

Edgar Filing: URANIUM ENERGY CORP - Form 10QSB

URANIUM ENERGY CORP  
Form 10QSB  
November 20, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2006

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-127185

URANIUM ENERGY CORP.

\_\_\_\_\_  
(Exact name of small business issuer as specified in its charter)

NEVADA

88-0399476

\_\_\_\_\_  
(State or other jurisdiction of incorporation of organization)

\_\_\_\_\_  
(I.R.S. Employer Identification No.)

Suite 230  
9801 Anderson Mill Road  
Austin, Texas 78750

\_\_\_\_\_  
(Address of Principal Executive Offices)

(512) 828-6980 (Issuer's telephone number)

Austin Center  
701 Brazos, Suite 500 PMB#  
Austin, Texas 78701

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by checkmark whether the registrant is a shell company (as defined in

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Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_\_ No  \_\_\_\_\_

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years.

N/A

Check whether the Registrant filed all documents required to be filed by Section 12, 13 and 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes \_\_\_\_\_ No \_\_\_\_\_

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding as of November 10, 2006
Common Stock, \$.001 par value	29,152,338

Transitional Small Business Disclosure Format (check one)

Yes \_\_\_\_\_ No  \_\_\_\_\_

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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URANIUM ENERGY CORP.  
(formerly Carlin Gold Inc.)  
(an exploration stage company)  
INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2006  
(UNAUDITED)

BALANCE SHEETS

INTERIM STATEMENTS OF OPERATIONS

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

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URANIUM ENERGY, CORP.  
(formerly Carlin Gold Inc.)  
(an exploration stage company)

BALANCE SHEETS

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September 30,  
2006

(unaudited)

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CURRENT ASSETS	
Cash and cash equivalents	\$ 2,403,7
Accounts receivable	250,8
Prepaid expenses	12,6
	2,667,2
RESTRICTED CASH (Note 3)	146,4
PROPERTY AND EQUIPMENT (Note 4)	178,4
	\$ 2,992,1
=====	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 184,0
Due to related parties (Note 9)	
	184,0
CONTINGENCIES AND COMMITMENTS (Notes 1, 4 & 5)	
STOCKHOLDERS' EQUITY (DEFICIENCY)	
Capital Stock (Note 6)	
Common stock \$0.001 par value: 750,000,000 shares authorized	
28,327,338 shares issued and outstanding	
(December 31, 2005 - 20,461,083)	28,3
Additional paid-in capital	14,739,4
Common stock purchase warrants	992,8
Deferred compensation (Note 6)	(698,3
Deficit accumulated during the exploration stage	(12,252,1
	2,808,1
	\$ 2,992,1
=====	

The accompanying notes are an integral part of these interim unaudited financial statements.

URANIUM ENERGY, CORP.  
 (formerly Carlin Gold Inc.)  
 (an exploration stage company)

INTERIM STATEMENTS OF OPERATIONS

# Edgar Filing: URANIUM ENERGY CORP - Form 10QSB

(UNAUDITED)

	Three months Ended September 30, 2006	Three months Ended September 30, 2005	Nine months Ended September 30, 2006	
	\$	\$	\$	Nin Sept
<hr/>				
EXPENSES				
Mineral property expenditures, net of recoveries	877,919	166,983	2,613,019	
General and administrative	440,294	32,613	1,755,627	
Management fees	307,773	(2,245)	780,637	
Management fees - stock based	162,500	-	487,500	
Professional fees	60,709	35,212	194,974	
Consulting - stock based compensation	828,884	-	4,326,923	
	<hr/>	<hr/>	<hr/>	
	2,678,079	232,563	10,158,680	
	<hr/>			
LOSS BEFORE OTHER ITEMS	(2,678,079)	(232,563)	(10,158,680)	
	<hr/>			
INTEREST INCOME	33,081	657	46,254	
OTHER INCOME	9,692	-	9,692	
	<hr/>	<hr/>	<hr/>	
	42,773	657	55,946	
	<hr/>			
NET LOSS FOR THE PERIOD	(2,635,306)	(231,906)	(10,102,734)	
<hr/>				
BASIC AND FULLY DILUTED NET LOSS PER SHARE	(0.09)	(0.01)	(0.40)	
<hr/>				
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	28,017,610	17,153,583	25,268,954	
<hr/>				

The accompanying notes are an integral part of these interim unaudited financial statements.

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URANIUM ENERGY, CORP.  
 (formerly Carlin Gold Inc.)  
 (an exploration stage company)  
 INTERIM STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Nine months Ended September 30, 2006	Nine m End Septemb 200
	\$	\$
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(10,102,734)	(
Adjustments to reconcile net loss to net cash from operating activities:		
Stock based compensation	4,814,423	
Non-cash property and drill data costs	85,000	
Non-cash exploration expenses, net of non-cash recoveries	1,612,500	
Prepaid expenses	(33,169)	
Other current assets	-	
Depreciation	10,688	
Accounts receivable	(250,891)	
Accounts payable and accrued liabilities	84,185	
<hr/>		
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,779,998)	(
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash	(146,478)	
Purchase of equipment	(189,108)	
<hr/>		
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(335,586)	
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	6,621,000	
Repayments to related parties	(208,832)	
Convertible debenture proceeds	-	
Advances from related parties	-	
<hr/>		
NET CASH FLOWS FROM FINANCING ACTIVITIES	6,412,168	
<hr/>		
INCREASE IN CASH AND CASH EQUIVALENTS	2,296,584	(
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	107,160	
<hr/>		
CASH AND CASH EQUIVALENTS, END OF PERIOD	2,403,744	
<hr/>		
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash in bank	49,942	

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Short term investments

2,353,802

2,403,744

=====

SUPPLEMENTAL DISCLOSURES:

Interest paid

-

Taxes paid

-

=====

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Note 11)

The accompanying notes are an integral part of these interim unaudited financial statements.

URANIUM ENERGY CORP.  
(FORMERLY CARLIN GOLD INC.)  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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(UNAUDITED)

NOTE 1: NATURE OF OPERATIONS AND BASIS OF PRESENTATION

-----

Uranium Energy Corp. (the "Company") was incorporated on May 16, 2003 in the State of Nevada as Carlin Gold, Inc. The Company is an exploration stage company that was originally organized to explore and develop precious metals in the United States.

During 2004, the Company changed its business direction from the exploration of precious metals to the exclusive focus on the exploration and development of uranium deposits in the United States and internationally. Due to the change in the Company's core business direction, the Company disposed of its 18 mineral property claims in the State of Nevada. In addition, the Company commenced reorganization, including a reverse stock split by the issuance of 1 new share for each 2 outstanding shares of the Company's common stock and the raising of further capital for its new operating directives (refer to Notes 4 and 10). On January 24, 2005, the Company approved a special resolution to change the name of the Company from Carlin Gold, Inc. to Uranium Energy Corp. On February 28, 2006; the Company completed a forward stock split by the issuance of 1.5 new shares for each 1 outstanding share of the Company's common stock.

Since November 1, 2004, the Company has acquired mineral leases, directly and under options, for the purposes of exploring for economic deposits of uranium in the States of Arizona, Texas, New Mexico, Wyoming, Colorado, and Utah. To September 30, 2006, interests in approximately 17,848 net acres of mineral properties have been staked or leased by the Company. In May of 2006 the Company began drilling operation on the Goliad Project in south Texas. The Phase I program calls for 32,000 feet of drilling, consisting of 70 test holes.

GOING CONCERN

The Company commenced operations on May 16, 2003 and has not realized any

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significant revenues since inception. As at September 30, 2006, the Company has an accumulated deficit of \$12,254,195. The Company is in the exploration stage of its mineral property development and to date has not yet established any known mineral reserves on any of its existing properties. The ability of the Company to continue as a going concern is dependent on raising capital to fund its planned mineral exploration work and ultimately to attain profitable operations. Accordingly, these factors raise substantial doubt as to the Company's ability to continue as a going concern. The Company intends to continue to fund its initial operations by way of private placements and advances from related parties as may be required. To date, the Company has completed private placements and the exercise of options for total proceeds of \$7,571,696 from the issuance of shares of the Company's common stock.

### UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ORGANIZATION

The Company was incorporated on May 16, 2003 in the State of Nevada. The Company's fiscal year end is December 31.

#### BASIS OF PRESENTATION

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

URANIUM ENERGY CORP.

(FORMERLY CARLIN GOLD INC.)

(AN EXPLORATION STAGE COMPANY)

INTERIM NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

(UNAUDITED)

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents.



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### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant areas requiring management's estimates and assumptions are determining the fair value of shares of common stock and convertible debentures.

### MINERAL PROPERTY EXPENDITURES

Mineral property exploration and development costs are expensed as incurred until such time as economic reserves are quantified. The Company has considered the guidance under EITF 04-2 and has determined that capitalization of mineral property acquisition costs is inappropriate at the current stage of the Company's mineral property exploration activities. To date, the Company's mineral interests consist mainly of exploration stage properties acquired by way of staking, leasing or option agreements. Furthermore, there is uncertainty as to the Company's ability to fund the exploration work necessary to determine if the properties have recoverable reserves or any future economic benefits. As a result, acquisition costs to date are considered to be impaired and accordingly, have been written off as mineral property expenditures.

To date, the Company has not established any proven or probable reserves on its mineral property interests. Estimated future removal and site restoration costs are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

### ASSET RETIREMENT OBLIGATIONS

The Company has adopted the provisions of SFAS No. 143 "Accounting for Asset Retirement Obligations," which establishes standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment or other disposal of long-lived tangible assets arising from the acquisition, construction or development and for normal operations of such assets. The adoption of this standard has had no effect on the Company's financial position or results of operations. To September 30, 2006 any potential costs relating to the ultimate disposition of the Company's mineral property interests have not yet been determinable.

### FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, other current assets, accounts payable and accrued liabilities, convertible debentures and amounts due to related parties were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's operations and financing activities are conducted primarily in United States dollars, and as a result the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

Management has determined that the Company is exposed to significant credit risk.

URANIUM ENERGY CORP.  
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INTERIM NOTES TO FINANCIAL STATEMENTS  
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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### LOSS PER COMMON SHARE

Basic loss per share includes no dilution and is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings (loss) of the Company. The common shares potentially issuable on conversion of outstanding convertible debentures and exercise of stock options were not included in the calculation of weighted average number of shares outstanding because the effect would be anti-dilutive.

#### FOREIGN CURRENCY TRANSLATION

The financial statements are presented in United States dollars. In accordance with SFAS No. 52, "Foreign Currency Translation", foreign denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations.

#### INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, deferred 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 balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at September 30, 2006, the Company had net operating loss carry forwards; however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these losses carry forwards.

#### STOCK-BASED COMPENSATION

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), SHARE-BASED PAYMENT, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS

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No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

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SEPTEMBER 30, 2006  
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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and are amortized over their estimated useful lives at the following rates:

Furniture Fixtures	20% declining balance
Computer equipment	20% declining balance
Mining equipment	20% declining balance
Vehicles	20% declining balance

All assets are amortized at half their normal rate in the year of acquisition.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. This standard is not expected to have a significant effect on the Company's future reported financial position or results of operations.

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In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. This adoption of this statement is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108,

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"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial position and results of operations.

### NOTE 3: RESTRICTED CASH

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Restricted cash reflects amounts to be restricted greater than 12 months and accordingly is included in non-current assets. Restricted cash consists of certificates of deposit issued to the Wyoming Department of Environmental Quality, Land Quality Division, in lieu of a surety bond. The certificates of deposit accrue interest at 3.5% per annum, are automatically renewable and are protected by federal insurance up to \$100,000.

### NOTE 4: PROPERTY AND EQUIPMENT

---

	September 30, 2006 (Unaudited)	December 31, 2005
	\$	\$
Furniture and fixtures	14,373	-
Computer equipment	25,058	-
Vehicles	113,714	-
Mining equipment	35,963	-
	189,108	-
Less: accumulated depreciation	10,688	-
Net book value	178,420	-
=====	=====	=====

Effective August 24, 2006, the Company committed to spend approximately \$112,000 on a logging truck which is currently being built. As of September 30, 2006, \$50,000 has been paid towards the truck and has been capitalized as vehicle costs.

### NOTE 5: MINERAL EXPLORATION PROPERTIES

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#### URANIUM EXPLORATION

Since November 1, 2004, the Company has been acquiring mineral leases for the purposes of exploring for economic deposits of uranium in the States of Arizona, Colorado, Utah, Wyoming, and Texas. As of December 31, 2005, five claim blocks in Arizona comprising 1,540 acres of mineral properties had been staked or leased by the Company. A total of \$11,649 was expended in the year ended

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December 31, 2004 to acquire these mineral claims.

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### NOTE 5: MINERAL EXPLORATION PROPERTIES (CONTINUED)

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On October 11, 2005, the Company entered into a Mineral Asset Option Agreement (the "Moore Option") granting the Company the option to acquire certain uranium leases in the State of Texas for total consideration of \$200,000 and 2,000,000 pre-forward split restricted common shares at a deemed value of \$0.50 per share. In consideration for the Option and its partial exercise over the option term, the Company made a cash payment of \$50,000 and issued 500,000 pre-forward split shares of restricted common stock (750,000 post-split). On February 1, 2006 the Company paid a further cash payment of \$150,000. The Option, if fully exercised will require the further issuance of 1,500,000 pre-forward split shares of restricted common stock in 500,000 pre-forward split share installments due on or before the six, twelve, and eighteen months from the effective date of the Option. Title to the properties to be acquired will transfer upon payment of all remaining shares of stock required under the Option, the timing of which may be accelerated at the Company's discretion. During the Option term, the Company has the right as operator to conduct or otherwise direct all exploration on the properties to be acquired under the Option. (Refer to Note 6(b))

On July 27, 2006 the Company entered into an option agreement to sell its Cadena data base to High Plains Uranium, Inc., for \$150,000 in non-refundable cash (received), 333,333 shares in the Canadian based public company, valued at approximately \$235,040, and a 1% royalty on any mined substance produced on any mineral interest or claim covered by the data base. A total of \$385,040 has been credited against mineral property expenditures and the estimated value of the shares has been recorded as accounts receivable. To date the Company has only received the \$150,000 in cash however, receipt of the shares is expected prior to the end of 2006.

During 2005, the Company acquired lease interests in twenty-one further uranium exploration mineral properties totaling 7,413 gross acres in the States of Arizona, Colorado, Texas, Wyoming, and Utah, at a cost of \$181,113, for five years with an option to renew for five years.

During the first nine months of 2006 the Company acquired an additional 10,663 acres in Wyoming, Texas and New Mexico at a cost of \$287,917. As of September 30, 2006, a total of 18,076 gross acres (17,848 net mineral acres) of mineral properties have been staked or leased by the Company in the states of Arizona, Colorado, Wyoming, Texas, New Mexico and Utah for the purposes of uranium exploration for a total cost of \$480,679. These leases are subject to 5.0% to 15.25% net royalty interests.

Included in the aforementioned lease totals, under the terms of a June 13, 2006 ten year mining lease agreement the Company paid an initial lease payment of \$50,000 in June 2006 and is required to pay:

1. future production royalties as follows:

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- (a) if the sales price of uranium mined by the Company is less than \$50 per pound, a production royalty of 5% of net proceeds; and
  - (b) if the sales price is greater than \$50 per pound, a production royalty of 6% of net proceeds; and
2. minimum advance royalties and set-off for production royalties, as follows:
- (a) \$30,000 on or before September 15, 2006 (paid);
  - (b) \$30,000 on or before January 1, 2007;
  - (c) \$50,000 on or before June 1, 2007;
  - (d) \$500,000 on or before December 1, 2007;
  - (e) \$500,000 on or before December 1, 2008; and
  - (f) \$50,000 on or before December 1, 2009 and a further \$50,000 on or before December 1st of every year subsequent to December 1, 2009 and as long thereafter as uranium or other mined substances are being produced in commercial quantities from the leased land or land pooled therewith.

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### NOTE 6: CAPITAL STOCK

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#### (A) SHARE CAPITAL

The Company's capitalization at September 30, 2006 was 750,000,000 authorized common shares with a par value of \$0.001 per share. On January 9, 2006, a majority of shareholders voted to amend the Company's Articles of Incorporation to increase the authorized capital from 75,000,000 shares of common stock to 750,000,000 shares of common stock. The increase in authorized capital was effective on February 1, 2006.

On January 24, 2005, a majority of shareholders and the directors of the Company approved a special resolution to undertake a reverse stock split of the common stock of the Company on a 1 new share for 2 old shares basis. The par value and the number of authorized but un-issued shares of the Company's common stock was not changed as a result of the reverse stock split. On February 14, 2006, the directors of the Company approved a special resolution to undertake a forward stock split of the common stock of the Company on a 1.5 new shares for 1 old share basis whereby 7,484,116 common shares were issued pro-rata to shareholders of the Company as of the record date on February 28, 2006.

All references in these financial statements to the number of common shares, price per share and weighted average number of common shares outstanding prior to the 1:2 reverse stock split and the 1.5:1 forward stock split have been adjusted to reflect these stock splits on a retroactive basis, unless otherwise noted.

#### (B) 2006 SHARE TRANSACTIONS

Pursuant to the Moore Option (refer to Note 5) the Company issued:

- (i) 500,000 pre-forward split restricted common shares on April 9, 2006 at

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a value of \$2.30 per share for a total value of \$1,150,000; and

(ii) an additional 250,000 post-split restricted common shares on September 28, 2006 at a value of \$1.85 per share, to adjust the share consideration paid to date for the forward 1.5 forward split of the Company's common stock, for an additional value of \$462,500. As at September 30, 2006, the total value of the shares issued under the terms of the Moore Option is \$1,612,500 which has been recorded as mineral property expenditures. (refer to Note 5)

On January 15 and February 28, 2006 the Company issued an aggregate amount of 18,750 restricted common shares at a price of \$0.3333 per share for a value of \$6,250 in connection with a drilling database information agreement. The agreement requires cash payments of \$2,000 per month payable quarterly and quarterly issuances of 18,750 restricted common shares for three further quarters following the effective date of the agreement. In accordance with the terms of the Agreement the Company issued 12,500 restricted common shares at \$2.40 per share for a value of \$30,000 on May 11, 2006 and 25,000 restricted common shares at \$1.95 per share for a value of \$48,750 on September 21, 2006. A total of \$85,000 has been recorded as mineral property expenditures in the period.

On March 10, 2006, the Company received a subscription for 250,000 units at \$1.00 per share purchase unit from a shareholder and consultant to the Company for net proceeds to the Company of \$250,000. These shares were issued in April, 2006. The 250,000 units are comprised of 250,000 restricted common shares and 250,000 common share purchase warrants in the capital of the Company with piggyback registration rights for all securities underlying the units issued. The warrants are exercisable at \$1.50 per share for a term which is the earlier of (i) 12 months from the date of issuance or (ii) six months from the effective date of registration.

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### NOTE 6: CAPITAL STOCK (CONTINUED)

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#### (B) 2006 SHARE TRANSACTIONS (CONTINUED)

On April 24, 2006, the Company received a subscription for 50,000 units at \$1.00 per share purchase unit from a shareholder and consultant to the Company for net proceeds to the Company of \$50,000. These shares were issued in July of 2006. The 50,000 units are comprised of 50,000 restricted common shares and 50,000 common share purchase warrants in the capital of the Company with piggyback registration rights for all securities underlying the units issued. The warrants are exercisable at \$1.50 per share for a term which is the earlier of (i) 12 months from the date of issuance or (ii) six months from the effective date of registration.

On May 25, 2006 the Company completed a private placement for 2,500,000 units at a subscription price of \$2.00 with gross proceeds to the Company of \$5,000,000. Each unit is comprised of one common share and one-half warrant on one non-transferable share purchase warrant of the company. Each whole warrant entitles the share purchaser an additional common share of the Company until the



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earlier of 12 months from the date of issuance of the units or six months from the effective date of the Company's proposed registration statement. The price of the warrants is \$2.50 per warrant share. The Company has paid finders' fees in conjunction with the completion of the private placement of \$329,700 in cash and 471,000 non-transferable common share purchase warrants on the same terms and conditions in the private placement warrants. The fair value of these warrants at the date of grant of \$992,894 was estimated using the Black-Scholes option pricing model with an expected life of 1 year, a risk free interest rate of 5.09%, a dividend yield of 0%, and an expected volatility of 374.15%. All finders' fees have been recorded against the proceeds of the private placement and the warrants have been recorded as a separate component of stockholders' equity.

On June 13, 2006 the Company completed an additional non-brokered private placement of 25,000 units which were subscribed to under the same terms and conditions as the May 25, 2006 private placement, with gross proceeds to the Company of \$50,000.

### (C) SHARE PURCHASE WARRANTS

Share purchase warrants outstanding at September 30, 2006 are:

Range of exercise prices	Weighted average price	Number of warrants to purchase shares	Weighted average remaining contractual life (in years)
\$1.25 - \$3.00	\$2.35	2,033,500	0.49

A summary of the Company's stock purchase warrants as of September 30, 2006 and changes during the period ended is presented below:

	Number of warrants	Weighted average exercise price per share	Weighted contract
Outstanding at Dec 31, 2005	-	\$ -	
Granted	2,033,500	2.35	
Expired	-	-	
Exercised	-	-	
Balance at September 30, 2006	2,033,500	\$ 2.35	

### (D) DEFERRED COMPENSATION

On December 16, 2005 the Company issued 1,950,000 shares of restricted common stock at a price of \$0.333 per share for a value of \$650,000 to three members of management as per management agreements with the Company which are for a one year term commencing January 1, 2006. The \$650,000 charge was recorded as deferred compensation and is being expensed over a one year term. Accordingly, \$487,500 has been expensed as management fees during the nine month period ended

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### NOTE 6: CAPITAL STOCK (CONTINUED)

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#### (D) DEFERRED COMPENSATION (CONTINUED)

On February 1, 2006, the Company issued 772,500 restricted common shares at a price of \$0.3333 per share for a value of \$257,500 to a consultant in connection with a one year corporate finance consulting services agreement of the same date. The consultant will provide among other things, assistance in the initiation, coordination, implementation and management of all aspects of any program or project in connection with the corporate finance development and maintenance of the Company's various business interests. The \$257,500 charge was recorded as deferred compensation and is being expensed over a one year term. Accordingly, \$171,667 has been expensed as consulting fees during the nine month period ended September 30, 2006.

On March 1, 2006, the Company entered into a corporate relations consulting services agreement with a shareholder of the Company for a six month initial term. The agreement requires the Company to pay \$5,000 per month during the initial term and issue 500,000 warrants exercisable at \$1.00 per share for a ten year term. The shares underlying the warrants have piggy back registration rights. The fair value of these warrants at the date of grant of \$1,618,526 was estimated using the Black-Scholes option pricing model with an expected life of 10 years, a risk free interest rate of 5.09%, a dividend yield of 0%, and an expected volatility of 79%. The \$1,618,526 charge has been recorded as deferred compensation and is being expensed over a six month term. Accordingly, \$1,618,526 has been expensed as consulting fees during the nine month period ended September 30, 2006.

On April 1, 2006 the Company entered into a twelve month Consulting Agreement with EurXchange Consulting Ltd., to provide consulting services with financial and investor public relations and related matters in the Federal Republic of Germany. The Company paid approximately \$370,000 (290,000 EUR) in cash for current contract expenditures and issued 400,000 restricted common shares of the Company at a price of \$2.25 per share for a value of \$900,000. The \$900,000 charge has been recorded as deferred compensation and is being expensed over a one year period. Accordingly, \$450,000 has been expensed as consulting fees during the nine month period ended September 30, 2006.

### NOTE 7: STOCK OPTION PLAN

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On December 19, 2005 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,250,000 shares at \$0.333 per share. The majority of shareholders of the Company ratified and approved the Stock Option Plan effective February 1, 2006. On April 10, 2006 the Company amended its 2005 Stock Option Plan whereby, subject to adjustment from time to time as provided in Article 11.1, the number of common shares available for issuance under the Plan was increased from 3,500,000 shares to 7,500,000 shares.

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On February 1, 2006, the Company granted 285,000 stock options as follows: 172,500 to an officer and 112,500 to an employee, at \$0.333 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$124,331 was estimated using the Black-Scholes option pricing model with an expected life of 10 years, a risk free interest rate of 5.09%, a dividend yield of 0%, and expected volatility of 79% and has been recorded as a stock based compensation expense in the period.

On February 9, 2006, the Company filed a Form S-8 to register 2,000,000, \$0.50 stock options.

On February 14, 2006, 1,200,000 share options were exercised at \$0.333 per share by consultants to the Company for net proceeds of \$400,000.

On March 2, 2006, 300,000 share options were exercised at \$0.333 per share by consultants to the Company for net proceeds of \$100,000.

On April 10, 2006, 1,500,000 stock options were granted to consultants at \$1.00 per share. The term of these options is ten years. , The fair value of these options at the date of grant of \$1,956,149 was estimated using the Black-Scholes option pricing model with an expected life of one month due to market price at the time of grant, a risk free interest rate of 5.09%, a dividend yield of 0%, and an expected volatility of 374.15% and has been recorded as stock based compensation expense in the period. On April 21, 2006 the Company filed Form S-8 to register 1,500,000 stock options.

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### NOTE 7: STOCK OPTION PLAN (CONTINUED)

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On April 21, 2006, the Company issued 610,000 S-8 registered common shares in connection with the exercise of share options by consultants to the Company for \$450,000 net proceeds to the Company.

On April 24, 2006, the Company issued 500,000 S-8 registered common shares in connection with the exercise of share options by consultants to the Company for \$500,000 net proceeds to the Company.

On May 3, 2006, the Company issued 300,000 S-8 registered common shares in connection with the exercise of share options by consultants to the Company for \$100,000 net proceeds to the Company.

On June 3, 2006, the Company issued 112,500 S-8 registered common shares in connection with the exercise of share options by consultants to the Company for \$37,500 net proceeds to the Company.

On August 30, 2006, 40,000 share options were exercised at \$0.333 per share by a consultant to the Company for net proceeds of \$13,200.

A summary of the Company's stock options as of September 30, 2006 and changes during the period ended is presented below:

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	Number of options	Weighted average exercise price per share	Weighted remaining life (i
Outstanding at December 31, 2005	4,725,000	\$ 0.333	9
Granted	1,785,000	0.457	6
Exercised	(3,062,500)	-	
Outstanding as September 30, 2006	3,447,500	\$ 0.453	9

NOTE 8: INCOME TAXES

The Company has adopted FASB No. 109 for reporting purposes. As of December 31, 2005, the Company had net operating loss carry forwards of approximately \$1,465,000 that may be available to reduce future years' taxable income. These carry forwards will begin to expire, if not utilized, commencing in 2023. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry forwards.

The Company reviews its valuation allowance requirements on an annual basis based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

NOTE 9: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company executed an employment agreement with its Chief Operating Officer and committed to pay him a monthly fee of \$10,000 and grant him 375,000 stock options in 2005 exercisable over a ten year term at \$0.333 per share. The options were granted as follows: 202,500 on December 20, 2005 and 172,500 on February 1, 2006. Refer to Note 10.

During the period ended September 30, 2006, the Company had transactions with certain officers and directors of the Company as follows:

- (a) incurred \$780,637 in management fees and benefits and recorded an additional \$487,500 in stock based compensation expense (Refer to Note 6(d));
- (b) \$150,000 of advances to the Company from a shareholder and consultant, were settled on the exercise of 450,000 options at \$0.333 per share; and
- (c) paid \$10,224 for marketing and media services to a private company of which our president is a director.

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### NOTE 9: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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All related party transactions were recorded at the exchange amount, which is the value established and agreed to by the related parties.

Other related party transactions are disclosed in notes 4, 5 and 6.

### NOTE 10 - COMMITMENTS

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On December 1, 2005 the Company entered into a Financial Consulting Services Agreement with International Market Trend, AG. The term of the Agreement is for twelve months, effective February 1, 2006. In consideration for IMT entering into this Agreement, the Company granted to IMT or its nominees 1,300,000 stock options of the Company's common stock exercisable at a price of \$0.50 per share on December 20, 2005. In addition, IMT will receive \$10,000 per month.

The Company is also committed to pay its key executives a total of approximately \$480,000 per year.

### NOTE 11 - SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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On January 15, 2006 the Company issued 18,750 restricted common shares at a price of \$0.3333 per share for a value of \$6,250 in connection with a drilling database information agreement. The agreement requires cash payments of \$2,000 per month payable quarterly and quarterly issuances of 18,750 restricted common shares for three further quarters following the effective date of the agreement. On April 15, 2006 as per the Agreement the Company issued a further 12,500 restricted common shares at a price of \$2.40 for a value of \$30,000 and 25,000 restricted common shares at \$1.95 per share for a value of \$48,750 on September 21, 2006. A total of \$85,000 has been recorded as mineral property expenditures in the period. (refer to Note 6)

On February 1, 2006, the Company issued 772,500 restricted common shares at a price of \$0.3333 per share for a value of \$257,000 to a consultant in connection with a corporate finance consulting services agreement of the same date. Accordingly this cost has been recorded as deferred compensation in the statement of stockholders equity. The amount expensed to stock-based compensation for the period ended September 30, 2006 was \$171,667. (refer to Note 6).

On April 1, 2006 the Company entered into a twelve month Consulting Agreement with EurXchange Consulting Ltd., to provide consulting services with financial and investor public relations and related matters in the Federal Republic of Germany. The Company issued 400,000 restricted common shares of the Company at a price of \$2.25 per share for a value of \$900,000. Accordingly this cost has been recorded as deferred compensation in the statement of stockholders' equity. The amount expensed to stock-based compensation for the period ended September 30, 2006 was \$450,000. (refer to Note 6).

On April 9, 2006 the Company issued 500,000 restricted common shares at a value of \$2.30 per share and on September 28, 2006 the Company issued an additional 250,000 restricted common shares at a value of \$1.85 per share per the Agreement for a total value of \$1,612,500 in connection with a Mineral Asset Option Agreement that was signed in October of 2005. The Option Agreement, if fully

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exercised, requires a further issuance of an additional 2,250,000 shares of restricted common stock in 750,000 share installments due, twelve, and eighteen months from the effective date of the Option. (refer to Note 6)

### NOTE 12: SUBSEQUENT EVENTS

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On October 10, 2006 the Board of Directors of the Company ratified, approved and adopted a Stock Incentive Plan for the Company, whereby the aggregate number of common shares available for issuance under the Plan was reserved at 10,000,000 shares.

On October 10, 2006, the Company granted 650,000, 10 year options to purchase common shares at \$1.30 per share as follows: 200,000 to an officer, 100,000 to a director, 200,000 to employees and 150,000 to a consultant.

On October 10, 2006 the Company issued 750,000 restricted common shares pursuant to the terms of a Mineral Asset Option Agreement dated October 11, 2005.

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### NOTE 12: SUBSEQUENT EVENTS (CONTINUED)

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On October 27, 2006 the Company issued 75,000 common shares according to the provisions of an Option Agreement. The options were exercised by a director of the Company at a price of \$0.333 per share for net proceeds of \$25,000.

The Company filed a Form SB-2 Registration Statement under the United States Securities Act of 1933, as amended, to register an aggregate of 5,091,000 shares, including 3,057,500 common shares issued in previous private placement offerings and 2,033,500 common shares underlying the respective Warrants. The Registration Statement was declared effective October 20, 2006.

Statements made in this Form 10-QSB that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events. Please note that throughout

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this Quarterly Report, and unless otherwise noted, the words "we", "our" or the "Company" refer to Uranium Energy Corp.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

#### GENERAL

Uranium Energy Corp. is a corporation organized under the laws of the State of Nevada. After the effective date of our registration statement filed with the Securities and Exchange Commission (December 5, 2005), we commenced trading on the Over-the-Counter Bulletin Board under the symbol "URME:OB".

Please note that throughout this Quarterly Report, and unless otherwise noted, the words "we," "our," "us," the "Company," or "Uranium Energy," refers to Uranium Energy Corp.

#### RECENT DEVELOPMENTS

##### FORWARD STOCK SPLIT

On February 14, 2006, our Board of Directors pursuant to minutes of written consent in lieu of a special meeting authorized and approved a forward stock split of 1.5-for-one of our total issued and outstanding shares of common stock (the "Forward Stock Split").

The Forward Stock Split was effectuated based on market conditions and upon a determination by our Board of Directors that the Forward Stock Split was in our best interests and of the shareholders. In our judgment the Forward Stock Split would result in an increase in our trading float of shares of common stock available for sale resulting in facilitation of investor liquidity and trading volume potential. The intent of the Forward Stock Split was to increase the marketability of our common stock.

The Forward Stock Split was effectuated with a record date of February 28, 2006 upon filing the appropriate documentation with NASDAQ. The Forward

Stock Split increased our issued and outstanding shares of common stock from 14,968,222 to approximately 22,452,338 shares of common stock. The common stock will continue to be \$0.001 par value.

##### AMENDMENT TO ARTICLES OF INCORPORATION

On February 6, 2006, we filed an amendment to our articles of incorporation with the Nevada Secretary of State. The amendment revised Section 3 of the articles of incorporation increasing the authorized capital stock from 75,000,000 shares of common stock at \$0.001 par value to 750,000,000 shares of common stock par value \$0.001.

#### CURRENT BUSINESS OPERATIONS

We are a natural resource exploration and development company engaged in the exploration and development of properties that may contain uranium minerals in the United States. Our strategy is to acquire properties that are thought to contain economic quantities of uranium ore and have undergone some degree of uranium exploration but have not yet been mined. We plan an aggressive acquisition strategy for the next 12 to 24 months to build uranium resources of 50 million pounds. As of the date of this Quarterly Report, we do not have proven reserves of any kind.

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As of the date of this Quarterly Report, we have acquired interests in forty nine uranium exploration mineral properties totaling 17,848 net mineral acres in the States of Arizona, Colorado, Texas, Wyoming, New Mexico and Utah for aggregate consideration of \$480,679. These properties have been either leased or staked, which we intend to explore for economic deposits of uranium. These leases are also subject to 5.0% to 15.25% net royalty interests. Each of these properties has been the subject of historical exploration by other mining companies, and provides indications that uranium may exist in economic concentrations. We have access to historical exploration data that may provide indications of locations that may contain unknown quantities of uranium. The data consists chiefly of drill hole assay results, drill hole logs, studies, publicly published works, our own created work product and maps, that help guide our property acquisition strategy. The basis for management's belief that there may be indications uranium may exist in economic concentrations on our leased and staked properties are based as follows with specific reference to each state where we have leased or staked exploration property interests. The basis of information in each state pertains to prior exploration conducted by other companies, or management information and work product derived from various reports, maps, radioactive rock samples, exploratory drill logs, state organization reports, consultants, geological study, and other exploratory information.

During the nine-month period ended September 30, 2006, we acquired an additional 10,663 gross acres of leases in the States of New Mexico, Texas, Arizona, Colorado, Utah and Wyoming for an aggregate consideration of \$287,917.

### MINERALS EXPLORATION PROPERTIES

We are participating in our mineral properties in the States of Arizona, Colorado, New Mexico and Wyoming by way of quitclaim deed. The properties were staked and claimed by us and registered with the United States Bureau of Land Management ("BLM"). There are claim blocks deeded to us in this manner in Arizona, and further claim blocks in Colorado. The deeds are in effect for five years, and carry renewable five-year terms for an indefinite period,

provided that the annual processing fees are in good standing with the BLM. The claims were entered into between November 4, 2004 and July 5, 2011, corresponding to initial terms of expiry between November 4, 2009 and July 5, 2011. Annual processing fees to be paid to the BLM vary from county to county but are relatively nominal. We will also be required to remediate the land upon termination of the deed - bringing the land back to its original state prior to the commencement of our exploration activities. These costs are not determinable at this time.

In the States of Texas, Utah, and Wyoming we are participating in our mineral properties by way of property lease directly from the owners of the land/mineral rights. These leases give us similar access and privileges as described above, however with some important differences. Although we will have access to the surface, the mineral rights below surface are restricted to uranium only, with any other minerals, including, for example, petroleum, reverting to the lessor. The lease terms are for five years, and include five-year renewal periods. After the expiration of the second five-year term, we must renegotiate the terms of a new lease. Royalty payments in the amount of 5.0% to 15.25% of net proceeds received must be made to the lessor in the event that we extract uranium ore from the properties.

As of the date of this Quarterly Report, we have the following gross and net acre mineral property interests in states indicated below under lease:

GROSS ACRES	NET ACRES
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ARIZONA	2,231.28	2,231.28
COLORADO	1,074.32	1,074.32
NEW MEXICO	3,280.00	3,250.58
TEXAS	3,794.78	3,596.91
UTAH	640.00	640.00
WYOMING	7,055.18	7,055.18
TOTAL	18,075.56	17,848.27

These properties do not have any indicated or inferred minerals or reserves. We plan to conduct exploration programs on these properties with the intent to prove or disprove the existence of economic concentrations of uranium. Since inception, we have not established any proven or probable reserves on our mineral property interests.

### GOLIAD COUNTY, TEXAS LEASE

During the nine-month period ended September 30, 2006, we continued the initial confirmation drilling at our 100% controlled Goliad project in Goliad County, Texas (the "Goliad Lease"). Our drilling program consists of ongoing drilling of approximately 32,000 feet with 70 test holes in order to confirm the existing 5,200,000 pounds of historically drill-indicative resources on the property (as identified by Moore Energy Corporation during the 1980s) and extending historically identified mineralized trends.

As of the date of this Quarterly Report, current drilling is filling in gaps and defining boundaries within the historically delineated ore bodies as originally developed by Moore Energy Corporation in the 1980s based on 190,000 feet of drilling in approximately 400 holes. To date, our drilling has concentrated in the areas of the A and D Sand ore bodies, with a total of 34 holes drilled, consisting of 13,345 feet.

Of the 34 holes drilled, 19 intersected ore grade material (GT or grade-thickness greater than 0.30) and the remainder are classified as strongly mineralized (GTs between 0.10 and 0.30). All intercepts were either in the A or D Sand horizon, or both. Thicknesses of ore-grade intervals range from 4.0 feet to 43.0 feet, and average mineralized intercepts range from 0.040% to 0.107% eU308.

The highest GT encountered in the A Sand thus far has been 2.236 with grades ranging up to 0.177% eU308. The highest GT encountered in the D Sand thus far has been 1.498 with grades ranging up to 0.165% eU308. Test holes 120 and 102 intersected ore-grades in both the A Sand (GTs of 0.557 and 0.304, respectively) and the D Sand (GTs of 1.059 and 1.260, respectively). Depths to A Sand ore averages 102 feet and depths to D Sand ore averages 320 feet.

We have increased the number of drilling rigs to 4, based on successes to date. The objectives of the Goliad drilling program are two-fold: (1) Definition and delineation drilling to confirm the inferred historic resource of 5.2 million pounds eU308, and (2) to expand and extend the historically identified mineralized trends. We plan to complete drilling of the A, B, C and D

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Sand horizons on 100-foot centers, an approximate additional 300 holes.

### SHIRLEY BASIN, WYOMING LEASE

As of the date of this Quarterly Report, we have commenced drilling on our AB Claim block (41 claims) located in the Shirley Basin uranium district, sixty miles south of Casper, Wyoming (the "Shirley Basin Lease"). We acquired the Shirley Basin Lease claims during June 2006 together with a significant exploration database, which includes 93,000 feet of historical drilling data. The objectives of this exploration program include the confirmation of the historically indicated uranium mineralization, the evaluation of the property's uranium resources and the amenability of the mineralized material to in-Situ leach mining techniques. Our drilling program will consist of a minimum of thirty drill holes totaling over 21,000 feet.

### URANIUM MINING LEASE

On June 13, 2006, we entered into a ten-year uranium mining lease (the "Lease") with John G. Jebsen and John Triantis (collectively, the "Lessor"), pursuant to which the Lessor granted and leased to us certain acreage consisting of 41 unpatented lode mining claims located in Carbon County, Wyoming. In accordance with the terms and provisions of the Lease, we shall: (i) investigate, explore, prospect, drill, solution mine, produce, extract, treat, process, and store uranium, thorium and other fissionable associated substances (the "Leased Substances"); (ii) pay to the Lessor an aggregate of \$50,000 for the Lease; and (iii) pay to the Lessor a production royalty as follows: (a) in the event the sales price for the Leased Substances mined by us is less than \$50.00 per pound, five percent (5%) of the net proceeds received, and (b) in the

event the sales price for the Leased Substances mined by us is equal to or greater than \$50.00 per pound, six percent (6%) of the net proceeds received. In addition to the payments required to be made by us under the terms of the Lease as discussed, we shall pay additional minimum advance royalties as follows: (i) \$30,000 on or before September 15, 2006; (ii) \$30,000 on or before January 1, 2007; (iii) \$50,000 on or before June 1, 2007; (iv) \$500,000 on or before December 1, 2007; (v) \$500,000 on or before December 1, 2008; (vi) \$50,000 on or before December 1, 2009; and (vi) \$50,000 on or before December 1st of every year subsequent to December 1, 2009 and as long thereafter as Leased Substances are being produced in commercial quantities from the property subject to the Lease.

### OPTION TO PURCHASE ASSETS AGREEMENT - SALE OF DATABASE

On July 27, 2006, we entered into an option to purchase assets (the "Option") with High Plains Uranium Inc. ("High Plains"), pursuant to which we agreed to sell our unencumbered database consisting of 813 mobile drill logs (e-logs and lithologs), 242 Moore Energy logs and certain drill hole location maps, reserve calculations, survey data and core analyses (collectively, the "Cadena Database"). In accordance with the terms and provisions of the Option: (i) High Plains shall within thirty calendar days (the "Option Period") pay us a non-refundable cash payment in the aggregate amount of \$150,000, with an initial option payment of \$25,000 paid on the date of execution of the Option and the final option payment of \$125,000 on or before the end of the Option Period; and (ii) High Plains shall issue to us 333,333 shares of their common stock. Prior to exercise of the Option, High Plains may terminate the Option by providing a notice of termination to us in writing of its desire to do so at least five days prior to its decision to terminate. In the event the Option is terminated, High Plains shall have no right or entitlement to the Cadena Data or option payments made to date. To date, we have received only \$150,000 in cash, however receipt of the shares is expected prior to the end of 2006.

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### MINERAL ASSET OPTION AGREEMENT

On October 11, 2005, we entered into a mineral asset option agreement (the "Option Agreement"). In accordance with the terms and provisions of the Option Agreement: (i) we have the option to acquire certain uranium leases in the State of Texas; (ii) we made a cash payment of \$50,000 and issued 750,000 (Pre-forward Stock Split) shares of our restricted common stock at approximately \$0.333 per share for aggregate consideration of \$250,000 (of which an additional 250,000 shares of common stock were issued in accordance with the Forward Stock Split); (iii) we paid a further cash payment of \$150,000 on February 1, 2006; and (iv) if we fully exercise the option, we will issue a further additional 2,000,000 shares of our restricted common stock in share installments due six, twelve and eighteen months from the effective date of the option. On April 6, 2006, we completed the six-month installment of shares by issuing 500,000 shares of our restricted common stock at a price of \$2.30 per share for aggregate consideration of \$1,150,000. On September 28, 2006 we issued 250,000 shares of our restricted common stock at a value of \$1.85 per share for an aggregate value of \$462,500 to adjust the share consideration paid to date for the 1.5 forward split of the Company's common stock, for a total value of \$462,500. See "Part II. Other Information. Item 2. Sale of Unregistered Securities and Use of Proceeds."

### RESULTS OF OPERATION

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2006 COMPARED TO NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

Our net loss for the nine-month period ended September 30, 2006 was approximately (\$10,102,734) compared to a net loss of (\$530,858) during the nine-month period ended September 30, 2005 (an increase of \$9,571,876). During the nine-month period ended September 30, 2006, we generated revenue of \$9,692 primarily from consulting services provided compared to revenue of \$-0- during the nine-month period ended September 30, 2005.

During the nine-month period ended September 30, 2006, we incurred expenses of approximately \$10,158,680 compared to \$532,318 incurred during the nine-month period ended September 30, 2005 (an increase of \$9,626,362). These operating expenses incurred during the nine-month period ended September 30, 2006 consisted of: (i) mineral property expenditures of \$2,613,019 net of recoveries, (2005: \$323,598); (ii) general and administrative expenses of \$1,755,627 (2005: \$73,629); (iii) management fees of \$780,637 (2005: \$90,265); (iv) professional fees of \$194,974 (2005: \$44,826); (v) management fees - stock-based relating to the valuation of Stock Options granted to our officers and directors of \$487,500 (2005: \$-0-); and (vi) consulting fees - stock-based relating to the valuation of Stock Options granted to our consultants of \$4,326,923 (2005: \$-0-).

Operating expenses incurred during the nine-month period ended September 30, 2006 increased primarily due to the increase in exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure. General and administrative expenses incurred during the nine-month period ended September 30, 2006 increased primarily relating to corporate marketing and increased business operations relating to the increased number of uranium properties acquired. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs. Stock based compensation relating to management fees and consulting fees incurred during the nine-month period ended September 30, 2006 increased due to the recording of the

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non-cash expense of \$487,500 and \$4,326,923, respectively, in connection with the grant of the Stock Options to our officers/directors, employees and consultants.

Of the \$10,158,680 incurred as operating expenses during the nine-month period ended September 30, 2006, an aggregate of \$90,000 was incurred payable to International Market Trend ("IMT") for amounts due and owing for operational, administrative and financial services rendered during the six-month period ended June 30, 2006. On December 1, 2005, we entered into a financial consulting agreement with IMT (the "Consulting Agreement"). In accordance with the terms and provisions of the Consulting Agreement: (i) we pay to IMT \$10,000 monthly for services rendered by IMT; and (ii) we granted to IMT and/or its designates 1,300,000 Stock Options exercisable at \$0.50 per share.

Of the \$10,158,680 incurred as operating expenses during the nine-month period ended December 30, 2006, an aggregate of \$780,637 was incurred payable to certain officers and directors in management fees and benefits. Of the \$780,637: (i) we paid to our president an aggregate of \$90,000 in connection with performance of managerial, administrative and business development services; (ii) we paid to our chief operating officer an aggregate of \$75,000 in connection with performance of managerial and operational services. As at September 30, 2006, there were no amounts due and owing to our directors and officers. We also paid an aggregate \$10,224 to a private company, of which our president is a director, for marketing and media services rendered on our behalf.

Operating expenses incurred during the nine-month period ended September 30, 2006 were offset by income consisting of \$46,254 in interest income and \$9,692 in other income resulting from proceeds received for consulting services provided, resulting in a net loss of (\$10,102,734). Operating expenses incurred during the nine-month period ended September 30, 2005 were offset by income consisting of \$1,460 in interest income resulting in a net loss of (\$530,858).

Our net loss during the nine-month period ended September 30, 2006 was (\$10,102,734) or (\$0.40) per share compared to a net loss of (\$530,858) or (\$0.03) per share during the nine-month period ended September 30, 2005. The weighted average number of shares outstanding was 25,268,954 for the nine-month period ended September 30, 2006 compared to 16,332,778 for the nine-month period ended September 30, 2005.

### THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2006 COMPARED TO THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

Our net loss for the three-month period ended September 30, 2006 was approximately (\$2,635,306) compared to a net loss of (\$231,906) during the three-month period ended September 30, 2005 (an increase of \$2,403,400). During the three-month period ended September 30, 2006, we generated \$9,692 in income primarily from consulting fees provided as compared to \$-0- in revenue during the three-month period ended September 30, 2005.

During the three-month period ended September 30, 2006, we incurred expenses of approximately \$2,678,079 compared to \$232,563 incurred during the three-month period ended September 30, 2005 (an increase of \$2,445,516). These operating expenses incurred during the three-month period ended September 30, 2006 consisted of: (i) mineral property expenditures of \$877,919 net of recoveries (2005: \$166,983); (ii) general and administrative expenses of \$440,294 (2005: \$32,613); (iii) management fees of \$307,773 (2005: \$2,245); (iv) professional fees of \$60,709 (2005: \$35,212); (v) management fees - stock-based compensation relating to the valuation of Stock Options granted to our officers

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and directors of \$162,500 (2005: \$-0-); and (vi) consulting fees - stock-based compensation relating to the valuation of Stock Options granted to our employees and consultants of \$828,884 (2005: \$-0-).

Operating expenses incurred during the three-month period ended September 30, 2006 increased primarily due to the increase in exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure. General and administrative expenses incurred during the three-month period ended September 30, 2006 increased primarily relating to corporate marketing and increased business operations relating to the increased number of uranium properties acquired. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs. Stock based compensation relating to management fees and consulting fees incurred during the three-month period ended September 30, 2006 increased due to the recording of the non-cash expense of \$162,500 and \$828,884, respectively, in connection with the grant of Stock Options.

Operating expenses incurred during the three-month period ended September 30, 2006 were offset by income consisting of \$33,081 in interest income and \$9,692 in other income resulting from the proceeds received for consulting services provided resulting in a net loss of (\$2,635,306). Operating expenses incurred during the three-month period ended September 30, 2005 were offset by income consisting of \$657 in interest income resulting in a net loss of (\$231,906).

Our net loss during the three-month period ended September 30, 2006 was (\$2,635,306) or (\$0.09) per share compared to a net loss of (\$231,906) or (\$0.01) per share during the three-month period ended September 30, 2005. The weighted average number of shares outstanding was 28,017,610 for the three-month period ended September 30, 2006 compared to 17,153,583 for the three-month period ended September 30, 2005.

### LIQUIDITY AND CAPITAL RESOURCES

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

### NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2006

As at the nine-month period ended September 30, 2006, our current assets were \$2,667,277 and our current liabilities were \$184,064, which resulted in a working capital surplus of \$2,483,213. As at the nine-month period ended September 30, 2006, current assets were comprised of: (i) \$2,403,744 in cash and cash equivalents; (ii) \$12,642 in prepaid expenses; and (iii) \$250,891 in accounts receivable. As at the nine-month period ended September 30, 2006, current liabilities were comprised of \$184,064 in accounts payable and accrued liabilities.

As at the nine-month period ended September 30, 2006, our total assets were \$2,992,175 comprised of \$2,667,277 in current assets, \$146,478 in restricted cash and \$178,420 in property and equipment. The increase in total assets during the nine-month period ended September 30, 2006 from fiscal year ended December 31, 2005 was primarily due to the increase in cash and cash equivalents.

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As at the nine-month period ended September 30, 2006, our total liabilities were \$184,064 comprised of accounts payable and accrued liabilities. The decrease in liabilities during the nine-month period ended September 30, 2006 from fiscal year ended December 31, 2005 was primarily due to the decrease in amounts due to related parties.

Stockholders' equity increased from (\$215,828) for fiscal year ended December 31, 2005 to \$2,808,111 for the nine-month period ended September 30, 2006.

We have not generated positive cash flows from operating activities. For the nine-month period ended September 30, 2006, net cash flows used in operating activities was (\$3,779,998), consisting primarily of a net loss of (\$10,102,734). Net cash flows used in operating activities was adjusted by \$4,814,423 to reconcile the non-cash expense of Stock Options and by \$1,612,500 to reconcile non-cash exploration expenses.

For the nine-month period ended September 30, 2006, net cash flows used in investing activities was (\$335,586) consisting of the purchase of equipment as compared to \$-0- and an increase in restricted cash of \$146,478 as compared to \$-0- for the nine-month period ended September 30, 2005.

For the nine-month period ended September 30, 2006, net cash flows from financing activities was \$6,412,168 pertaining primarily to proceeds received from the sale of our common stock, offset by repayments to related parties of \$208,832.

We expect that working capital requirements will continue to be funded through a combination of our existing funds, cash flow from operations and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

### PLAN OF OPERATION AND FUNDING

During the nine-month period ended September 30, 2006, we engaged in private placement offerings under Regulation D and Regulation S of the Securities Act. Pursuant to the terms of the private placements, we issued aggregate amounts of our restricted common stock at subscription prices and under terms as follows:

On April 1, 2006, we closed a private placement offering whereby we issued an aggregate of 300,000 Units at a subscription price of \$1.00 per Unit. Each Unit was comprised of 300,000 shares of our restricted common stock and 125,000 common share purchase warrants with piggyback registration rights for all securities underlying the Units issued. The warrants are exercisable at \$1.50 per share for a term which is the earlier of: (i) twelve months from the date of issuance, or (ii) six months from the effective date of registration.

On May 11, May 19, May 24 and June 13, 2006 we closed private placement offerings in the aggregate amount of 2,525,000 units (the "Unit(s)") at a subscription price of \$2.00 per Unit. Each Unit is comprised of one share of our restricted common stock and one-half of one non-transferable common stock purchase warrant (the "Warrant"), with each such resulting whole Warrant entitling the holder thereof to purchase an additional share of our restricted common stock (the "Warrant Share") for the period commencing upon the date of issuance of the Units (May 11, May 19, May 24 and June 13, 2006) and ending on the day which is the earlier of: (i) twelve months from the date of issuance of the Units; or (ii) six months from the effective date of a proposed registration statement, if any, pursuant to which the Warrant Shares are to be registered

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under the Securities Act, at an exercise price of \$2.50 per Warrant Share. The per share price of the offering was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth. We issued Units to investors who non-U.S. residents. The investors executed subscription agreements and acknowledged that the securities to be issued have not been registered under the Securities Act, that they understood the economic risk of an investment in the securities, and that they had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities. Finder's fees payable on the transaction is 7% of the gross proceeds raised from the sale of the Units payable in cash plus 10% of the gross Units issued payable in Warrants identical to those provided in the Units.

We filed a Form SB-2 Registration Statement under the United States Securities Act of 1933, as amended, to register an aggregate of 5,091,000 shares, including the 3,057,500 common shares issued in private placement offerings and 2,033,500 common shares underlying the respective Warrants. The Registration Statement was declared effective October 20, 2006.

Existing working capital and debt and equity funding are expected to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments and the exercise of Stock Options. In connection with our

business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) uranium exploration operating activities; (ii) possible future reserve definition; (iii) possible future mining initiatives on current and future properties; and (iv) future possible property acquisitions. We intend to finance these expenses with further issuances of securities, and debt issuances. We expect we will need to raise additional capital to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

The independent auditors' report accompanying our December 31, 2005 and December 31, 2004 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

### MATERIAL COMMITMENTS

A material commitment for us during fiscal year 2006 is the aggregate amount of \$375,000 due and owing to EurXchange Consulting Ltd. ("EurXchange") pursuant to the terms and provisions of a consulting agreement between us and EurXchange dated April 1, 2006 (the "Consulting Agreement"). In accordance with the terms and provisions of the Consulting Agreement: (i) we agreed to pay an aggregate of 290,000 EUR (\$375,000 U.S. Dollars), with the first installment paid as of April 1, 2006 and the second and third installments of 80,000 EUR each paid on April 30, 2006 and May 30, 2006, respectively; (ii) EurXchange agreed to render to us consulting services including, but not limited to,

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translations of webpage, business plan and new releases into German, establishment of communication during European business hours, chat line coordination, web portal presence through Wallstreet Online, production and distribution of a MIDAS research report and a penny stock report, presentation of roadshows, production of certain mailers, and establishment of a Stock Hotline telephone line; and (iii) we issued to EurXchange an aggregate of 400,000 shares of our restricted common stock. See "Part II. Item 2. Recent Sales of Unregistered Securities."

As of the date of this Quarterly Report, we have paid to EurXchange an aggregate of 290,000 EUR pursuant to the terms and provisions of the Consulting Agreement. During March 2006, we committed to spend approximately \$450,000 on company image and market development.

The Company is also committed to pay its key executives a total of approximately \$480,000 per year.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guaranteed contract, derivative

instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

### ITEM III. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, an evaluation was completed under the supervision and with the participation of our management, including Mr. Amir Adnani, our Chief Executive Officer, and Mr. Pat Obara, our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on that evaluation, our management including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms. There have been no changes to our internal controls over financial reporting (as



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defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during our nine-month quarterly period ended September 30, 2006, that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

### AUDIT COMMITTEE REPORT

The Board of Directors has established an audit committee. The members of the audit committee are Mr. Alan Lindsay, Mr. Erik Essiger and Mr. Bruce Horton. Two of the three members of the audit committee are "independent" within the meaning of Rule 10A-3 under the Exchange Act. The audit committee was reorganized in August 2006 and operates under a written charter adopted by our Board of Directors.

The audit committee has reviewed and discussed with management our unaudited financial statements as of and for the nine-month period ended September 30, 2006. The audit committee has also discussed with Dale Matheson Carr-Hilton LaBonte the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee has received and reviewed the written disclosures and the letter from Dale Matheson Carr-Hilton LaBonte required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with Dale Matheson Carr-Hilton LaBonte their independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the unaudited financial statements referred to above be included in our Quarterly Report on Form 10-QSB for the nine-month period ended September 30, 2006 filed with the Securities and Exchange Commission.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties. As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

##### EURXCHANGE CONSULTING LTD.

On April 1, 2006, we authorized and approved the issuance to EurXchange an aggregate of 400,000 post-forward stock split shares of our restricted common stock at \$0.50 in accordance with the terms and provisions of the Consulting Agreement.

##### EUROTRADE MANAGEMENT GROUP LTD.

During the nine-month period ended June 30, 2006, we authorized and approved the issuance to Eurotrade Management Group Ltd. ("Eurotrade") an aggregate of 515,000 pre-Forward Stock Split shares (772,500 post forward stock split shares) of our restricted common stock at \$0.50 per share in accordance with the terms and provisions of a consulting services agreement with Eurotrade

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dated February 1, 2006 (the "Consulting Services Agreement"). Pursuant to the terms and provisions of the Consulting Services Agreement, we agreed: (i) to retain Eurotrade as a consultant for a one-year period effective February 1, 2006 (the "Effective Date"); (ii) within ten calendar days from the Effective Date, to issue to Eurotrade an aggregate 515,000 pre-forward stock split shares of our restricted common stock (772,500 post-Forward Stock Split shares); and (iii) to reimburse Eurotrade for all pre-approved, direct and reasonable expenses actually and properly incurred by Eurotrade for our benefit in connection with its performance of consulting services. The shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act.

### DRILLING DATABASE INFORMATION AGREEMENT

During the nine-month period ended September 30, 2006, we issued an aggregate of 56,250 shares of our restricted common stock in accordance with the terms and provisions of a drilling database information agreement with Jim Knupke ("Knupke") dated January 15, 2006 (the "Drilling Database Agreement"). In accordance with the terms and provisions of the Drilling Database Agreement: (i) we are required to make cash payments to Knupke of \$2,000 per month payable quarterly; (ii) issue an aggregate of 12,500 Pre-forward Stock Split shares of our restricted common stock (18,750 Post-forward Stock Split); and (iii) issue a

further 12,500 Pre-forward Stock Split shares of our restricted common stock (18,750 Post-forward Stock Split) quarterly for the next three quarters following the effective date of the Drilling Database Agreement. The shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act.

### MINERAL ASSET OPTION AGREEMENT

During the nine-month period ended September 30, 2006, we issued an aggregate of 2,250,000 shares of our restricted common stock in accordance with the terms and provisions of a mineral asset option agreement with Brad Moore ("Moore") dated October 11, 2005 (the "Mineral Asset Option Agreement"). In accordance with the terms and provisions of the Mineral Asset Option Agreement : (i) we are required to make cash payments to Moore in the aggregate amount of \$200,000; (ii) issue an aggregate of 2,000,000 Pre-forward Stock Split shares of our restricted common stock (3,000,000 Post-forward Stock Split); and (iii) issue 500,000 Pre-forward Stock Split shares of our restricted common stock (750,000 Post-forward Stock Split) within 5 days of the effective date of the Mineral Asset Option Agreement, and issue a further 500,000 Pre-forward Stock Split shares of our restricted common stock (750,000 Post-forward Stock Split) on or before the sixth, twelfth and eighteenth months following the effective date of the Mineral Assets Option Agreement.

In accordance with the terms and provisions of the Mineral Asset Option Agreement, title to the properties to be acquired will transfer upon payment of all remaining stock required under the Option, the timing of which may be accelerated at our discretion. During the Option term, we have the right as operator to conduct or otherwise direct all exploration on the properties to be acquired.

### PRIVATE PLACEMENT OFFERINGS

During the nine-month period ended September 30, 2006, we engaged in private placement offerings under Regulation D and Regulation S of the Securities Act. Pursuant to the terms of the private placements, we issued aggregate amounts of our restricted common stock at subscription prices and under terms as follows:

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On April 1, 2006, we closed a private placement offering whereby we issued an aggregate of 300,000 Units at a subscription price of \$1.00 per Unit. Each Unit was comprised of 300,000 shares of our restricted common stock and 150,000 common share purchase warrants with piggyback registration rights for all securities underlying the Units issued. The warrants are exercisable at \$1.50 per share for a term which is the earlier of: (i) twelve months from the date of issuance, or (ii) six months from the effective date of registration.

On May 11, May 19, May 24 and June 13, 2006 we closed private placement offerings in the aggregate amount of 2,525,000 units (the "Unit(s)") at a subscription price of \$2.00 per Unit. Each Unit is comprised of one share of our restricted common stock and one-half of one non-transferable common stock purchase warrant (the "Warrant"), with each such resulting whole Warrant entitling the holder thereof to purchase an additional share of our restricted common stock (the "Warrant Share") for the period commencing upon the date of issuance of the Units (May 11, May 19, May 24 and June 13, 2006) and ending on the day which is the earlier of: (i) twelve months from the date of issuance of

the Units; or (ii) six months from the effective date of a proposed registration statement, if any, pursuant to which the Warrant Shares are to be registered under the Securities Act, at an exercise price of \$2.50 per Warrant Share. The per share price of the offering was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth. We issued Units to investors who are non-U.S. residents. The investors executed subscription agreements and acknowledged that the securities to be issued have not been registered under the Securities Act, that they understood the economic risk of an investment in the securities, and that they had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities. Finder's fees payable on the transaction is 7% of the gross proceeds raised from the sale of the Units payable in cash plus 10% of the gross Units issued payable in Warrants identical to those provided in the Units.

We filed a Form SB-2 Registration Statement under the United States Securities Act of 1933, as amended, to register an aggregate of 5,091,000 shares, including the 3,057,500 common shares issued in private placement offerings and 2,033,500 common shares underlying the respective Warrants. The Registration Statement was declared effective October 20, 2006.

### STOCK OPTIONS

During the nine-month period ended September 30, 2006, we issued an aggregate of 3,062,500 shares of our common stock pursuant to the exercise of a total of 3,062,500 Stock Options for aggregate proceeds of \$1,600,700. Of the aggregate amount of proceeds received, \$150,000 represented settlement of debt pursuant to exercise of 450,000 Stock Options and \$0.33 per share. The shares of common stock were subject to S-8 registration statements.

During the nine-month period ended September 30, 2006, and as of the date of this Quarterly Report, we have granted an aggregate of 1,435,000 Stock Options to certain officers, directors and consultants. Of the 1,435,000 Stock Options granted, 285,000 Stock Options were granted at \$0.33 per share, 1,500,000 Stock Options were granted at \$1.00 per share, and 650,000 Stock Options were granted at \$1.30 per share.

On April 10, 2006, we amended our 2005 Stock Option Plan.

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On October 10, 2006, we adopted our 2006 Stock Incentive Plan. See "Part II. Item 5. Other Information."

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No report required.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No report required.

### ITEM 5. OTHER INFORMATION

#### RESIGNATION OF DIRECTORS/OFFICERS AND APPOINTMENT OF DIRECTORS/OFFICERS

Effective on August 23, 2006, our Board of Directors accepted the resignations of each of Stephen D. Jewett, as one of our directors, John Lindsay, as our Secretary, and D. Bruce Horton, as our Treasurer and Chief Financial Officer (collectively, the "Resignations"), and, in conjunction therewith, accepted the consents to act as one of our directors from Erik Essiger, and as our Secretary, Treasurer and Chief Financial Officer from Pat Obara (collectively, the "Appointments").

As a consequence of the Board's acceptance of each of the Resignations and Appointments, the Board also, and again effective on August 23, 2006, appointed, and reappointed where applicable, the following individuals to the following executive positions:

INDIVIDUAL	OFFICER POSITION WITH THE COMPANY
Alan P. Lindsay	Chairman of the Board
Amir Adnani	President, Chief Executive Officer and Principal Executive Officer
Harry Anthony	Chief Operating Officer
Randall Reneau	Chief Exploration Officer
Pat Obara	Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer

The following represents a brief overview of the previous five-year employment history of each of the new director and executive officer:

ERIK ESSIGER: DIRECTOR. Mr. Essiger has more than 15 years of experience in corporate finance and lead advisory services relating to strategic and commercial development projects across a wide variety of sectors and including, in particular, within the industrial, automotive, business services, retail and consumer goods sectors. In this respect Mr. Essiger has performed various commercial and strategy services as both an external consultant and as a

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board member and managing director of a number of companies, including a venture capital company.

During the past five years Mr. Essiger has been: the Managing Director and the founder of Precisetech GmbH, a corporate finance advisory company focused on international M&A transactions (from October 2004 to present); a member of the Supervisory Board of Corix Capital AG (from December 2003 to present); the Senior Manager, Transaction Services Strategy Group, with PricewaterhouseCoopers AG, heading up the commercial and due diligence practice of that group in Germany which provided services mainly to private equity clients of the firm (from April 2003 to September 2004); and a member of the Executive Board (Vorstand) of MultiMedia Technologies AG, a producer of

set-top-boxes and a company operating in the fields of interactive digital television and the streaming media market (from July 2000 to July 2002) Mr. Essiger also has extensive international experience in corporate restructuring; especially in Germany, Russia, Hong Kong and Switzerland; and he was a member of the German-Russian co-operation council.

Mr. Essiger is also a member of the board of directors of Morgan Creek Corp.

PAT OBARA: SECRETARY, TREASURER AND CHIEF FINANCIAL OFFICER. During the past five years Mr. Obara has worked as a consultant to several private and publicly listed companies providing various consulting services in the areas of corporate finance, management and administration.

From March of 2003 to present Mr. Obara has provided various administrative consulting services for private companies involved in various business activities in Asia and North America. Prior to April of 2004 Mr. Obara served as the Chief Financial Officer and a director of two public companies listed on the TSX Venture Exchange. Mr. Obara was involved in the restructuring, organizing and management of these development stage companies which were involved in the resource and technology sectors.

Mr. Obara is not a director or officer of any other U.S. reporting company.

The present Board of Directors is now comprised of each of Messrs. Alan P. Lindsay, Amir Adnani, Harry Anthony, Randall Reneau, D. Bruce Horton and Erik Essiger.

At present there are no employment arrangements between us and Mr. Essiger or Mr. Obara.

### 2006 STOCK INCENTIVE PLAN

On October 10, 2006, our Board of Directors authorized and approved the 2006 stock incentive plan (the "2006 Stock Incentive Plan").

The purpose of the 2006 Stock Option Plan is to enhance our long-term stockholder value by offering opportunities to our directors, officers, employees and eligible consultants to acquire and maintain stock ownership in

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order to give these persons the opportunity to participate in our growth and success, and to encourage them to remain in our service.

The 2006 Stock Incentive Plan is to be administered by a committee consisting of two or more members of the Board of Directors of which two or more members shall be non-employee directors and "outside" directors (the "Committee"). The 2006 Stock Incentive Plan provides authorization to the Committee to grant awards, including restricted and/or unrestricted shares of Common Stock, options, SARs, deferred stock units, dividend equivalent rights, or any combination of the foregoing (collectively, the "Awards"). Under the terms and provisions of the 2006 Stock Incentive Plan, the Committee shall have the authorization to: (i) select the eligible participants to whom Awards may be

granted; (ii) determine whether and to what extent Awards are granted; (iii) determine the number of shares or the amount of other consideration to be covered by each Award granted hereunder; (iv) determine the terms and conditions of any Award granted, including exercise price, grant price, and any restrictions or limitations; and (v) to approve the forms of Award agreements for use under the 2006 Stock Incentive Plan. The 2006 Stock Incentive Plan provides the maximum aggregate number of shares of Common Stock which may be issued pursuant to all Awards under the 2006 Stock Incentive Plan is 10,000,000. At the time an Award is granted under the 2006 Stock Incentive Plan, the Committee shall fix and determine the exercise price at which shares of our Common Stock may be acquired.

In the event a grantee ceases to be employed by or to provide services to us for reasons other than cause, retirement, disability or death, any Award Option that is vested and held by such grantee generally may be exercisable within up to ninety (90) calendar days after the effective date that his position ceases, and after such 90-day period any unexercised Award shall expire. In the event a grantee ceases to be employed by or to provide services to us for reasons of retirement, disability or death, any Stock Option that is vested and held by such grantee generally may be exercisable within up to one-year after the effective date that his position ceases, and after such one-year period any unexercised Award shall expire.

No Award granted under the 2006 Stock Incentive Plan will be transferable by the optionee, and each Award will be exercisable during the lifetime of the optionee subject to the option period of ten (10) years or limitations described above. Any Award held by an optionee at the time of his death may be exercised by his estate within one (1) year of his death or such longer period as the Committee may determine.

Payment for shares of Common Stock purchased pursuant to the 2006 Stock Incentive Plan may be made: (i) by cash; (ii) by surrender of shares of Common Stock that have been held of record by the optionee for more than six months; or (iii) by net-stock exercise. Awards consisting of restricted shares of Common Stock may be issued in connection with services rendered by the grantee and/or a purchase price. Awards consisting of unrestricted shares of Common Stock may be granted at fair market value of such other higher purchase price determined by the Committee.

### INCENTIVE STOCK OPTIONS

The 2006 Stock Incentive Plan further provides that the Committee may grant to any grantee who is an employee eligible to receive options one or more incentive stock options to purchase the number of shares of Common Stock allotted by the Committee (the "Incentive Stock Options"). The aggregate fair market value of shares for which Incentive Stock Options may first become exercisable by any grantee during any calendar year under the 2006 Stock

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Incentive Plan shall not exceed \$100,000.

As of the date of this Quarterly Report, the Company has granted 650,000 options under the 2006 Stock Incentive Plan to purchase common shares at \$1.30 per share as follows: 200,000 to an officer, 100,000 to a director, 200,000 to employees and 150,000 to a consultant.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### Reports on Form 8-K:

Report on Form 8-K Item 1.01 filed with the Securities and Exchange Commission on February 17, 2006.

Report on Form 8-K Item 5.02 filed with the Securities and Exchange Commission on February 17, 2006.

Report on Form 8-K Item 5.02 filed with the Securities and Exchange Commission on February 17, 2006.

Amendment to Report on Form 8-K Item 5.02 filed with the Securities and Exchange Commission on March 3, 2006.

Report on Form 8-K Item 5.02 filed with the Securities and Exchange Commission on August 27, 2006.

#### Exhibits:

10.01 2006 Stock Incentive Plan of Uranium Energy Corp.

31.1 Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

31.2 Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

32.1 Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

URANIUM ENERGY CORP.

Dated: November 17, 2006

By: /s/ AMIR ADNANI

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Amir Adnani, President and  
Chief Executive Officer

Dated: November 17, 2006

By: /s/ PAT OBARA

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Pat Obara, Chief Financial  
Officer

