

UNIVERSAL URANIUM LTD.
INTERIM FINANCIAL STATEMENTS
March 31, 2006

NOTICE TO READER

INTERIM BALANCE SHEETS

INTERIM STATEMENTS OF LOSS AND DEFICIT

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statement for the period ended March 31, 2006.

NOTICE TO READER

The interim balance sheet as at March 31, 2006 and the interim statement of loss and deficit, and the interim statement of cash flows for the six month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Moen and Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

/s/ Clive Massey

Clive Massey, Director
Vancouver, BC Canada
May 22, 2006

/s/ Steve Chan

Steve Chan, Director
Vancouver, BC Canada
May 22, 2006

UNIVERSAL URANIUM LTD.
BALANCE SHEETS
March 31, 2006
(With Comparative Figures at September 30, 2005)
(In Canadian Dollars)

	March 31, 2006	September 30
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash	\$ 4,526,355	\$ 293,529
GST receivables	26,311	26,361
Security Deposits	34,500	23,000
Due from related party (Note 7)	-	12,729
Prepaid expense	<u>126,712</u>	<u>2,504</u>
	4,713,878	358,123
Fixed Assets (Note 3)	27,225	29,508
Mineral Properties (Note 4)	2,871,938	1,989,781
Reclamation Bond (Note 4)	<u>99,948</u>	<u>-</u>
TOTAL ASSETS	\$ 7,712,989	\$ 2,377,412
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 111,076</u>	<u>\$ 40,108</u>
Shareholders' Equity		
Share capital (Note 5)	12,406,642	7,027,925
Contributed surplus (Note 6)	773,600	665,500
Warrants	<u>250,000</u>	<u>-</u>
Deficit, accumulated during the development stage (Note 1)	<u>(5,828,329)</u>	<u>(5,356,121)</u>
	7,601,913	2,337,304
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,712,989	\$ 2,377,412

Going concern: Note 1
Subsequent Events: Note 10

APPROVED ON BEHALF OF THE BOARD:

Clive Massey (Signed)

Steven Chan (Signed)

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.
STATEMENTS OF INCOME (LOSS) AND DEFICIT
For the Second Quarter Ended March 31, 2006
(With Comparative Figures for the Second Quarter Ended March 31, 2005)
(Unaudited)

	Three months ended March 31		Six Months ended March 31	
	2006	2005	2006	2005
General and Administrative Expenses				
Amortization	\$ 2,139	\$ 234	\$ 4,745	\$ 468
Bank charges	345	311	1,259	456
Consulting fees (Note 7)	33,884	19,750	55,229	23,619
Corporate and administration fees	3,118	3,112	4,618	3,112
Directors' fees	12,000	-	12,000	-
Filing and transfer agent fees	44,286	14,783	55,414	15,338
Legal & accounting fees	12,929	10,345	18,329	22,842
Management fees (Note 7)	24,000	20,000	48,000	35,000
Office services and supplies	13,868	2,149	26,345	8,199
Property investigation	-	1,978	3,148	1,978
Salaries and Benefits	12,828	-	25,385	-
Shareholders' communication & promotion	75,726	12,304	113,824	17,952
Loss from operations	(235,123)	(84,966)	(368,296)	(128,964)
Other (expenses)				
Interest income	4,015	400	4,394	505
Foreign exchange gain (loss)	(33)	-	(206)	-
Stock-based compensation (Note 6)	(108,100)	-	(108,100)	352,000
Net loss for the period	(339,241)	(84,566)	(472,208)	(480,459)
Deficit, beginning of the period	(5,489,088)	(4,396,452)	(5,356,121)	(4,000,559)
Deficit, end of the period	\$(5,828,329)	\$(4,481,018)	\$(5,828,329)	\$(4,481,018)
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average - basic			23,028,846	11,687,218

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.
STATEMENTS OF CASH FLOWS
For the Second Quarter Ended March 31, 2006
(With Comparative Figures for the Second Quarter Ended March 31, 2005)
(Unaudited)

	Three months ended		Six Months ended	
	March 31		March 31	
	2006	2005	2006	2005
Operating Activities				
Net income (loss) for the period	\$ (339,241)	\$ (84,566)	\$ (472,208)	\$ (480,459)
Items not involving cash:				
Amortization	2,139	234	4,745	468
Stock based compensation	108,100	-	108,100	352,000
	<u>(229,002)</u>	<u>(84,332)</u>	<u>(359,363)</u>	<u>(127,991)</u>
Changes in non-cash working capital balances:				
Increase (decrease) in accounts receivable	(4,145)	(2,639)	50	(3,833)
Increase (decrease) in deposits	48,500	(117,640)	(11,500)	(117,640)
Increase (decrease) in prepaids	(98,234)	(10,017)	(124,208)	93,712
Increase (decrease) in accounts payable	70,171	(421)	70,968	6,152
	<u>16,292</u>	<u>(130,717)</u>	<u>(64,690)</u>	<u>(21,609)</u>
	<u>(212,710)</u>	<u>(215,049)</u>	<u>(424,053)</u>	<u>(149,600)</u>
Financing Activities				
Issue of share capital	4,425,765	600,000	5,378,717	600,000
Loan payable from shareholder	13,045	(88,197)	12,729	(91,928)
	<u>4,438,810</u>	<u>511,803</u>	<u>5,391,446</u>	<u>508,072</u>
Investing Activities				
Investment in mineral properties	(515,495)	-	(632,157)	-
Reclamation bond	-	-	(99,948)	-
Purchase of capital assets	1,072	-	(2,462)	-
	<u>(514,423)</u>	<u>-</u>	<u>(734,567)</u>	<u>-</u>
Increase (Decrease) in cash	3,711,677	296,754	4,232,826	358,472
Cash, beginning of the period	814,678	105,543	293,529	43,825
Cash, end of the period	<u>\$ 4,526,355</u>	<u>\$ 402,297</u>	<u>\$ 4,526,355</u>	<u>\$ 402,297</u>

The accompanying notes are an integral part of these financial statements

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Note 1. NATURE AND CONTINUANCE OF OPERATIONS

Universal Uranium Ltd. (the "Company") was incorporated on February 6, 1986, in the name of Atlar Resources Ltd. and had further name changes on March 13, 1987 to Tatlar Resources Ltd., to Opact Resources Ltd. on July 22, 1991, to Blue Lightning Ventures Inc. on July 21, 1999, and to Universal Uranium Ltd on April 29, 2005. The Company is in the development stage relating to exploration and development of mineral properties and has not generated any revenues from its planned operations. The deficit has been accumulated during this development stage.

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$5,828,329 and has a working capital as at March 31, 2006 of \$4,602,802. These factors create substantial doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for the payment of its current liabilities and for ongoing operations. The Company proposes to raise funds by private placements. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed assets and amortization

Fixed assets are recorded at cost and amortized over their estimated useful lives. Amortization is provided on a declining balance method at the following rates:

Office equipment	20%
Computer equipment	30%

b) Financial Instruments

The Company's financial instruments consist of cash, GST receivable and current liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

c) Translation of Foreign Currency

The accounts of the Company are translated into Canadian dollars on the following basis:

- * monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date;
- * non-monetary assets and liabilities are translated at the rate prevailing when the transactions occurred;
- * revenue, general & administration expenses, and gains and losses are translated at the average exchange rate in effect during the period;
- * exchange gains or losses from conversion are included in the current net income;
- * depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate.

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates that affect certain reported amounts and disclosures. Estimates are used for, but are not limited to, the accounting for doubtful accounts, amortization, income taxes, and the recoverability of non-producing mining property capitalized costs and deferred exploration expenditures. Actual results may differ from those estimates.

e) Stock-based compensation plan

The Company grants stock options under a fixed stock option plan in accordance with the TSX Venture Exchange policies. Effective for fiscal years commencing on or after January 1, 2004, Canadian GAAP requires the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

The stock-based compensation expense is recorded as one total amount and classified as "Stock-based compensation" in the Statement of Income (Loss). The allocation to the applicable expenditure classification is disclosed in Note 6c.

f) Cash

Cash as at March 31, 2006 consists of \$526,355 cash deposit in bank and \$2,000,000 in a Bank of Montreal GIC and another \$2,000,000 in guaranteed investments with Canaccord Capital Inc.

g) Mineral Properties and Deferred Exploration Costs

Acquisition costs of mineral properties and deferred exploration costs are capitalized by the Company. Mineral property sale proceeds or option payments received for exploration rights are credited firstly to mineral property costs; secondly, as a recovery of deferred exploration costs, and thereafter, recognized as a gain or loss in current operations.

h) Values

The amounts for deferred exploration costs and mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent on the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development, including compliance with the requirements of lenders who may provide this financing from time to time, and upon future profitable operations.

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

i) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

j) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the year.

Note 3. FIXED ASSETS

	6 months ended 31-Mar-06		
	Accumulated		
	Cost	Amortization	Net
Computer equipment	\$ 20,255	\$ 8,864	11,391
Office equipment	21,569	7,217	14,352
Leasehold improvements	2,114	632	1,482
	<u>\$ 43,938</u>	<u>\$ 16,713</u>	<u>\$ 27,225</u>
	Year Ended 30-Sep-05		
	Accumulated		
	Cost	Amortization	Net
Computer equipment	\$ 17,795	\$ 6,649	11,146
Office equipment	23,682	5,320	18,362
	<u>\$ 41,477</u>	<u>\$ 11,969</u>	<u>\$ 29,508</u>

Note 4. MINERAL PROPERTIES

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Lisbon Valley Property, Utah

On April 19, 2005, in an arms length transaction the Company agreed, subject to regulatory approval, to acquire 100 per cent leasehold interest in over 7300 acres in a Lisbon Valley Uranium Property located in San Juan County, southeastern Utah. The property consists of two contiguous claim blocks encompassing 302 unpatented lode mining claims. These claims cover the downthrown side of the Lisbon Valley anticline. The claims are located on the northeastern side of the main Lisbon fault, and extend from the southern edge of the former Lisbon Mine for a distance of more than six miles to the southeast.

The Company's objective is to commence geological work on the property with a view to identifying high potential drill targets.

The Company will acquire its interest in this property by way of two mining lease agreements each with initial terms of 5 years, which may be extended at the Company's election for unlimited further periods of 10 years each. Under the terms of the lease agreements, the Company has reimbursed the costs of staking and related transaction costs of \$156,735 (US\$126,171), and will issue to Mayan Minerals Ltd. of Vancouver, B.C. a total of 3,500,000 common shares upon acceptance for filing of the lease agreements by the TSX Venture Exchange. The Company is also required to maintain and keep the leases in good standing and the Company must pay the required annual Bureau of Land Management maintenance fees and state land fees (approximately US\$40,000), and make annual rental payments to Mayan totaling US\$50,000 in each of the first two years of the agreements and thereafter US\$100,000 until the property is placed into production. Once production has commenced, the Company has agreed to pay Mayan a minimum US\$100,000 per year royalty, calculated, for uranium, as a fluctuating percentage of the value of uranium recovered based on the price of uranium and, for other metals, at 3% of the net returns from other metals recovered. Annual rental payments will be credited against any royalty that ultimately becomes due. The lease agreements also permit certain deductions from any royalty amount payable to Mayan if the Company is required to pay U.S. federal or state royalties.

On June 2, 2005, the TSX Venture Exchange accepted for filing: (i) an agreement (the 'MVD Agreement'), dated April 8, 2005, between the Company, Mayan Minerals Ltd. ('Mayan') (a private British Columbia company 100% owned by R. Terry Heard of Vancouver) and Kee Nez Resources LLC ('Kee Nez') (a private Utah company that is wholly-owned by Mayan), pursuant to which the Company has agreed to acquire by lease a 100% interest in the 'MVD Claims'; and (ii) an agreement (the 'CAS Agreement'), dated April 14, 2005, between the Company, Mayan and Kee Nez, pursuant to which the Company has agreed to acquire by lease a 100% interest in the 'CAS Claims'. The MVD Claims and the CAS Claims (collectively, the 'Property') consist of an aggregate of 302 unpatented lode mining claims covering 7,300 acres located San Juan County, Utah. The Property is an exploration stage mineral resource property.

In consideration for the acquisition of its interest in the Property, the Company must: (i) issue an aggregate of 3,500,000 (issued) common shares to Mayan within five days of Exchange acceptance of the transaction; and (ii) make aggregate rental payments to Mayan of US\$400,000 over a three year period. When and if production commences on the Property, the Company has agreed to a sliding scale royalty to Mayan based on the price per pound of uranium. The minimum annual royalty payment will be US\$100,000.

There is no finder's fee payable in respect of the aforementioned transaction.

Note 4. MINERAL PROPERTIES (continued)

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Reclamation Bond (Lisbon Valley)

The Company paid a reclamation surety of \$99,948 (US\$84,000) to the State of Utah, Department of Natural Resources, Division of Oil Gas and Mining, applicable to exploration activities after September 30, 2005 on the Lisbon Valley Uranium Property.

Silver Spruce, Labrador Properties

On January 18, 2006, the Company optioned, from Silver Spruce Resources (SSE), the right to earn a majority interest in their 4,963 claim property (approximately 124,000 hectares / 300,000 acres), in the Central Mineral Belt (CMB) of Labrador, Canada. Under the terms of the agreement, Universal can earn a 60-per-cent interest by spending \$2-million on exploration over a three year period with a minimum of \$500,000 the first year and \$750,000 each of the following two years. During the earn-in period Silver Spruce will be the operator.

Universal and Silver Spruce, following the lead of the earlier successful explorers, will carry out an extensive exploration program which will include airborne radiometric and magnetic surveys and ground follow up including geophysics, geochemistry, prospecting and geology, in 2006. Trenching and drilling will test mineralization located.

Artillery Peak, Mohave County Arizona

On February 14, 2006, the Company announced that it had negotiated an agreement, subject to execution of documentation and regulatory approval, to acquire an option on 36 unpatented lode mining claims (the "Property") located in Mohave County, Arizona from Artillery Peak Uranium Corp. ("Artillery"). On February 20, 2006, the Company signed the letter of agreement.

Under the terms of the Agreement, the Company will acquire a 100% interest in the Property by:

Cash

(a) paying to Artillery an aggregate US\$300,000, as follows:

- (i) US\$50,000 on the date that is the earlier of February 20, 2006 and the date of execution of the Agreement;
- (ii) US\$50,000 on the date that is the earlier of April 18, 2006 and the date that is the date of signing a formal Option Agreement (the "Option Date");
- (iii) US\$50,000 on the first year anniversary of the Option Date;
- (iv) US\$50,000 on the second year anniversary of the Option Date; and
- (v) US\$100,000 on the third year anniversary of the Option Date;

(b) paying to the Underlying Vendors, as to 50% each, an aggregate US\$1,000,000 as follows:

- (i) US\$50,000 on the earlier of February 20, 2006 and the date that is the date of signing of the Agreement, which amount is covered by the payment to Artillery referred to in (a)(i) above;
- (ii) US\$100,000 on the earlier of April 18, 2006 and the Option Date;
- (iii) US\$150,000 on the first year anniversary of the Option Date;
- (iv) US\$200,000 on the second year anniversary of the Option Date; and
- (v) US\$500,000 on the third year anniversary of the Option Date;

Note 4. MINERAL PROPERTIES (continued)

Securities

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

-
- (a) issuing to Artillery an aggregate 3,000,000 common shares, as follows:
- (i) 150,000 common shares within 5 business days of acceptance for filing by the TSX Venture Exchange of the Agreement ("TSXV Approval");
 - (ii) 500,000 common shares on the Option Date;
 - (iii) 500,000 common shares on the first year anniversary of the Option Date;
 - (iv) 850,000 common shares on the second year anniversary of the Option Date; and
 - (v) 1,000,000 common shares on the third year anniversary of the Option Date;
- (b) issuing 1,000,000 non-transferable share purchase warrants to the Underlying Vendors, as to 50% each, to purchase up to 1,000,000 common shares of the Issuer at a price per share of \$0.88 for a period of two years;

Work Commitments

- (a) expending or incurring expenses, directly or indirectly, in connection with the maintenance, exploration, development or equipping of the Property for commercial production, of not less than an aggregate US\$3,000,000, as follows:
- (i) not less than an aggregate US\$250,000 by the first year anniversary of the Option Date;
 - (ii) not less than an aggregate US\$750,000 by the second year anniversary of the Option Date;
 - (iii) not less than an aggregate US\$1,750,000 by the third year anniversary of the Option Date; and
 - (iv) not less than an aggregate US\$3,000,000 by the fourth year anniversary of the Option Date.

The transaction is subject to Yellow Cake royalties totaling 3%. The Company will have the right to reduce the royalties by paying to Artillery an agreed amount. A finder's fee will apply in this transaction.

Note 5. SHARE CAPITAL

- a) Authorized: No maximum common shares without par value (On April 29, 2005, the Company filed a "Notice of Alteration" increasing the authorized common shares from 100,000,000 to no maximum.

- b) Issued and outstanding:

	# of Shares	\$
Balance, September 30, 2004	11,687,218	4,246,525
Issued during the Period:		
Issued for cash		
- Private Placements @ \$0.20	3,000,000	600,000
- Private Placements @ \$0.56	350,714	196,400
- Warrants exercised @ \$0.25	1,500,000	375,000
Issued for as per property agreement		
- Lisbon Valley Property @ \$0.46	3,500,000	1,610,000
Balance, September 30, 2005	20,037,932	7,027,925

Note 5. SHARE CAPITAL (continued)

- b) Issued and outstanding:

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

	# of Shares	\$
Balance, September 30, 2005	20,037,932	7,027,925
Issued during the Period:		
Issued for cash		
- Private Placements @ \$0.44	2,274,998	1,000,999
- Commissions, finder's fees & legal costs	5,409	(73,246)
- Private Placements @ \$0.75	6,135,667	4,601,750
- Commissions, finder's fees & legal costs	25,000	(415,823)
- Warrants exercised @ \$0.55	47,750	26,263
- Warrants exercised @ \$0.70	36,000	25,200
Issued for as per property agreement		
- Artillery Peak Property @ \$0.80	150,000	120,000
- Finder's fee @ \$0.64	146,210	93,574
Balance, March 31, 2006	28,858,966	12,406,642

c) Private Placements

On October 18, 2005, a non-brokered private placement for 2,274,988 units at \$0.44 per unit, for gross proceeds of \$1,000,999, was finalized. Each unit consists of one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.55 per common share for one year. Proceeds of the financing will be used in the drilling program on the Company's Lisbon Valley Uranium Project, in San Juan County, Utah. A finder's fee of \$42,946 cash plus 5,409 units applied to the transaction.

On March 7, 2006, a brokered private placement for 6,135,667 units at \$0.75 per unit through Haywood Securities, for gross proceeds of \$4,601,750, was finalized. Each unit (a "Unit") consists of one share (a "Share") and one-half transferable warrant (a "Warrant"). Each whole Warrant entitles the purchase of one share (a "Warrant Share") at a price of \$1.00 for a period of two years. The Company paid a cash commission and issued 613,566 Agent's Options entitling the holders to purchase an additional 613,566 units at a price of \$0.75 per unit with the same terms set above. In addition, the Company paid a finance fee of 25,000 Units.

d) Stock options:

Stock options are granted at an exercise price set in accordance with regulatory policies, and may not be granted at an exercise price of less than \$0.10 per share. Stock options have a maximum term of five years.

Note 5. SHARE CAPITAL (continued)

d) Stock options:

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

A summary of the Company's outstanding stock options as at March 31, 2006 and the changes during the period is presented below:

	Expiry date	Number	Exercise price
Outstanding at September 30, 2005:	- 21-Dec-09	1,100,000	\$0.20
	- 21-Jun-10	900,000	\$0.52
	- 11-Sep-10	3,500	\$0.52
		2,003,500	
Issued during the period:	16-Jan-11	230,000	\$0.71
Outstanding at March 31, 2006		2,233,500	

The weighted average price of the 2,233,500 outstanding stock options is \$0.38 per stock option.

During the period, the Company 230,000 stock options to directors and consultants of the company. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions and resulting values:

	2006
Assumptions:	
Expected life	2 – 5 years
Expected dividend yield	0%
Risk-free interest rate	4.5%
Expected volatility	78.11%
Results:	
Fair value of each option granted	\$0.47

The Company recorded \$108,100 in stock-based compensation based on the above assumptions.

e) Share Purchase Warrants

Share purchase warrant transactions and the number of share purchase warrants outstanding, are summarized as follows:

	Expiry Date	Number	Exercise price
Outstanding at September 30, 2005	04-Oct-05	350,714	\$0.70
Exercised	18-Oct-06	(47,750)	\$0.55
Exercised	04-Oct-05	(36,000)	\$0.70
Expired	04-Oct-05	(314,714)	\$0.70
Granted	18-Oct-06	1,140,201	\$0.55
Granted	06-Mar-08	3,067,832	\$1.00
Property agreement – Artillery Peak	01-Mar-08	1,000,000	\$0.88
Outstanding at March 31, 2006		5,160,283	

The weighted average price of the 5,160,283 outstanding share purchase warrants is \$0.88 per share purchase warrant.

Note 5. SHARE CAPITAL (continued)

e) Share Purchase Warrants (continued)

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Agents' options and warrants transactions and the number of agents' options and warrants outstanding, are summarized as follows:

	Expiry Date	Number	Exercise price
Outstanding at September 30, 2005		Nil	
Granted during the period			
- Finance fee warrants	06-Mar-08	25,000	\$1.00
- Agents' options	06-Mar-07	613,556	\$0.75
- Agents' option warrants	06-Mar-08	306,783	\$1.00
Outstanding at March 31, 2006		945,339	

Note 6. CONTRIBUTED SURPLUS

Balance, September 30, 2005	\$	665,500
Stock based compensation during the period ended March 31, 2006		108,100
Balance, March 31, 2006	\$	773,600

Note 7. RELATED PARTY TRANSACTIONS

- (a) The advance due from a director of \$13,045, which included interest of \$545, was paid in full.
- (b) During the 6 month period ended March 31, 2006, the Company was charged the following amounts by directors/officers and former directors/officers and/or by companies controlled by the directors:

	Six months ended March 31	
	2006	2005
Management fees	\$ 48,000	35,000
Consulting fees	13,100	22,869
Directors fees	12,000	
Office rent	-	6,000
Total	73,100	63,869

Note 8. SUBSEQUENT EVENTS

Subsequent to the year-end the following events occurred:

UNIVERSAL URANIUM LTD.

Notes to Financial Statements

March 31, 2006

(Unaudited)

a) The Company announced that further to the agreement with Artillery Peak, an additional 35 unpatented lode mining claims had been staked. These claims are contiguous to the previously acquired 36 claims located in Mohave County, Arizona, and encompass 1,467 acres. The recent staking increases Universal's number of claims to 71. The Company announced that the Utah Bureau of Land Management had issued all necessary permits required to drill the Company's Lisbon Valley Uranium Property.

b) The Company announced that it had finalized the previously announced brokered private placement for 2,626,834 units at \$0.75 per unit for gross proceeds of \$1,970,125. Each unit is comprised of one common share of the Company and one-half of one transferable common share purchase warrant (the "Warrant"). Each full Warrant is exercisable into one additional common share of the Company for a period of two years at an exercise price of \$1.00. The common shares, warrants and any shares issued pursuant to warrant exercises are subject to a four-month hold period expiring August 29, 2006.

In connection with the private placement, the Company paid an aggregate of \$144,095 in cash and issued an aggregate of 262,683 non-transferable options (the "Options") to the Agent and FCCM. Each Option entitles the purchase of one unit (an "Option Unit") at a price of \$0.75 for a period of two years. Each Option Unit is identical to the Units except that the warrants forming part of the Option Units are non-transferable. The Company also paid a corporate finance fee of \$15,000 plus GST to the Agent. All securities issued to the Agent and to FCCM are subject to a four-month hold period expiring on August 29, 2006.

c) The Company announced that pursuant to Exchange policies and the Company's Stock Option Plan, an aggregate of 260,000 shares have been granted as incentive stock options to directors, key employees and consultants at an exercise price of \$0.67 per share. The options are exercisable for a period of five years, ending on May 8, 2011, and are subject to the requirements of the TSX Venture Exchange.