxes on share issuance costs	-	753,040
For cash on exercise of stock options (note 6(c))	1,097,500	617,650
For cash on exercise of warrants	5,225,300	1,106,325
Contributed surplus transferred on exercise of stock options	-	554,541
Future income taxes on flow-through expenditures renounced to shareholders	-	(5,574,600)
Balance, December 31, 2005	169,272,485	\$ 71,526,422

During the year ended December 31, 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 and \$70,237 of additional issuance costs were incurred; and
- (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 and \$66,796 of additional issuance costs were incurred.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

6. Share capital (continued):

(b) Issued and outstanding - common shares (continued):

During the year ended December 31, 2004, the Company entered into the following private placements:

- (A) On April 14, 2004 the Company issued 10,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$5,000,000, pursuant to a non-brokered private placement;
- (B) On June 3, 2004 the Company issued 5,666,667 flow-through common shares at \$0.75 per share for gross proceeds of \$4,250,000, pursuant to a brokered private placement. A commission of \$212,500 was paid to the broker and the Company also issued 283,333 compensation warrants to the broker. Each compensation warrant entitles the broker to acquire one common share of the Company at a price of \$0.75 per share until June 3, 2006. The grant date fair value of these compensation warrants has been included in share capital on a net basis;
- (C) On September 15, 2004 the Company issued 7,000,000 common shares at a price of \$1.00 per share for gross proceeds of \$7,000,000, pursuant to a non-brokered private placement; and
- (D) On October 29, 2004 the Company issued 4,000,000 flow-through common shares at \$2.50 per share for gross proceeds of \$10,000,000, pursuant to a brokered private placement. The Company paid a commission of \$400,000 to the agent as part of this private placement.

(c) Stock-based compensation:

Under the Company's stock-based compensation plan, the Company may grant options to its key employees, directors, officers and others providing services to the Company. In the prior year, the maximum number of shares issuable under the plan is 11,000,000. In 2005, the maximum number of shares issuable under the plan changed to a rolling number equal to 10% of the issued and outstanding common shares of the Company from time to time. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall not be less than the quoted market value of the shares on the Toronto Stock Exchange at the time the option is granted and an option's maximum term is 10 years. The shares subject to each option shall become purchasable at such time or times as may be determined by the board of directors.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

6. Share capital (continued):

(c) Stock-based compensation (continued):

A summary of the status of the Company's stock-based compensation plan as of December 31, 2005 and 2004, and changes during the years ended on these dates are presented below.

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2003	4,950,000	\$ 0.10
Granted during the year	2,520,000	1.05
Exercised during the year	(2,700,000)	0.10
Outstanding, December 31, 2004	4,770,000	0.60
Granted during the year	425,000	2.19
Exercised during the year	(1,097,500)	0.56
Outstanding, December 31, 2005	4,097,500	\$ 0.78
Exercisable, December 31, 2005	3,764,168	

As at December 31, 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:

Exercise prices	Number outstanding, December 31, 2005	Weighted average remaining contractual life
\$ 0.08	1,360,000	7.7 years
0.10	86,000	7.0 years
0.12	351,500	5.4 years
0.84	500,000	8.5 years
0.95	875,000	8.7 years
1.69	500,000	8.8 years
1.80	250,000	9.5 years
2.75	175,000	9.2 years
	4,097,500	8.1 years

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

6. Share capital (continued):

(c) Stock-based compensation (continued):

The estimated fair value of all options granted and vested during 2005 is \$647,105 (2004 - \$1,747,070). Included in deferred exploration and development expenditures is \$216,003 (2004 - \$252,003) of stock-based compensation.

The weighted average fair value of options granted during the year ended December 31, 2005 was \$1.35 (2004 - \$0.85) per option using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Volatility percentage	83%	120%
Risk-free interest rate	3.3%	3.8%
Dividend yield	-	-
Expected life of options	4 years	4 years

(d) Warrants:

At December 31, 2005, the following share purchase warrants enabling holders to acquire shares were outstanding:

Number of shares	Exercise price	Expiry date
283,333	0.75	June 3, 2006

(e) Flow-through shares:

During 2005, the Company raised \$12,000,000 (2004 - \$14,250,000) by way of flow-through common shares. Once renounced by the Company, flow-through shares provide shareholders with the tax deductions associated with qualified exploration expenditures. At December 31, 2005, a total of \$6,414,843 of flow-through funds that were raised in 2005, and included in cash and cash equivalents, remained to be spent (2004 - \$11,417,000), of which \$1,736,408 had been incurred and is included in accounts payable and accrued liabilities as at December 31, 2005. The Company has until December 31, 2006 to incur the remaining amount.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2005 and 2004

7. Contributed surplus:

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

	2005	2004
Contributed surplus, beginning of year	\$ 1,906,013	\$ 158,943
Fair value of options granted and vested during the year	647,105	1,747,070
Transferred to share capital on exercise of options	(554,541)	-
Contributed surplus, end of year	\$ 1,998,577	\$ 1,906,013

8. Related party transactions:

During the year ended December 31, 2005, the Company was charged by Cameco a total of \$646,927 (2004 - \$256,992) 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 December 31, 2005, \$92,093 due to Cameco was included in accounts payable and accrued liabilities (2004 - \$84,061).

During the year ended December 31, 2005, fees for legal and accounting services in the amount of \$115,759 (2004 - \$164,591), a portion of which were share issuance costs, were paid to firms of which a director or a former director of the Company are partners.

9. Subsequent events:

Subsequent to December 31, 2005:

- 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.
- The Company granted stock options enabling directors and employees to acquire up to 1,650,000 common shares at an exercise price of \$5.00 per share, expiring on January 11, 2016.
- The Company granted stock options enabling employees to acquire up to 300,000 common shares at an exercise price of \$5.00 per share, vesting over a period of two years and expiring on January 11, 2016.
- The Company issued 132,800 common shares on the exercise of stock options for proceeds of \$224,432.
- The Company issued 50,000 common shares on the exercise of share purchase warrants for proceeds of \$37,500.



Corporate Information

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