



UEX CORPORATION

2006 ANNUAL REPORT



Message to Shareholders

In 2006, UEX Corporation ("UEX", or the "Corporation") continued to make important strides in its exploration and development activities in the Athabasca Basin of northern Saskatchewan, Canada, an area that hosts the world's highest grade uranium deposits. With continued drilling success at its advanced uranium exploration projects the Corporation moved closer to its goal of achieving resource estimates for the Kianna Deposit at the Shea Creek Project, one of ten Western Athabasca Projects operated by AREVA, and the Raven-Horseshoe Deposits at the Hidden Bay Project, operated by UEX.

In August 2006, UEX's interest in the Western Athabasca Projects increased to 24.5%, and the Corporation anticipates earning an additional 12.25% for a 36.75% interest before the end of the Third Quarter of 2007. In early 2007, UEX approved the commencement of a development program proposed by AREVA for the Shea Creek Project.

In early 2006, UEX commissioned a final feasibility study at the West Bear Deposit and after the integration of a follow-up sonic drilling program in the winter of 2007 the Corporation anticipates receiving the results of the study later in 2007. UEX expects to initiate the public consultation and permitting process for the West Bear Deposit in 2007 as the first step towards mine development.

The Corporation completed an equity financing in February 2006 for gross proceeds of \$53.11 million, which gave UEX a cash position of approximately \$77.0 million at December 31, 2006. UEX spent approximately \$20.0 million at its uranium projects in 2006 and estimates its exploration expenditures will be \$25.0 million in 2007.

In March 2006, UEX was added to the S&P/TSX Composite Index. UEX management looks forward to the future exploration and, where warranted, development of its existing uranium projects as well as continued growth through its acquisition strategy.

"signed"

Stephen H. Sorensen, President & CEO

March 27, 2007

Management Discussion & Analysis

All dollar figures are in Canadian funds, unless indicated otherwise.

Overview

Strategy

UEX's goal is to remain the leading uranium explorer in the Athabasca Basin of northern Saskatchewan and to become a uranium producer. UEX believes sustainable growth is best achieved 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 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 21.5% of the outstanding 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, in certain cases, development of 19 uranium projects in the Athabasca Basin, including seven that are 100% owned and operated by UEX, one joint venture with AREVA Resources Canada Inc. ("AREVA", formerly COGEMA Resources Inc.) that is operated by UEX, ten under option from AREVA and one under option from Japan-Canada Uranium Company, Limited, which are operated by AREVA. AREVA is part of the AREVA group, the world's largest nuclear energy company. The 19 projects, totaling 385,452 hectares (952,450 acres), are located in the eastern, western and northern perimeters of the Athabasca Basin, the world's richest uranium belt, which accounts for approximately 25% 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 AREVA under which UEX holds an 87.2% interest and AREVA holds a 12.8% interest. The Black Lake Project 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 AREVA whereby UEX was granted the option to acquire up to a 49% interest in eight uranium projects owned by AREVA, 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 AREVA, bringing the total number of projects under the UEX-AREVA Western Athabasca option agreement to ten. UEX and AREVA entered into a definitive option agreement relating to the Western Athabasca Projects dated November 10, 2004. AREVA is the operator of the Western Athabasca Projects.

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 \$19.75 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 \$7.5 million of expenditures incurred to a maximum total interest of 49%. In the event that the Anne and Colette deposits are mined, UEX has agreed to pay to AREVA a royalty of US\$0.212 per pound of U₃O₈, to a maximum royalty of US\$10.0 million.

In August 2006, UEX was advised by AREVA that UEX had earned its second 12.25% interest in the Western Athabasca Projects after incurred expenditures of \$15.0 million, for a total interest earned by UEX of 24.5%. Based on the current budgeted expenditures for 2007, UEX anticipates earning its next 12.25% interest by the end of the Third Quarter of 2007, to hold a 36.75% earned interest.

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, AREVA owns a 50.71% interest and JCU owns a 49.29% interest in Beatty River. Under the agreement, UEX can earn a 25% interest in Beatty River by funding \$865,000 in exploration expenditures by December 31, 2008. As of December 31, 2006, UEX's expenditures were \$438,000. AREVA plans to maintain its 50.71% interest in Beatty River by matching UEX's exploration expenditures.

Growth Strategy

Incurred and planned expenditures by UEX for 2007 are estimated at \$25.0 million 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 economic resources at the Shea Creek Project and the Raven-Horseshoe Deposits;
- 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, 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 the AREVA Group.

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 1,300% since January 2001 and by March 26, 2007 the spot price was US\$95.00 per pound U₃O₈, an increase of over 162% from the 2005 year end spot price of US\$36.25 per pound U₃O₈.

In recent years, the nuclear industry has seen increased capacity at existing nuclear plants, extensions of plant licenses, and new plant construction. Electricity demands are rising rapidly worldwide. For example, the China Atomic Energy Authority is reported to have nine nuclear power reactors in commercial operation, two units grid connected or in an advanced state of construction, and four more under construction. At least 30 new reactors are planned in order to increase China's nuclear power generation to 40 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 and AREVA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2006, worldwide annual fuel consumption was estimated at approximately 176 million pounds U₃O₈. World primary production

in 2006 was approximately 102.3 million pounds U_3O_8 , which was about 10 million pounds less than industry predictions, due to production problems. The resulting shortfall between consumption and production 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 2007, 435 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 79% in 2006. Nuclear-generated energy supplies approximately 16% of the world's electricity.

Long Term Outlook

In 2000, uranium spot prices reached a low 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\$95.00 per pound U_3O_8 as of the date of this document, and the long term uranium market outlook remains positive with increased consumption, and the continuing draw down of secondary uranium sources. Given the lead time necessary to find and develop new mines, the projected gaps in both supply and future depletion of existing high grade uranium deposits means that uranium exploration must be accelerated in order to meet future demand.

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 completed fiscal years. The data should be read in conjunction with the audited financial statements for the year ending December 31, 2006 and the notes thereto.

For the Years Ended December 31

	2006	2005	2004
(CDN\$)			
Investment Income	\$3,266,404	\$812,979	\$254,714
Net Earnings (Loss) for the Year	(\$3,690,166)	488,921	(\$1,842,649)
Basic and Diluted Earnings (Loss) Per Share	(\$0.02)	\$0.00	(\$0.01)
Capitalized Exploration Expenditures, net of Stock-Based Compensation Capitalized	\$20,853,031	\$17,124,476	\$6,677,175
Total Assets	\$137,994,482	\$83,128,228	\$44,521,387

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. 2006	Sept. 2006	Jun. 2006	Mar. 2006	Dec. 2005	Sept. 2005	Jun. 2005	Mar. 2005
(CDN\$)	\$	\$	\$	\$	\$	\$	\$	\$
Investment Income	846,630	913,154	910,953	595,667	355,349	275,478	42,513	139,639
Net Earnings (Loss) For the Period	357,526	(1,981,057)	2,405,263	(4,471,898)	933,558	(4,710)	(176,786)	(263,141)
Basic and Diluted Earnings (Loss) Per Share	0.002	(0.011)	0.013	(0.026)	0.005	(0.000)	(0.001)	(0.001)
Capitalized Exploration Expenditures, net of Stock-Based Compensation Capitalized	3,652,544	5,658,930	3,676,380	7,595,177	3,908,244	4,829,102	2,899,159	5,487,971
Total Assets	137,994,482	139,557,023	136,398,706	138,336,861	83,128,228	82,711,917	56,386,345	46,585,561

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 180,819,918 common shares were issued and outstanding as of December 31, 2006, and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 shares, none of which are issued and outstanding. As of March 27, 2007, the number of common shares outstanding was 182,118,052 (see "Events Subsequent to December 31, 2006").

At December 31, 2006, the Corporation had reserved a total of 7,656,000 common shares related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2006	Weighted average remaining contractual life
\$ 0.08	1,054,100	6.7 years
0.10	16,000	6.0 years
0.12	84,000	3.8 years
0.84	500,000	7.5 years
0.95	675,000	7.7 years
1.69	367,200	7.8 years
1.80	184,700	8.5 years
2.75	175,000	8.2 years
3.56	2,650,000	9.7 years
5.00	1,950,000	9.0 years
	7,656,000	8.6 years

Results of Operations for the Year Ended December 31, 2006

For the year ended December 31, 2006, the Corporation reported a net loss of \$3,690,166 compared to net earnings of \$488,921 for the year ending December 31, 2005. Before future income tax recovery, the Corporation incurred a loss of \$6,052,614 for the year ended December 31, 2006, compared to a loss of \$261,533 for the year ended December 31, 2005. The larger

loss before income taxes for the year ending December 31, 2006, was primarily due to a \$7,944,422 increase in stock-based compensation expense, which was partially offset by a \$2,453,425 increase in investment income.

Investment income was \$3,266,404 for the year ended December 31, 2006, compared to \$812,979 for the year ended December 31, 2005, an increase of \$2,453,425. The increase resulted from the investment during the year of larger cash balances than those invested during the year ended December 31, 2005. These larger cash balances resulted from the Corporation's equity offerings

The granting and vesting of stock options during the year ended December 31, 2006 resulted in total stock-based compensation expense of \$9,558,641, of which \$1,183,116 was included in mineral property expenditures and the remaining \$8,375,524 was charged to operations. Total stock-based compensation expense for the year ended December 31, 2005 was \$647,105, of which \$216,003 was included in mineral property expenditures and \$431,102 was charged to operations.

The future income tax recovery of \$2,362,448 for the year ended December 31, 2006 is due to the enactment of amendments to current tax legislation by the Federal and Saskatchewan governments, which provide for a reduction in future corporate tax rates. During the year ending December 31, 2005, the future income tax recovery of \$750,454 was 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.

Operating expenses before stock-based compensation expense for the year ended December 31, 2006 were \$943,494 compared to \$724,436 for the year ended December 31, 2005, a difference of \$219,058, mainly due to a significant increase in the Corporation's business activity during the year ended December 31, 2006. This increased activity led to higher administrative expenses, salaries, and stock exchange listing fees.

General and administrative expenses were \$99,344 for the year ended December 31, 2006, higher than the general and administrative expenses of \$85,200 for 2005. Salaries and benefits totaled \$414,855 during the year ended December 31, 2006, an increase over the salaries and benefits costs of \$259,594 incurred by the Corporation in 2005, primarily due to the hiring of additional employees, and higher salary costs attributed to a significant increase in the Corporation's business activity. Rent costs for the year ended December 31, 2006 were \$62,845, compared to rent costs of \$39,055 during the year ending December 31, 2005, due mainly to the expansion of the Corporation's office premises. Legal, accounting and audit expenses for the year ended December 31, 2006 were \$131,873, compared to \$148,406 during the year ended December 31, 2005, a decrease of \$16,533 mainly due to the fact that the accounting function was performed by employees of the Corporation during the year ended December 31, 2006. The Corporation relied on outside accounting services during the first six months of 2005. Filing fees and stock exchange fees rose in 2006 to \$141,247, an increase of \$29,992 over 2005, in which those expenses were \$111,255, due mainly to increased costs relating to stock exchange and regulatory fees which are based on the Corporation's greater market capitalization.

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

Project	2005			2006		
	Balance December 31, 2004	Exploration & development expenditures	Write-down of mineral properties	Balance December 31, 2005	Exploration & development expenditures	Balance December 31, 2006
West Athabasca	\$ 3,480,946	\$ 7,569,539	\$ -	\$ 11,050,485	\$ 6,810,174	\$ 17,860,659
Hidden Bay	11,514,610	4,098,331	-	15,612,941	6,227,201	21,840,142
Black Lake	1,654,998	3,360,927	-	5,015,925	5,416,115	10,432,040
Riou Lake	2,824,469	1,859,614	-	4,684,083	2,205,191	6,889,274
Beatty River	27,009	211,678	-	238,687	209,813	448,500
North Athabasca	534,506	552,425	-	1,086,931	1,828,952	2,915,883
Other	1,672	-	(1,672)	-	-	-
	\$20,038,210	\$17,652,514	\$ (1,672)	\$37,689,052	\$22,697,446	\$60,386,498

(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, 2006 totaled \$22,697,446, including stock-based compensation expense, an increase of \$5,044,932 over the exploration and development expenditures, including stock-based compensation expense, of \$17,652,514 for the year ended December 31, 2005. This increase resulted from increased exploration and development activities during the year, consistent with the continued implementation of the Corporation's strategy.

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

During the three months ending December 31, 2006, the Corporation earned \$563,440 before income taxes and \$357,526 after the provision for future income taxes. There were no significant non-recurring year-end adjustments affecting the Corporation's fourth quarter results.

Financing Activities

The Corporation completed a brokered private placement during the year ending December 31, 2006. On February 15, 2006, 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. The net proceeds after a broker commission of \$1,995,000 and other expenses was \$50,996,383.

UEX completed two private placements during the year ending December 31, 2005. On June 29, 2005, the Corporation issued 6,000,000 flow-through common shares at \$2.00 per share for gross proceeds of \$12,000,000 before broker's commissions of \$480,000 and financing expenses of \$70,237. On August 3, 2005, the Corporation issued 10,000,000 common shares at \$2.65 per share for gross proceeds of \$26,500,000 before broker's commissions of \$1,590,000 and financing expenses of \$66,796.

The Corporation realized \$595,544 from the exercise of stock options and \$212,500 from the exercise of share purchase warrants during the year ending December 31, 2006 compared to \$617,650 received from stock options exercised and \$1,106,325 from share purchase warrants exercised during the year ending December 31, 2005.

Exploration Activities

The following is a general discussion of UEX's exploration activities during 2006. For more 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.ux-corporation.com

West Athabasca Projects: 2006 Exploration Programs

AREVA 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).

2006 Shea Creek Project Exploration Program

The Shea Creek Project ("Shea Creek"), contains the Anne and Colette Deposits and the newly-discovered Kianna Deposit, and consists of 11 claims totaling 19,581 hectares (48,365 acres).

Directional drilling, first introduced in the Athabasca Basin by AREVA, 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.

2006 Kianna Deposit Drilling Program

The 2006 Kianna Deposit drilling program operated from January to November 2006, with a hiatus during July and August 2006. Ten directional cuts were made from pilot hole SHE-115, six directional cuts were made from pilot hole SHE-114, and a new pilot hole SHE-118 was drilled, from which three directional cuts were made.

At the Kianna Deposit, high-grade uranium mineralization was intersected in multiple zones at depths from 662 metres to 922 metres, a vertical distance of approximately 250 metres - located in sandstone high above the unconformity, at the unconformity, and below the unconformity in basement rocks, with unconformity depths ranging from approximately 710 to 760 metres. To date, the mineralization at the Kianna Deposit has been traced over a strike length of 200 metres and a width of 150 metres, and remains open in all directions.

The AREVA-UEx drilling programs of 2004, 2005 and 2006 have outlined three distinct styles of high-grade uranium mineralization:

- Perched ("P"), sandstone-hosted mineralization found in discrete zones tens of metres above the unconformity (previously announced 2005 hole SHE-114-5, 27.4% U₃O₈ over 8.8 metres, including 58.3% U₃O₈ over 3.5 metres);
- Unconformity-type mineralization ("UC"), in close proximity to the unconformity (previously announced 2006 hole SHE-115-3, grading 12.57% U₃O₈ over 11.9 metres, including 27.35% U₃O₈ over 4.2 metres);
- Basement-hosted mineralization ("B"), found in zones up to 200 metres below the unconformity (2005 hole SHE-114-11, grading 5.40% U₃O₈ over 37.7 metres, including 25.46% U₃O₈ over 4.0 metres).

2006 Kianna Deposit Drilling Program Summary

SHE-114-12: (P) 1.81% U₃O₈ over 5.6 metres, (UC) 2.08% U₃O₈ over 3.7 metres, and (B) 1.37 % U₃O₈ over 6.8 metres, was the first directional hole of the 2006 program and targeted the

continuity of high-grade sandstone mineralization between SHE-114-8 and SHE-114-11, and high-grade basement mineralization at depth. The unconformity was intersected at 713.8 metres, 33 metres south-southeast of pilot hole SHE-114.

SHE-114-13: (Mineralized, hole lost – no gamma probe grade available), was targeted to test for continuity of high-grade sandstone mineralization between SHE-114-8 and SHE-114-11 and basement mineralization at depth. The unconformity was intersected at 715.9 metres, 51 metres south-southeast of pilot hole SHE-114.

SHE-114-14: (UC) 0.45% U_3O_8 over 4.8 metres, and (B) 0.57% U_3O_8 over 7.8 metres, was planned to test for the continuity of high-grade, sandstone-hosted mineralization north of SHE-114-8 and to undercut the basement mineralization in SHE-114-8. The unconformity was intersected at 718.3 metres, 27 metres south-southwest of pilot hole SHE-114.

SHE-114-15: (B) 0.29% U_3O_8 over 23.9 metres, was targeted to test the continuity of high-grade sandstone and basement mineralization to the southwest of 2004 pilot hole SHE-114. The unconformity was intersected at 714.4 metres, 38 metres west-southwest of pilot hole SHE-114.

SHE-114-16: (no significant mineralization) was targeted to the west-northwest, between pilot hole SHE-114 and 1997 hole SHE-55. The unconformity was intersected at 716.3 metres, 35 metres northwest of pilot hole SHE-114.

SHE-114-17: (UC) 0.98% U_3O_8 over 2.5 metres, (UC) 1.06% U_3O_8 over 2.5 metres, and (B) 3.2% U_3O_8 over 8.4 metres, including 16.62% over 1.1 metres, targeted the presence of high-grade sandstone and basement mineralization due north of the pilot hole SHE-114, between the unconformity impacts of SHE-114-16 and SHE-114-2. The unconformity was intersected at 729.3 metres, 26 metres north-northeast of pilot hole SHE-114.

SHE-115-1: (P) 0.42% U_3O_8 over 6.5 metres, (UC) 0.50% U_3O_8 over 9.5 metres, (B) 2.52% U_3O_8 over 1.0 metres, and (B) 3.63% U_3O_8 over 5.7 metres, including 20.66% over 0.8 metres, was the first directional cut from SHE-115, located 100 metres due south of pilot-hole SHE-114. The drill hole tested the continuity of high-grade mineralization encountered, within the sandstone and basement, approximately 20 metres south-east of the high-grade intersection in SHE-114-5. The unconformity was intersected at a depth of 734.8 metres, 63 metres north-northeast of pilot hole SHE-115.

SHE-115-2: (UC) 1.2% U_3O_8 over 12.1 metres, (B) 1.7% U_3O_8 over 2.4 metres, and (B) 2.84% U_3O_8 over 4.9 metres, tested the continuity of high-grade mineralization within the sandstone and basement encountered in the SHE-114 series of holes, at a point approximately 20 metres southeast of the SHE-114-5 unconformity impact. The unconformity was intersected at a depth of 737.5 metres, 78 metres northeast of pilot hole SHE-115.

SHE-115-3: (UC) 12.57% U_3O_8 over 11.9 metres, including 27.35% U_3O_8 over 4.2 metres, and (B) 0.53% U_3O_8 over 4.8 metres, and (B) 1.04% U_3O_8 over 4.9 metres, was targeted to test the continuity of high-grade mineralization in the basement and the western margin of high-grade, perched mineralization encountered in SHE-102-11 that was drilled in 2000. The unconformity was intersected at a depth of 743.5 metres, 88 metres east-northeast from pilot hole SHE-115.

SHE-115-4: (UC) 3.56% U_3O_8 over 19.8 metres, including 5.89% U_3O_8 over 11.3 metres, was targeted to test the eastern extension of high-grade mineralization intersected in SHE-115-3 at the unconformity. The unconformity was intersected at 758.5 metres, 102 metres east-northeast of pilot hole SHE-115.

SHE-115-5: (UC) 12.74% U_3O_8 over 4.9 metres, including 23.55% U_3O_8 over 2.4 metres, and (B) 3.77% U_3O_8 over 4.4 metres, targeted the western extension of high-grade unconformity mineralization intersected in SHE-115-3 and SHE-102-2 at the unconformity. The unconformity was intersected at a depth of 735.2 metres, 80 metres east-northeast from pilot hole SHE-115.

SHE-115-6: (P) 2.25% U₃O₈ over 8.2 metres, (UC) 2.96% U₃O₈ over 11.1 metres, including 6.03% U₃O₈ over 3.0 metres, and (B) 2.42% U₃O₈ over 8.7 metres, targeted the continuity of high-grade mineralization 75 metres northeast of pilot hole SHE-115. The unconformity was intersected at 745.6 metres.

SHE-115-7: (UC) 0.94% U₃O₈ over 4.1 metres, (B) 1.03% U₃O₈ over 6.5 metres and (B) 1.46% U₃O₈ over 3.1 metres, targeted the continuity of high-grade unconformity mineralization 20 metres west-southwest of the SHE-115-6 unconformity impact, the possibility of perched mineralization observed in the SHE-114 series of drill holes, and deep, basement-hosted mineralization. The unconformity was intersected at 723.3 metres.

SHE-115-8: (P) 6.86% U₃O₈ over 6.9 metres, including 20.59% U₃O₈ over 2.1 metres, (UC) 1.96% U₃O₈ over 4.5 metres, (B) 1.08% U₃O₈ over 4.3 metres, 1.19% U₃O₈ over 21.8 metres, including 2.96% over 6.7 metres, and 10.32% U₃O₈ over 4.0 metres, including 21.14% U₃O₈ over 1.8 metres, targeted the continuity of high grade basement mineralization along the east-west structural corridor in the vicinity of SHE-114-11 and SHE-114-5. The unconformity was intersected at 727.6 metres, approximately 20 metres southeast of the unconformity impact point of SHE-114-5.

SHE-115-9: (P) 3.68% U₃O₈ over 9.1 metres, including 20.88% U₃O₈ over 0.7 metres, (B) 2.44% U₃O₈ over 22.2 metres, including 6.83% U₃O₈ over 6.0 metres, and 0.41% U₃O₈ over 8.3 metres, targeted the continuity of high grade basement mineralization along the east-west structural corridor, and the continuity of perched mineralization between SHE-115-8 and SHE-114-5. The unconformity was intersected at 732.3 metres, approximately 3 metres southeast of the unconformity impact point of SHE-114-5.

SHE-115-10: (P) 1.27% U₃O₈ over 2.2 metres and 1.04% U₃O₈ over 2.3 metres, (UC) 1.27% U₃O₈ over 5.9 metres, (B) 9.85% U₃O₈ over 15.4 metres, including 12.36% U₃O₈ over 12.2 metres, including 26.17% U₃O₈ over 2.80 metres, 1.01% U₃O₈ over 14.8 metres, 1.56% U₃O₈ over 2.0 metres, and 0.44% U₃O₈ over 3.7 metres, targeted the continuity of high-grade basement mineralization along the east-west structural corridor as well as the continuity of perched mineralization between SHE-115-1 and SHE-115-2. The unconformity was reached at 723.4 metres, approximately 15 metres east of the unconformity impact point of hole SHE-114-6, and 17 metres south-southeast of unconformity impact point of hole SHE-114-5.

SHE-118: (UC) 5.62% U₃O₈ over 8.6 metres, including 11.50% U₃O₈ over 1.2 metres and 15.07% U₃O₈ over 1.0 metre, was a planned pilot hole for directional drilling to test for extensions of known uranium mineralization. The unconformity was intersected at 711.4 metres.

SHE-118-1: (UC) 2.69% U₃O₈ over 9.6 metres, including 11.1% U₃O₈ over 1.2 metres, and (B) 0.55% U₃O₈ over 14.2 metres, targeted the eastern extension of high-grade unconformity mineralization intersected in SHE-115-3 and SHE-102-2. The unconformity was intersected at 736.1 metres, approximately 20 metres southeast of SHE-102-2 and 38 metres southeast of SHE-115-3.

SHE-118-2: (UC) 0.19% U₃O₈ over 2.5 metres, SHE-118-2 targeted the northern extension of high-grade unconformity mineralization intersected in SHE-115-3 and SHE-105-4. The unconformity was impacted at 745.3 metres, 42 metres to the east-northeast of SHE-115-3.

SHE-118-3: (UC) 1.43% U₃O₈ over 7.1 metres, targeted the continuation of unconformity and possible deep, basement mineralization to the north of hole SHE-115-4. The unconformity was intersected at 737.7 metres, approximately 15 metres north of the unconformity impact point of SHE-115-4.

See Table 1 below for a list of significant mineralized intersections reported from the Kianna Deposit in 2006:

TABLE 1.
Summary of 2006 Kianna Deposit Drill Results
Grades Calculated from Gamma Probe Logging

2006 Drilling Results						
Hole	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U3O8)
SHE-118-3	977.0	737.7	731.2	738.3	7.1	1.43
SHE-118-2	902.0	745.3	743.2	745.7	2.5	0.19
SHE-118-1	917.0	731.6 <i>including</i>	718.0	727.6	9.6	2.69
			721.9	723.1	1.2	11.10
			864.1	878.3	14.2	0.55
SHE-118	880.0	711.4	703.5	712.1	8.6	5.62
			737.5	739.4	1.9	0.71
			762.9	765.4	2.5	0.56
SHE-115-10	998.0	723.4 <i>including</i> <i>including</i> <i>including</i> <i>including</i> <i>including</i>	667.7	669.9	2.2	1.27
			681.3	683.6	2.3	1.04
			718.0	723.9	5.9	1.27
			825.6	841.0	15.4	9.85
			828.8	841.0	12.2	12.36
			829.9	840.0	10.1	13.87
			837.2	840.0	2.8	26.17
			855.6	870.4	14.8	1.01
			856.8	857.3	0.5	8.24
			863.0	863.4	0.4	9.71
SHE-115-9	965.0	732.3 <i>including</i> <i>including</i> <i>including</i>	686.0	695.1	9.1	3.68
			686.7	687.4	0.7	11.45
			688.1	688.8	0.7	20.88
			822.2	844.4	22.2	2.44
			827.7	833.7	6.0	6.83
SHE-115-8	1010.0	727.6 <i>including</i> <i>including</i> <i>including</i>	913.4	921.7	8.3	0.41
			661.7	668.6	6.9	6.86
			662.3	664.4	2.1	20.59
			721.9	726.4	4.5	1.96
			794.65	798.95	4.3	1.08
			843.65	865.45	21.8	1.19
			856.25	862.95	6.7	2.96
SHE-115-7	943.0	723.3	898.2	902.2	4.0	10.32
			899.9	901.7	1.8	21.14
			720.3	724.4	4.1	0.94
SHE-115-6	974.0	745.6	814.2	816.6	2.4	0.63
			817.3	823.8	6.5	1.03
			832.4	835.5	3.1	1.46
			702.7	710.9	8.2	2.25
SHE-115-5	959.5	735.2	730.2	741.3	11.1	2.96
			773.4	774.5	1.1	2.48
			793.9	795.2	1.3	2.93
			820.2	828.9	8.7	2.42
			870.3	875.5	5.2	0.72
			731.5	736.4	4.9	12.74
SHE-115-4	935.0	758.5	791.9	796.3	4.4	3.77
			745.8	765.6	19.8	3.56

2006 Drilling Results						
Hole	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U3O8)
SHE-115-3	1015.0	743.5	735.0	746.9	11.9	12.57
			847.5	852.3	4.8	0.53
			892.2	897.1	4.9	1.04
SHE-115-2	980.0	737.5	730.7	742.8	12.1	1.20
			769.9	772.3	2.4	1.70
			847.1	852.0	4.9	2.84
SHE-115-1	956.0	734.8	659.9	666.4	6.5	0.42
			728.25	737.75	9.5	0.50
			781.35	782.35	1.0	2.52
			911.0	916.7	5.7	3.63
SHE-114-17	989.0	729.3	718.8	721.3	2.5	0.98
			724.5	727.0	2.5	1.06
			881.8	890.2	8.4	3.20
SHE-114-16	914.0	716.3			<i>Weakly mineralized</i>	
SHE-114-15	989.0	714.4	895.1	919.0	23.9	0.29
SHE-114-14	1016.0	718.3	712.7	717.5	4.8	0.45
			925.9	933.7	7.8	0.57
SHE-114-13	936.0	715.9	810.0	817.0	<i>Massive pitchblende veins in the basement. Hole lost – not probed</i>	
SHE-114-12	926.5	713.8	682.8	688.4	5.6	1.81
			713.1	716.8	3.7	2.08
			834.4	841.2	6.8	1.37

2006 Colette Deposit Drilling Program

Two diamond drill holes (SHE-116 and SHE-117) were targeted 600 metres and 800 metres to the west of the Colette Deposit mineralization to test a newly-discovered zone of low resistivity identified by the 2005 DC Resistivity survey. The targeted zone exhibited a resistivity response similar to what was observed in the mineralized zone at Colette. Hole SHE-116 encountered some encouraging sandstone alteration features but did not intersect significant mineralization. A zone of increased brecciation and associated dravite was observed in hole SHE-117 between 650.0 to 670.0 metres, with an accompanying increase in radioactivity throughout the interval. AREVA has recommended follow-up drilling in the area.

2006 Laurie Project

A diamond drilling program of five holes totaling approximately 2,060 metres was carried out over the TEM conductors defined by previous ground geophysical programs. Graphite was intersected in quantities sufficient to explain the conductor in four of the five holes, but alteration in the basement was minimal, and no significant mineralization was intersected.

2006 Brander Lake Project

A ground geophysical program was carried out in the winter of 2006 totaling 39.8 line kilometres of TEM moving loop. Subtle, low amplitude anomalies detected in the south and southwestern areas of the property are planned to be the subject of future exploration programs.

2006 Nikita Project

A ground geophysical program totaling 14.0 kilometres of TEM moving loop was carried out in the winter of 2006. Due to poor winter field conditions a planned DC-Resistivity survey was carried out in the summer of 2006,

2006 Mirror River Project

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

2006 Alexandra, Erica and Uchrich Projects

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

West Athabasca Projects: 2007 Exploration and Development Programs

2007 Kianna Deposit Drilling Program Summary

In January 2007 a drilling program began at the Kianna Deposit consisting of approximately 24 holes, including 4 pilot holes and 20 directional holes, at a cost of approximately \$4.3 million. On February 13, 2007, UEX announced the results of the first two holes of the 2007 drilling program at Shea Creek, described below, and in the following Table 2:

SHE-115-11: (B) 6.72% U_3O_8 over 15.1 metres, including 11.81% U_3O_8 over 6.2 metres. SHE-115-11 targeted the continuity of high-grade basement mineralization along the east-west structural corridor in the vicinity of SHE-114-8. The unconformity was intersected at 724.6 metres, approximately 31.0 metres south-southeast of the unconformity impact point of hole SHE-114-8, and 23.0 metres northwest of the unconformity impact point of hole SHE-115.

An intersection of high-grade, basement-hosted mineralization grading 6.72% U_3O_8 over 15.1 metres was encountered from 854.2 to 869.3 metres, which included 11.81% U_3O_8 over 6.2 metres. Several other intervals of weak, basement-hosted mineralization were intersected below the unconformity from 811.4 to 817.7 metres, and from 839.5 to 852.8 metres. From the reported 15.1 metres of the strongly mineralized zone approximately 3.7 metres more mineralization was not probed because of a technical problem and the hole was stopped at a depth of 877.0 metres.

The results from SHE-115-11 expand the known width of Kianna Deposit basement mineralization to greater than 150 metres and confirm AREVA's theory that mineralization within the basement at Kianna is structurally-controlled. There is a very good control on the orientation of the mineralizing structures, and the down-dip extension of the mineralization is possibly greater than 160 metres. The 2007 drilling program will continue to explore the known trend of this basement mineralization and should improve the understanding of the basement resources.

SHE-118-4: (UC) 1.14% U_3O_8 over 16.8 metres, including 2.22 % U_3O_8 over 6.2 metres. SHE-118-4 targeted the continuation of unconformity-style and possible deep basement mineralization. The unconformity was intersected at 730.9 metres, approximately 17.0 metres east of the unconformity impact point of hole SHE-115-5, 17.0 metres south-southwest of unconformity impact point of hole SHE-115-3, and 19.0 metres northwest of the unconformity impact point of SHE-118.

Unconformity-style mineralization was encountered straddling the unconformity, grading 1.14% U_3O_8 over 16.8 metres from 715.75 metres to 732.55 metres, which included 2.22% U_3O_8 over 6.22 metres. Several intervals of weak, basement-hosted mineralization were intersected within

fault zones below the unconformity between 795.0 to 892.5 metres, with the most notable intersection grading 0.52% U₃O₈ over 7.2 metres from 795.6 to 802.8 metres.

TABLE 2.
2007 Kianna Deposit Drill Results
Grades Calculated from Gamma Probe Logging

2007 Winter/Spring Drilling Results						
Hole	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U ₃ O ₈)
SHE-115-11	877.0	724.6. <i>including</i>	854.2 862.4	869.3 868.6	15.1 6.2	6.72 11.81
SHE-118-4	950.0	730.9 <i>including</i>	715.75 725.75	732.55 731.95	16.8 6.2	1.14 2.22

Uranium grades shown in Tables 1 and 2 are calculated from gamma probe logging. True widths of mineralized intervals have not yet been determined. The technical information in this document regarding exploration results for the Western Athabasca Projects has been reviewed by Erwin Koning, P. Geo., AREVA's District Geologist, West Athabasca Region, a qualified person as defined by National Instrument 43-101 ("N.I. 43-101").

2007 Shea Creek Development Program

On February 28, 2007, AREVA proposed a supplementary development program to UEX to begin during the current drilling program, budgeted at \$1.0 to \$1.5 million consisting of:

- Geotechnical logging of pilot holes in the Kianna and Anne Deposits area;
- Drilling of geotechnical holes specifically for piezometer installation for groundwater monitoring purposes;
- Packer testing and water sampling of drill holes;
- Most of the work would be contracted under the supervision of AREVA, with involvement from AREVA's exploration and mining teams as needed.

2007 Mirror River Project

A diamond drilling program at Mirror River of approximately 2,800 metres in 6 drill holes to test previously-defined electromagnetic conductors is ongoing.

2007 James Creek Project

A ground geophysical program is planned for the winter of 2007 totaling 116.5 line kilometres of DC resistivity surveying.

2007 Nikita Project

A ground geophysical program is planned for the winter of 2007 totaling 80.0 line kilometres of DC resistivity surveying.

2007 Alexandra Project

A ground geophysical program is planned for the winter of 2007 totaling 72.0 line kilometres line kilometres of DC resistivity surveying.

No significant exploration work is planned for 2007 on the Erica, Douglas River, Brander Lake, Laurie and Uchrich Projects.

Hidden Bay Project: 2006 Winter Exploration Program

UEX operates its 100% owned Hidden Bay Project, which consists of 40 claims and one mineral lease totaling 56,531 hectares (139,688 acres). The West Bear Deposit ("West Bear"), and the Raven and Horseshoe Deposits ("Raven-Horseshoe") are located within the Hidden Bay Project.

The \$2.3 million 2006 winter exploration program at the Hidden Bay Project consisted of 11,582 meters of diamond drilling in 65 drill holes as follows:

- Thirty-six reconnaissance diamond drill holes were drilled for a total of 3,958 metres in the West Bear area, and along the adjacent Mitchell-Dwyer Trend.
- Twenty-nine diamond drill holes were drilled for a total of 7,624 metres in the Telephone Lake Trend area, of which 24 were completed, with 5 abandoned due to poor ground conditions.

Telephone Lake Trend 2006 Winter Drilling Program

Holes SP-173 to SP-176 were follow-up holes to 2005 mineralized hole SP-156 and generally intersected narrow intervals of uranium mineralization. Hole SP-176, located 300 metres northeast of SP-156, represents the best of these mineralized intersections, grading 0.37% U₃O₈ over 0.5 metres from 202.4 to 202.9 metres.

Drilling in the South Telephone area, 2.6 kilometres to the southwest of SP-156 along the Telephone Lake Trend, was intended to test for extensions of mineralization intersected by historical holes SP-32 (0.60% U₃O₈ over 0.9 metres) and SP-38 (0.62% U₃O₈ over 0.6 metres). Hole SP-166 intersected an approximately 30 metre interval containing local disseminated and veinlet-controlled pitchblende in faulted Athabasca sandstone, which included:

- 0.20% U₃O₈ over 6.80 metres from 129.7 to 136.5 metres, including subintervals of 0.66% U₃O₈ over 0.5 metres, 0.64% U₃O₈ over 0.4 metres and 0.57% U₃O₈ over 0.5 metres;
- 0.11% U₃O₈ over 6.50 metres from 148.5 to 155.0 metres, including 0.64% U₃O₈ over 0.2 metres, 0.33% U₃O₈ over 0.2 metres and 0.32% U₃O₈ over 0.4 metres.

2006 West Bear Area and Mitchell-Dwyer Trend Winter Drilling Program

Sixteen holes totaling 1,831 metres were drilled immediately south of West Bear to test for deeper, down dip extensions of the deposit in basement rocks. West Bear mineralization lies within Athabasca sandstone approximately 13 to 31 metres from surface over a strike length of approximately 300 metres. UEX's 2006 exploration drilling at greater depths below the known outline of the deposit did not encounter significant mineralization. However, potential may exist for additional mineralization on the southeastern edge of the deposit where hole WBE-108 intersected 0.30 metres grading 0.33% U₃O₈ from 24.9 to 25.2 metres.

Two holes totaling 186 metres were drilled at the Pebble Hill Prospect located west of West Bear to test for further mineralization to the east and north of known mineralization. A third hole of 120 metres tested a prominent conductive feature on the Mitchell-Dwyer Trend to the north. No significant mineralization was intersected and no further work is planned in the Pebble Hill area at this time.

Thirteen holes totaling 1,287 metres were drilled to relocate and evaluate the North Shore Prospect on Mitchell Lake, northwest of West Bear. UEX's drilling successfully relocated the North Shore Prospect mineralization with four of the holes encountering significant mineralization. For

example, hole WBE-117 intersected 0.2 metres grading 0.51% U₃O₈ between 43.6 and 43.8 metres depth immediately above the unconformity.

Four holes totaling 534 metres were drilled at the Blanche Lake Prospect further to the east. The 2006 winter drilling program was intended to relocate and test for potential extensions of known mineralization. UEX's 2006 hole WBE-112 intersected 0.13 metres grading 0.10% U₃O₈ and although anomalous radioactivity was intersected along the same structure at depth, no other significant mineralization was found.

West Bear 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 N.I. 43-101 compliant resource estimate. This resource estimate dated March 2, 2006 (the "West Bear Report") estimates that West Bear 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 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 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 UEX's 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 continue the sonic drilling program in the West Bear area during the winter of 2006 to define the eastern end of West Bear 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 West Bear Report is available for review at www.sedar.com

Hidden Bay Project: 2006 Summer/Fall Exploration Programs

2006 Raven-Horseshoe Summer/Fall Drilling Program

Raven-Horseshoe are two basement-hosted deposits located approximately 5 kilometres southeast of the edge of the Athabasca Group sandstones, which normally cover uranium deposits in the Athabasca Basin. They are located less than 5 kilometres south of the Rabbit Lake Mill owned by Cameco and 12 kilometres southeast of AREVA's McClean Lake uranium mining and milling operations. Raven-Horseshoe hosts a total historical resource estimate of 6.7 million tonnes at an average grade of 0.16% U₃O₈, representing approximately 23 million contained pounds of U₃O₈. [Note: this is a historical resource completed by Gulf Minerals ("Gulf") that was not estimated using current Canadian Institute of Mining, Metallurgy and Petroleum categories based on widely spaced drill holes, and for which no current resource or reserve confidence categories were applied.]

The results from the 2006 Summer/Fall drill holes, all within the Horseshoe Deposit, included, in hole HU-22, 0.39% U₃O₈ over 38.97 metres from 208.52 metres to 247.49 metres, including 1.19% U₃O₈ over 3.01 metres and 1.37% U₃O₈ over 4.62 metres, and, in hole HU-24, 0.20%

U₃O₈ over 36.30 metres from 307.50 metres to 343.80 metres, including 0.36% U₃O₈ over 11.30 metres.

UEX's drilling programs are intended to provide sufficient drilling density to enable calculation of a N.I. 43-101 compliant resource estimate. UEX's drilling has identified two sub-zones within the Horseshoe Deposit, named the "A" and "B" zones, and the 2006 intercepts expand the extent of both of these zones. Analyses are carried out at Saskatchewan Research Council ("SRC") by ICP and fluorimetry. Significant results shown in Table 3 include the following mineralized intersections, for which true thickness has not yet been determined:

Table 3.
Summer/Fall 2006 Horseshoe Drilling Program
Significant Intersections from Drill Holes HU-01 to HU-27
 (Only intervals with grades greater than 0.15% U₃O₈ and grade-thickness product greater than 0.1 are listed below)

Hole	Total Depth of Hole (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U ₃ O ₈)
HU-27	452	309.60	311.30	1.70	0.39
HU-26	368	<i>No intervals grading more than 0.15% U₃O₈</i>			
HU-25	340	172.51	173.26	0.75	0.18
		209.09	210.00	0.91	0.18
HU-24	361	307.50	343.80	36.30	0.20
		Including 322.20	333.50	11.30	0.36
HU-23	288	174.90	176.25	1.35	0.30
HU-22	359	208.52	247.49	38.97	0.39
		Including 208.52	211.53	3.01	1.19
		and 222.45	227.07	4.62	1.37
		257.60	258.18	0.58	0.31
		325.23	325.55	0.32	0.33
HU-21	347	310.00	311.40	1.40	0.19
		312.60	313.00	0.40	0.32
		319.50	320.00	0.50	0.26
HU-20	341	279.68	284.50	4.82	0.25
		292.00	297.55	5.55	0.53
		Including 294.50	295.23	0.73	1.54
		301.00	301.69	0.69	0.22
HU-19	311	94.40	95.20	0.80	0.23
		207.60	209.50	1.90	0.25
		221.10	221.40	0.30	0.36
		225.80	227.50	1.70	0.22
		252.70	253.80	1.10	0.53
		259.50	261.70	2.20	0.58
		276.00	278.50	2.50	0.38
		Including 277.90	278.50	0.60	1.36
		284.50	285.00	0.50	0.40
HU-18	356	111.80	112.15	0.35	0.21
		245.60	246.25	0.65	0.19
		259.00	260.70	1.70	0.68
HU-17	311	<i>No intervals grading more than 0.15% U₃O₈</i>			
HU-16	272	199.60	213.85	14.25	3.97
		Including 201.50	213.85	12.35	4.53
		which includes 204.80	208.20	3.40	10.30
		which includes 204.80	205.40	0.60	22.17
		and 212.85	213.60	0.75	12.38

Hole	Total Depth of Hole (metres)	From (metres)	To (metres)	Length (metres)	Avg. Grade Within the Intersection (% U ₃ O ₈)	
HU-15	320	180.50	192.00	11.50	0.62	
	Including	180.50	183.40	2.90	0.76	
	which includes	181.00	181.40	0.40	3.81	
	and	188.80	191.00	2.20	1.94	
		193.60	194.20	0.60	0.20	
HU-14	309	168.70	169.50	0.80	0.28	
		179.90	181.40	1.50	0.44	
		208.20	208.60	0.40	0.31	
HU-13	317	239.00	242.35	3.35	0.38	
		Including	240.70	242.35	1.65	0.60
HU-12	321	187.00	191.20	4.20	0.31	
		196.30	197.30	1.00	0.24	
HU-11	341	242.66	243.55	0.89	0.47	
		253.30	257.85	4.55	0.81	
		Including	256.08	257.85	1.77	1.75
HU-10	<i>No intervals grading more than 0.15% U₃O₈</i>					
HU-09	266	190.90	191.20	0.30	0.58	
HU-08	353	156.30	157.40	1.10	0.26	
		164.30	173.00	8.70	0.25	
		Including	165.50	167.40	1.90	0.58
		184.50	186.00	1.50	0.18	
HU-07	323	163.58	175.14	11.56	0.40	
		Including	163.85	164.52	0.67	1.14
		and	166.08	171.26	5.18	0.58
		which includes	170.74	171.26	0.52	1.89
HU-06	302	166.93	168.23	1.30	0.21	
		171.85	183.30	11.45	0.33	
		Including	174.64	178.20	3.56	0.61
		and	180.47	180.67	0.20	2.52
HU-05	<i>No intervals grading more than 0.15% U₃O₈</i>					
HU-04	<i>No intervals grading more than 0.15% U₃O₈</i>					
HU-03	<i>No intervals grading more than 0.15% U₃O₈</i>					
HU-02	<i>No intervals grading more than 0.15% U₃O₈</i>					
HU-01	<i>No intervals grading more than 0.15% U₃O₈</i>					

2006 Raven-Horseshoe Geophysical Survey Program

To better define the extent of clay alteration at Raven-Horseshoe, UEX carried out a resistivity survey over Raven-Horseshoe in November 2006 that extended beyond the coverage of the historical Gulf geophysical survey area. The survey has identified a large resistivity anomaly that is coincident with a historical Gulf gravity anomaly, and which extends east and southeast of the Horseshoe Deposit. Several widely-spaced diamond drill holes are planned to test this area during the 2007 program.

Golder Associates Ltd. ("Golder") of Saskatoon, SK, began environmental baseline studies at Raven-Horseshoe in 2006. In addition, UEX engaged Golder to begin a study of geotechnical and metallurgical data from Raven-Horseshoe drill core for the purposes of future feasibility studies.

The technical information regarding 2006 exploration results at Hidden Bay has been reviewed by David Rhys, P. Geo., a qualified person as defined by N. I. 43-101. True widths of mineralized

intervals have not yet been determined. All uranium analyses were performed at SRC by fluorimetry and ICP.

2006 West Bear Environmental Baseline and Feasibility Studies

Golder is carrying out an EBS and a mining feasibility study for West Bear. The EBS has been underway since 2005 and Golder collected biological, hydrogeological and other environmental data throughout 2006. Further baseline studies are scheduled for 2007 following the input of more detailed information on the project design generated from preparation of the West Bear feasibility study.

UEX looks forward to the completion of the feasibility study, which is expected to be delivered later in 2007, following Golder's receipt and integration of the results from UEX's 2007 sonic drilling program. The feasibility study examines the most efficient methods and procedures for extracting the defined uranium resource, including the most appropriate road access and support infrastructure, mining methods and operating plans. Golder is currently carrying out mine, open pit slope, and waste dump design work. As the feasibility study progresses, Golder will supervise the tendering of contracts for all aspects of a potential mining operation, and will generate cash flow analyses and projections in order to calculate a net present value and an internal rate of return for West Bear.

With the relatively soft nature of the host rocks and overburden, UEX believes that West Bear 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 AREVA.

Golder and UEX have created a Strategic Planning Group, consisting of key representatives from both companies, in order to commence the permitting process for West Bear in 2007. Following receipt of the final EBS report from Golder, UEX plans to initiate the environmental assessment ("EA") process with the appropriate government agencies on both provincial and federal levels. The first step in the provincial EA process is to provide a Project Proposal to the Saskatchewan EA Branch that details the project description (e.g., mine plan, mining method, water and waste management), current environmental conditions, proposed measures to mitigate environmental issues, and residual effects from the project. After review of this document, the EA Branch will decide if the project meets the definition of a "development", in which case, an Environmental Impact Statement ("EIS") will be required and various provincial and federal responsible authorities will be identified to take part in the review of the EIS. The Strategic Planning Group plans to initiate the community and public consultation process in 2007.

Hidden Bay Project: 2007 Winter Exploration Programs

2007 Raven-Horseshoe Winter Exploration Program

Five diamond drills are scheduled to test the deposit areas with a planned metreage of approximately 24,000 metres. The objectives of the program are:

- to continue drilling step-out drill holes to the northeast in successive cross sections spaced 60 metres apart to test the extent of newly defined, and historically intersected mineralization in the Horseshoe Deposit;
- to provide 15 to 30 metre spaced infill drilling of mineralization intersected during the 2006 program;
- to test peripheral geophysical targets and potential extensions of mineralization;
- to drill central portions of the Raven Deposit, where only widely-spaced historical Gulf drilling has been completed, and where Gulf obtained intercepts of up to 0.60% U₃O₈ over 11.28 metres in hole LB-040.

UEX believes that the 2007 winter program could be of sufficient drilling density to provide the basis for calculation of a N.I. 43-101 compliant resource estimate for the central Horseshoe Deposit, and could define the extent and continuity of significant mineralization in other portions of Raven-Horseshoe defined by historical drilling. Additional drilling may be required to infill these other areas during the summer of 2007 prior to inclusion in a resource estimate.

Golder began environmental baseline studies at Raven-Horseshoe in 2006. In addition, UEX engaged Golder to begin a study of geotechnical and metallurgical data from Raven-Horseshoe drill core for the purposes of future feasibility studies.

2007 West Bear Sonic Drilling Program

In January 2007, a follow-up sonic drilling program of approximately 100 holes began at West Bear, to explore the eastern are of the deposit which was not drilled by UEX in 2005, and to infill holes within the core area of high-grade mineralization such as was intersected in hole UEX-026. Drilling is expected to continue until the end of March 2007.

Black Lake Project: 2006 Winter Exploration Programs

The Black Lake Project ("Black Lake") hosts a system of graphitic conductors that extends along strike for at least 20 kilometres, coincident with a significant fault, the Platt Creek Fault. The main strand of the fault, termed the Eastern Fault Zone, is spatially associated with the uranium intercepts obtained to date.

UEX's \$3.3 million 2006 winter exploration program, consisting of ground geophysical surveying and 39 diamond drill holes totaling 16,651 metres, continued reconnaissance exploration of the main fault associated with the Black Lake conductive trend. This trend hosts UEX's 2004 discovery hole BL-18 which encountered unconformity-type uranium mineralization in the sandstone, immediately above the Athabasca unconformity grading 0.694 % U_3O_8 over 4.4 metres between 310.5 and 314.9 metres depth, including 1.96% U_3O_8 over 0.5 metres. Five drill holes were abandoned due to poor ground conditions. The thirty-four completed drill holes tested the Eastern Fault Zone and other prospective parts of the property.

The majority of the holes drilled along the Eastern Fault Zone demonstrated sandstone structure and alteration indicative of a prospective setting for uranium deposition, along with graphitic basement rocks, but did not encounter significant uranium mineralization. However, a previously-unknown mineralized reverse fault, or basement "wedge" was intersected in hole BL-82. Two unconformities were encountered in hole BL-82, the first at 267.4 metres. Uranium mineralization was intersected within a brecciated zone 6.05 metres below the first unconformity in the lower half of the basement "wedge", grading 0.50% U_3O_8 over 3.3 metres from 273.45 to 276.75 metres, including 1.6% U_3O_8 over 0.7 metres from 274.45 to 275.15 metres. Below the second unconformity, at 300.84 metres, to the end of the hole at 423.06 metres no significant mineralization was encountered. Follow-up drilling of this target is currently in progress.

Moving loop electromagnetic ("EM") surveys were carried out to provide in-fill to previous EM surveys. The winter 2006 survey detected at least one discrete conductor on most of the lines surveyed confirming previously defined conductive trends. These and previous EM survey results should assist in the selection of future drilling targets along the Black Lake conductive trend.

Black Lake: 2006 Summer/Fall Exploration Programs

The 2006 summer/fall exploration program included a 23-hole diamond drilling program totaling 10,830 metres, with one hole abandoned due to technical problems, and a ground geophysical survey consisting of 77.0 kilometres of pole-pole resistivity.

The use of resistivity surveys in the Athabasca Basin has proved to be a useful exploration tool for mapping alteration in sandstone, especially when applied to a known graphitic conductor system like that at Black Lake. The 2006 survey was successful in defining an area encompassing hole BL-18 that exhibits a significant low resistivity anomaly situated above a low magnetic and low gravity signature in the basement rocks. Other similar resistivity lows were detected along strike of the known Black Lake conductor system.

A closely-spaced pattern of drill holes identified an alteration zone striking through the location of hole BL-18 to the northwest, cross-cutting the alignment of the Eastern Fault zone and its coincident conductor system. Three holes located within the alteration zone encountered uranium mineralization at, or immediately above, the Athabasca Group sandstone unconformity:

- BL-109: 0.10% U₃O₈ over 1.90 metres, from 311.70 to 313.60 metres
- BL-110: 0.79% U₃O₈ over 2.82 metres, from 309.73 to 312.55 metres
- BL-111: 0.11% U₃O₈ over 2.90 metres, from 312.50 to 315.40 metres

The other holes drilled in the 2006 summer/fall program did not encounter significant uranium mineralization, but assisted in mapping the graphitic conductor system and alteration in the sandstone.

Black Lake: 2007 Winter Exploration Programs

A diamond drilling program of approximately 7 to 10 holes totaling about 6,000 metres is underway, and is planned to continue to the end of March 2007. A program of linecutting and 230 kilometres of ground resistivity and 25 kilometres of detailed magnetic surveys is also underway to better define the character of geophysical conductors.

The technical information in this document regarding Black Lake has been compiled and reviewed by Sierd Eriks, P. Geo., a qualified person as defined by N.I. 43-101. True widths of mineralized intervals have not yet been determined. All core samples were analyzed at SRC by ICP and fluorimetry.

Riou Lake Project: 2006 Exploration Programs

A winter 2006 program consisting of 46.4 kilometres of UTEM III moving loop electromagnetic surveys was carried out to better define the geophysical conductors outlined by the 2005 airborne MEGATEM survey and previous ground electromagnetic surveys. A ground gravity survey totaling 83.3 kilometres was also carried out to identify potentially prospective areas of low density associated with alteration along the Riou Lake Fault and other faults.

This new geophysical data, when integrated with the results of the airborne surveys, assisted in the selection of drill targets for a helicopter-assisted summer/fall 2006 drilling program of approximately 2,487 metres in three holes, including one hole which was restarted from a wedge at 335 metres depth after the initial hole was lost in highly fractured rock. Results from the program are still being received, compiled and interpreted.

Riou Lake Project: 2007 Exploration Programs

Additional ground geophysical surveys are planned for the winter of 2007. Follow-up drilling of any prospective targets identified from the ground surveys would occur as part of a summer 2007 helicopter-supported drilling program, or from a land-based drill, depending on the target location.

Northern Athabasca Projects: 2006 Exploration Programs

During the winter of 2006, a fixed-loop, time-domain electromagnetic ("TDEM") survey, totaling 40.8 kilometres was carried out at the Butler Lake Project, one of the five Northern Projects

staked by UEX in late 2004. The Butler Lake conductive trend, first identified by UEX's 2005 MEGATEM® survey, was successfully delineated by the 2006 ground TDEM survey and represents the first "ground-truthing" of airborne anomalies within the Northern Athabasca Projects.

During the summer of 2006, as part of a helicopter-supported exploration program, UEX drilled approximately 4,353 metres in eight holes on four of the Northern Athabasca Projects, namely Butler Lake, Fond du Lac, Munroe Lakes, and Otherside River to follow-up anomalous geophysical responses obtained from airborne and ground geophysical programs. Results from the drilling program are still being received, compiled and interpreted.

Northern Athabasca Projects: 2007 Exploration Programs

Additional ground geophysical surveys are planned for the winter of 2007. Follow-up drilling of any prospective targets identified from the ground surveys would occur as part of a summer 2007 helicopter-supported drilling program.

Beatty River Project: 2006 Winter Exploration Program

During the winter of 2006, a ground geophysical time-domain electromagnetic survey totaling 17.7 kilometres and a DC Resistivity survey totaling 54.0 kilometres were carried out at Beatty River, at a cost of approximately \$413,000, of which UEX's share of expenditures was \$204,000.

Beatty River Project: 2007 Winter Exploration Program

A ground geophysical program consisting of 33 kilometres of DC Resistivity surveying, and an electromagnetic test program is proposed by AREVA for the winter of 2007 to better define the location of the previously-identified conductor, associated faulting, and alteration at Beatty River.

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, 2006 the Corporation had current assets of \$77,405,892, including \$76,866,056 in cash and cash equivalents compared to current assets as at December 31, 2005 that totaled \$45,378,076. Working capital at December 31, 2006 was \$76,568,491, compared to working capital of \$43,481,557 at December 31, 2005.

Accounts payable and accrued liabilities at year end 2006 were \$837,401, which is significantly lower than the amount for 2005 of \$1,896,519.

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 AREVA and JCU.

The Corporation's net future income tax liability of \$11,346,499 at December 31, 2006, is comprised of a \$12,711,104 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 \$1,364,605. At December 31, 2005, the Corporation's net future income tax liability was \$9,121,818. The increase in the future income tax liability in 2006 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.

Uranium price fluctuations could adversely affect UEX.

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 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.

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. If additional funds are raised from the issuance of equity or equity-linked securities, the percentage ownership of the current shareholders of UEX will be reduced, and the newly issued securities may have rights, preferences or privileges senior to or equal to those of the holders of UEX's existing common shares. 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 N.I. 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 ending December 31, 2006, the Corporation did not enter into any related party transactions for legal and accounting services as compared to the year ending December 31, 2005, in which fees for legal and accounting services totaling \$115,759 were paid to firms of which a director, and a former director of the Corporation, are partners or owners, namely: Graham C. Thody, Director, a partner at Nemeth, Thody, Anderson, Chartered Accountants, of Vancouver, B.C., and a former director, Peter C. Kalbfleisch, a partner at Blake Cassels & Graydon LLP, of Vancouver, B.C. There are no ongoing contractual obligations to either party. Nemeth Thody Anderson ceased providing accounting services to the Corporation on June 30, 2005.

Cameco's management contract for exploration activities at the Hidden Bay Project ended on December 31, 2005, and since that date Cameco has provided certain exploration and claims management services from time-to-time. During the year ending December 31, 2006, the Corporation was charged by Cameco a total of \$37,875 (2005 - \$646,927) for expenses incurred by Cameco at the Hidden Bay Project, of which no mark-up over Cameco's cost was charged. At December 31, 2006, \$7,413 due to Cameco was included in accounts payable and accrued liabilities (2005 - \$92,093).

Outlook

UEX will continue to focus its efforts on the development of its Saskatchewan uranium exploration properties. The Corporation will use its current resources as well as the net proceeds of future share issuances to achieve its goals. The ability of UEX to maintain the continuity of its exploration is dependent upon the results of future exploration programs and UEX's ability to obtain the necessary financing to further explore and develop its Saskatchewan uranium

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

2007 Exploration Programs

In 2007, 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 \$25.0 million to December 31, 2007. Further exploration on UEX's projects for 2008 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 27, 2007, with exploration programs underway, the Corporation had approximately \$75.0 million in cash and cash equivalents.

Events Subsequent to December 31, 2006

Subsequent to December 31, 2006:

- (a) The Corporation issued 1,298,134 common shares on the exercise of stock options for proceeds of \$2,967,246;
- (b) The Corporation granted stock options enabling an officer to acquire up to 1,000,000 common shares at an exercise price of \$5.02 per share, vesting over a period of two years and expiring on February 16, 2017.

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, 2006 and concluded that the current disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

As of December 31, 2006, the Chief Executive Officer and the Acting Chief Financial Officer of UEX evaluated the design of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Acting Chief Financial Officer concluded that the design and operation of the internal control over financial reporting was effective as at December 31, 2006 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Corporation's internal controls over financial reporting that occurred during the most recent interim period ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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. Forward looking statements are based on certain factors and assumptions including expected economic conditions, uranium prices, results of operations, performance and business prospects and opportunities. UEX considers the factors and assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions readers that these assumptions may ultimately prove to be incorrect. Forward-looking statements by their nature necessarily involve risks, uncertainties and other factors including without limitation, the risk that uranium price fluctuations could adversely affect UEX, that UEX's exploration activities may not result in profitable commercial mining operations, that competition from other energy sources and public acceptance of nuclear energy may affect UEX's prospects, that competition in the uranium industry could adversely affect UEX, that failure to obtain additional financing on a timely basis could cause UEX to reduce its interest in its properties, that compliance with and changes to environmental and other regulatory laws could adversely affect UEX, and other factors all as more particularly 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. 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, 2006 is available at www.sedar.com or at UEX's website at www.uex-corporation.com

Financial Statements of

UEX CORPORATION

Years ended December 31, 2006 and 2005



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2006 and 2005 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, 2006 and 2005 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

February 28, 2007

UEX CORPORATION

Balance Sheets

December 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,866,056	\$ 44,921,021
Amounts receivable	465,424	423,835
Prepaid expenses	74,412	33,220
	<u>77,405,892</u>	<u>45,378,076</u>
Equipment (note 3)	202,092	61,100
Mineral properties (note 4)	60,386,498	37,689,052
	<u>\$ 137,994,482</u>	<u>\$ 83,128,228</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 837,401	\$ 1,896,519
Future income taxes (note 5)	11,346,499	9,121,818
Shareholders' equity:		
Share capital (note 6)	119,783,082	71,526,422
Contributed surplus (note 7)	11,132,774	1,998,577
Deficit	(5,105,274)	(1,415,108)
	<u>125,810,582</u>	<u>72,109,891</u>
Nature of operations (note 1)		
Commitments (notes 4 and 9)		
Subsequent events (notes 6(d) and 10)		
	<u>\$ 137,994,482</u>	<u>\$ 83,128,228</u>

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, 2006 and 2005

	2006	2005
Expenses:		
Amortization	\$ 5,314	\$ 21,929
Bank charges and interest	1,270	2,243
Filing fees and stock exchange	141,247	111,255
General and administration	99,344	85,200
Insurance	29,342	16,742
Legal, accounting and audit	131,873	148,406
Rent	62,845	39,055
Salaries and benefits	414,855	259,594
Stock-based compensation (note 6(c))	8,375,524	431,102
Telephone	8,804	6,938
Travel and promotion	48,600	33,074
Loss before the following	(9,319,018)	(1,155,538)
Investment and other income	3,266,404	812,979
Administrative expense recovery	-	82,698
Write-down of mineral properties (note 4)	-	(1,672)
Loss before income taxes	(6,052,614)	(261,533)
Future income tax recovery (note 5)	2,362,448	750,454
Net earnings (loss) for the year	(3,690,166)	488,921
Deficit, beginning of year	(1,415,108)	(1,904,029)
Deficit, end of year	\$ (5,105,274)	\$ (1,415,108)
Earnings (loss) per share:		
Basic	\$ (0.02)	\$ -
Diluted	(0.02)	-
Weighted average number of shares outstanding:		
Basic	178,985,557	158,987,256
Diluted	182,107,061	163,503,886

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Cash provided by (used for):		
Operations:		
Net earnings (loss) for the year	\$ (3,690,166)	\$ 488,921
Items not involving cash		
Amortization	5,314	21,929
Future income tax recovery	(2,362,448)	(750,454)
Stock-based compensation	8,375,524	431,102
Write-down of mineral properties	-	1,672
Changes in non-cash operating working capital:		
Amounts receivable	(41,589)	(269,960)
Prepaid expenses	(41,192)	(10,048)
Accounts payable and accrued liabilities	8,333	(40,708)
	2,253,776	(127,546)
Financing:		
Common shares issued, net of share issuance costs	51,804,427	38,016,942
Investments:		
Mineral property expenditures	(21,920,482)	(17,191,476)
Purchase of equipment	(192,686)	(25,082)
	(22,113,168)	(17,216,558)
Increase in cash and cash equivalents	31,945,035	20,672,838
Cash and cash equivalents, beginning of year	44,921,021	24,248,183
Cash and cash equivalents, end of year	\$ 76,866,056	\$ 44,921,021
Supplementary information:		
Interest received	\$ 3,239,265	\$ 747,796
Non-cash transactions:		
Decrease in accounts payable and accrued liabilities relating to mineral property expenditures	1,067,451	67,000
Non-cash stock-based compensation included in mineral property expenditures	1,183,116	216,003
Increase in mineral properties due to future income taxes	614,919	312,035
Amortization included in mineral properties	46,380	-

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

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, the 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, 2006 and 2005

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%
Furniture and fixtures	20%

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 exist.

(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, 2006 and 2005

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 which are renounced to investors due to the issuance of flow-through shares is charged to share issuance costs at the time the tax credit associated with the expenditures are renounced to shareholders, provided there is reasonable assurance that the expenditures will be made.

(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 2006 due to the Company's loss for the year.

(j) Variable interest entities:

The Company applies Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 15, *Consolidation of Variable Interest Entities* (AcG-15). 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. Management has determined the Company does not have any variable interest entities for the years ended December 31, 2006 and 2005.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

3. Equipment:

2006	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 200,729	\$ 61,600	\$ 139,129
Computer equipment	70,506	14,464	56,042
Computer software	12,992	7,614	5,378
Furniture and fixtures	1,714	171	1,543
	\$ 285,941	\$ 83,849	\$ 202,092

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

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

Project	Balance December 31, 2005	Exploration and development expenditures	Write-down of mineral properties	Balance December 31, 2006
West Athabasca	\$ 11,050,485	\$ 6,810,174	\$ -	\$ 17,860,659
Hidden Bay	15,612,941	6,227,201	-	21,840,142
Black Lake	5,015,925	5,416,115	-	10,432,040
Riou Lake	4,684,083	2,205,191	-	6,889,274
Beatty River	238,687	209,813	-	448,500
North Athabasca	1,086,931	1,828,952	-	2,915,883
	\$ 37,689,052	\$ 22,697,446	\$ -	\$ 60,386,498

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

4. Mineral properties (continued):

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

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 AREVA Resources Canada Inc. (AREVA, formerly COGEMA Resources Inc.) 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, 2006, the Company has earned a 24.5% 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, 2006 and 2005

4. Mineral properties (continued):

(c) Black Lake Project:

The Black Lake Project, located in the Athabasca Basin, is a joint venture with the Company holding an 87.24% (2005 - 76.43%) interest and AREVA holding a 12.76% (2005 - 23.57%) interest as at December 31, 2006. As a result of AREVA electing not to participate in the 2006 exploration programs at Black Lake, the Company's interest in the Black Lake Project increased and AREVA's interest decreased by 10.81%.

(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, AREVA 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.

5. Income taxes:

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

	2006	2005
Loss before income taxes	\$ (6,052,614)	\$ (261,533)
Statutory rates	34.12%	34.87%
Income tax recovery at statutory rates	\$ 2,065,152	\$ 91,197
Non-deductible expenses and permanent differences	(2,889,916)	(195,433)
Future income taxes related to mineral properties	-	654
Benefit of previously unrecognized future income tax assets	-	870,519
Change in future corporate tax rates	3,187,212	(16,483)
Future income tax recovery	\$ 2,362,448	\$ 750,454

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

5. Income taxes (continued):

During the year ended December 31, 2006, the Federal and Saskatchewan governments enacted amendments to current tax legislation, which provided for a reduction in future corporate tax rates. The effect of the changes in income tax legislation on the Company's future income tax liability was a reduction of \$3,155,126.

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2006 and 2005 are presented below:

	2006	2005
Future tax assets:		
Losses carried forward	\$ 228,323	\$ 636,807
Equipment	25,345	10,971
Share issuance costs	1,110,937	855,063
	<u>1,364,605</u>	<u>1,502,841</u>
Future tax liabilities:		
Mineral properties	(12,711,104)	(10,624,659)
Net future tax liabilities	<u>\$ (11,346,499)</u>	<u>\$ (9,121,818)</u>

At December 31, 2006, the Company has approximately \$694,000 of non-capital losses available to be carried forward for federal income tax purposes that are available to offset future federal taxable income. These operating losses expire between 2011 and 2015.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

6. Share capital:

(a) Authorized:

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

(b) Issued and outstanding - common shares:

	Number of shares	Value
Balance, December 31, 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
Issued in 2006:		
For cash by way of private placements, net of share issuance costs	10,222,600	50,996,383
Future income taxes on share issuance costs	-	722,190
For cash on exercise of stock options (note 6(c))	1,041,500	595,544
For cash on exercise of warrants	283,333	212,500
Contributed surplus transferred on exercise of stock options	-	424,443
Future income taxes on flow-through expenditures renounced to shareholders	-	(4,694,400)
Balance, December 31, 2006	180,819,918	\$ 119,783,082

On February 15, 2006, the Company issued 8,222,600 common shares at \$5.00 per share and 2,000,000 flow-through common shares at \$6.00 per share for gross proceeds of \$53,113,000, pursuant to a brokered private placement. A commission of \$1,995,000 was paid to the broker and \$121,617 of additional issuance costs were incurred.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

6. Share capital (continued):

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

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.

(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. 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.

A summary of the status of the Company's stock-based compensation plan as of December 31, 2006 and 2005, and changes during the years ended on these dates are presented below.

	Number of options	Weighted-average exercise price
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
Granted during the year	4,600,000	4.17
Exercised during the year	(1,041,500)	0.57
Outstanding, December 31, 2006	7,656,000	\$ 2.84
Exercisable, December 31, 2006	7,372,668	\$ 2.80

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

6. Share capital (continued):

(c) Stock-based compensation (continued):

As at December 31, 2006, the Company had reserved a total of 7,656,000 common shares for issuance related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2006	Weighted average remaining contractual life
\$ 0.08	1,054,100	6.7 years
0.10	16,000	6.0 years
0.12	84,000	3.8 years
0.84	500,000	7.5 years
0.95	675,000	7.7 years
1.69	367,200	7.8 years
1.80	184,700	8.5 years
2.75	175,000	8.2 years
3.56	2,650,000	9.7 years
5.00	1,950,000	9.0 years
	7,656,000	8.6 years

The estimated fair value of all options granted and vested during 2006 is \$9,558,640 (2005 - \$647,105). Included in deferred exploration and development expenditures for the year is \$1,183,116 (2005 - \$216,003) of stock-based compensation. The unamortized balance of stock-based compensation expense for options that were not vested at December 31, 2006 is \$320,163 (2005 - \$321,617).

The weighted average fair value of options granted during the year ended December 31, 2006 was \$2.08 (2005 - \$1.35) per option using the Black-Scholes option pricing model with the following assumptions:

	2006	2005
Volatility percentage	69%	83%
Risk-free interest rate	3.9%	3.3%
Dividend yield	-	-
Expected life of options	3 years	4 years

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

6. Share capital (continued):

(d) Flow-through shares:

During 2006, the Company raised \$12,000,000 (2005 - \$12,000,000) 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, 2006, the flow-through funds raised by the Company have been incurred on qualified exploration expenditures.

In February 2006, the Company renounced \$12,000,000 (2005 - \$14,250,000) of tax deductions associated with qualified expenditures incurred and to be incurred with flow-through funds. The Company recorded a future income tax liability of \$4,694,400 (2005 - \$5,574,600), with a corresponding reduction in share capital.

In February 2007, the Company renounced \$12,000,000 of tax deductions related to the 2006 flow-through financing and recorded share issuance costs and a future income tax liability of \$3,720,000.

7. Contributed surplus:

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

	2006	2005
Contributed surplus, beginning of year	\$ 1,998,577	\$ 1,906,013
Fair value of options granted and vested during the year	9,558,640	647,105
Transferred to share capital on exercise of options	(424,443)	(554,541)
Contributed surplus, end of year	\$ 11,132,774	\$ 1,998,577

8. Related party transactions:

During the year ended December 31, 2006, the Company was charged by Cameco, a significant shareholder, a total of \$37,875 (2005 - \$646,927) for expenses incurred by Cameco on the Company's Hidden Bay mineral property, for which no mark-up over Cameco's cost was charged. At December 31, 2006, \$7,413 due to Cameco was included in accounts payable and accrued liabilities (2005 - \$92,093).

During the year ended December 31, 2006, no fees for legal and accounting services were paid to related parties. During the year ended December 31, 2005, fees for legal and accounting services in the amount of \$115,759, 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.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2006 and 2005

9. Commitments:

The Company has an obligation under an operating lease for its office premises. The future minimum lease payments are as follows:

2007	\$	40,782
2008		40,782
2009		40,782
2010		37,384

Other commitments in respect of the Company's mineral properties are disclosed in note 4.

10. Subsequent events:

Subsequent to December 31, 2006:

- (a) The Company issued 1,298,134 common shares on the exercise of stock options for proceeds of \$2,967,246.
- (b) The Company granted stock options on February 16, 2007 enabling an officer of the Company to acquire up to 1,000,000 common shares at an exercise price of \$5.02 per share, vesting over a period of two years and expiring on February 16, 2017.



Corporate Information

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Chairman, Director

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Director

Suraj P. Ahuja
Director

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

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