

UGL Enterprises Ltd.

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Management Discussion and Analysis of Financial Condition and Results of Operations For the period ended December 31, 2005 Form 51-102F1

UGL Enterprises Ltd.
Period Ended December 31, 2005
Management Discussion and Analysis

The following discussion and analysis, prepared as of February 28, 2006, should be read together with the audited consolidated financial statements for the period ended December 31, 2005 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the years ended December 31, 2004 and 2003, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com and the Company web site at www.uglenterprises.com

Description of Business

UGL Enterprises Ltd. is a development stage public company. The principal business activity of the Company is the acquisition, exploration and development of mineral properties. Since June 1, 2003, the Company has been focusing on the acquisition, exploration and development of properties located in Mongolia. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol "UGS". The Company has a strategic alliance with Mine Info Ltd., a leading Mongolian Exploration company, and has a full time office in the capital city, Ulaan Baatar. All UGL work programs are supervised by Mr. Glenn Griesbach, P. Geo. UGL Director Mr. Garry Clark, P. Geo is UGL's Qualified Person for work in Mongolia and assists in overseeing all operations.

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Change of Accounting Policy

Commencing January 1, 2004, the Company adopted the requirements of the Canadian Institute of Chartered Accountants with respect to accounting for stock based compensation. The new accounting standard requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Previously, the Company did not record any compensation cost on the granting of stock options to employees and directors as the exercise price was equal to or greater than the market price at the date of the grants.

Accordingly, the opening deficit was restated on a retroactive basis to show the effect of compensation expense associated with stock option grants to employees and directors from January 1, 2002 to December 31, 2003, which amounted to \$122,200 and an increase of \$122,200 to contributed surplus.

Selected Annual Information

Year Ended December 31	2005	2004	2003
Total Revenues	\$61,730	\$23,145	\$813
Loss before discontinued operations and extraordinary items	3,734,732	738,076	444,488
Loss per share before discontinued and extraordinary items	0.15	0.05	0.09
Net Loss	3,734,732	738,076	444,448
Loss per share	0.15	0.05	0.09
Total Assets	4,257,028	3,151,960	2,536,729
Cash dividends declared per share	\$0.00	\$0.00	\$0.00

Summary of Quarterly Results

Quarter Ended	2005				2004			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Total Revenues	\$20,439	\$22,122	\$19,557	\$1,831	\$2,230	\$5,971	\$10,503	\$5,800
Net Loss	485,376	1,273,698	1,469,820	505,838	209,420	285,098	142,159	101,399
Loss per share	0.02	0.05	0.07	0.05	0.05	0.02	0.01	0.01

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Performance Summary for the year ended December 31, 2005

The Company has earned interest revenue from cash and investments held in banks. Since June 1, 2003, the Company began the acquisition, exploration and development of properties located in Mongolia. This change in focus and activity resulted in the increase in all operating expenses of the Company. Total assets increased because of the funds raised in two equities based financings during the year ended December 31, 2005, and the acquisition and exploration of new mineral claims.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates funds will be invested to finance the growth of its business.

The Company realized a loss for the year ended December 31, 2005, of \$3,734,732 as compared to \$738,076 in 2004. The large increase in expenses is due to the write off of the mineral property and exploration expenses of the Huren Tolgoi property of \$1,278,393, the South Valley property of \$1,101,903, and the Nergui property of \$187,026. Also, the new acquisitions and exploration activities of the Company in Mongolia, and the change in accounting policy in respect to the accounting of stock-based compensation increased expenses for the year. Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was \$402,738 for the period as compared to \$251,032 in 2004. The change in accounting policy related to accounting for stock-based compensation to Directors and employees, also resulted in an adjustment to the Deficit balance of \$122,200 in 2004.

Consulting expenses for the period were \$198,734 as compared to \$48,715 in 2004. Consulting expenses consist of amounts paid to Geology Consultants for matters not directly applicable to any particular project, and amounts paid for the services of the Managing Director of Operations and CFO, Ranjeet Sundher. Ranjeet Sundher was appointed to the board of directors of the Company on June 23, 2004. The Company has engaged the services of Sean McGay, based in Mongolia to assist with the exploration activities in Mongolia.

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Professional fees for the period were \$81,524 as compared to \$32,409 in 2004. The professional fees consist of auditing, legal and accounting services. The increase in professional fees compared to the prior year was due to the increase in legal fees relating to securities and stock exchange matters and the mineral property acquisition activities during the period.

Stock exchange and shareholder services expense for the period were \$60,877 as compared to \$50,507 in 2004. The increase in stock exchange fees and shareholder services expenses is due to the private placement financing that occurred during the period, the property acquisitions and the distribution of information to the shareholders of the Company.

Advertising and promotion expenses for the period were \$163,672 as compared to \$93,289 in 2004. The Company entered into an investor relation service agreement with Fuller Fletcher & Associates Ltd of London England. In consideration for its services, Fuller Fletcher & Associates will receive CDN\$6,000 per month and was granted 200,000 stock options vesting on an equal quarterly basis at \$0.40 per share. Other advertising and promotion expenses consist of the Company advertising in industry related publications, attending various industry trade shows and events and updating the Company web site.

Office and administration expenses for the period were \$100,923 as compared to \$104,107 in 2004. The office administration expenses include rent and telephone expenses. The Company experienced a small decrease in office expenses during the period compared to 2004.

Travel expenses for the period were \$115,925 as compared to \$68,104 in 2004. The Company experienced an increase in travel during the period compared to 2004 by reason of the increased activities in Mongolia.

Salary and benefits expenses for the period were \$76,844 as compared to \$23,011 in 2004. The Company has one Director on salary. Towards the end of 2004 the Company hired an employee to assist with public relations and promotion.

Performance Summary for the three months ended December 31, 2005

The Company earned \$20,439 in interest revenue during the three months period ended as compared to \$2,231 in 2004. The increase in interest is due to the increase in cash invested during the quarter compared to 2004.

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The Company realized a loss of \$485,376 for the three months ended compared to \$209,420 in 2004. The increase in loss is largely due to the write-off of the Nergui property during the period of \$187,026, as well as increases in consulting fees, professional fees, advertising and promotion, and travel expenses.

Consulting fees for the three month period ended were \$43,228 compared to \$10,965 in 2004. The increase in consulting fees expensed during the quarter compared to 2004 is due to an increase in the portion paid to Geology Consultants for matters not directly applicable to any particular project and therefore not capitalized during the period.

Professional fees for the three month period ended were \$27,817 compared to \$12,965 in 2004. The increase in professional fees during the quarter compared to 2004 is due to the legal services related to the Argalant letter agreement and the Ulan Ovoo letter of intent.

Advertising and promotion expense for the three month period were \$60,985 compared to \$32,515 in 2004. The increase in advertising and promotion during the quarter compared to 2004 reflects the general increase in advertising and promotion activities during the year.

Travel expenses for the three month period were \$25,815 compared to \$7,720 in 2004. The increase in travel expense during the quarter compared to 2004 reflects the general increase in travel during the year as well as increased travel during the last three months of the year related to the Argalant property exploration activities and the Ulan Ovoo due diligence activities, and Geologist return home for Christmas.

Stock based compensation for the three month period was \$82,738 compared to \$113,782 in 2004. The stock based compensation during the quarter relates to adjustments made to fair value calculation of the stock based compensation made during the year.

Salary and benefits expense for the three month period was \$24,053 compared to \$6,420 in 2004. The increase in salary during the quarter relates to the additional employee during the quarter compared to 2004.

Mineral Properties
Copper/Gold Projects:

Huren Tolgoi

The Company through its wholly owned subsidiary Canrim, entered into a Joint Venture Option Agreement with the license holders of the Huren Tolgoi Gold/Copper Porphyry project and acquired a 100% interest in the Gold Ram project in South Gobi, Mongolia.

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The Huren Tolgoi project is (2,632 hectares) located in north Jinst, a sub-province of Bayanhonger province, south Mongolia. The Huren Tolgoi project was held by Canrim under an option agreement with Monresources Co. Ltd. (the "Optionor"). Under the terms of the option agreement UGL, through Canrim, had a first option to acquire an 80% interest in the Huren project by: incurring US\$250,000 in exploration expenditures on the property by May 15, 2004 and a further US\$500,000 in exploration expenditures by May 15, 2005; paying the Optionor US\$35,000 by August 15, 2003 and a further US\$250,000 by May 15, 2005.

Upon completion of the first option requirements, UGL had a second option to purchase the remaining 20% interest in the Huren project by paying the Optionor US\$1,000,000 on or before November 15, 2005, and granting the Optionor a 2% Net Smelter Return Royalty.

After careful review, management decided against making the US\$250,000 due May 15, 2005. Under the terms of the option agreement the Company does not retain an interest in the project. The capitalized costs of \$1,278,393 on the Huren Tolgoi property were written-off on May 10, 2005.

Gold Ram

The Gold Ram project (15,533 hectares) is located in the western Gobi region of Mongolia, 190 km's S/W of the south Gobi's capital city, Dalanzadgad. Canrim holds a 100% interest in the Gold Ram property, subject only to annual Government license fees.

Khondloy

The Company acquired a 100% interest in the Khondloy Property consisting of 3 contiguous licenses covering 22,360 hectares located in Bayanhonger Province, Mongolia.

Naranbulag

The Company purchased a 100% interest in the Naranbulag Property covering 1,428 hectares located in Zavkhan Province, about 700km west of Mongolia's capital Ulaan Bataar. The Company agreed to purchase the license from the vendor for US\$26,000 and CDN\$152,000 payable through the issuance of 200,000 shares at a deemed price of \$0.76 per share.

Bor Ovoo

The Company had entered into an Option Agreement to acquire up to 100% of a Copper/Gold exploration property known as Bor Ovoo. Following a limited exploration program, UGL has decided not to further pursue its option agreement on the property. The capitalized costs of \$90,362 on the Bor Ovoo property were written-off during the year ended December 31, 2004.

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South Valley

The Company entered into an Option Agreement to acquire up to 60% of a Copper/Gold exploration property known as South Valley. The South Valley property (1,464 hectares) is located near Choilbasen in Mongolia's Dornod Province. Under the terms of the agreement the Company paid the license holder US\$100,000 upon execution of the agreement on January 15, 2004. The Company had the right to incur US\$500,000 in exploration expenditures on the property within one year of the agreement date, and US\$500,000 in the second year, totalling US\$1,000,000 over two years. Upon completion of the exploration, the Company was required to pay the license holder US\$1,000,000. This payment was to be made within 60 days of receiving the final report on the two years of exploration work. Upon completion of the cash payment and exploration expenditures, the Company would acquire a 60% interest in the property. After the Company earned the 60% interest in the property, the project was to continue as a joint-venture with each party responsible for their share of ongoing costs. The Company had a first right of purchase of the license holders 40% interest.

After careful review, management decided against making the US\$1,000,000 due under the agreement. Under the terms of the option agreement the Company does not retain an interest in the project. The capitalized costs of \$1,101,903 on the South Valley property were written-off on September 30, 2005.

Bayan Undur

The Company acquired a 100% interest in a property known as Bayan Undur. The Bayan Undur property (28,830 hectares) is situated in Bulgan sum of Khovd province which is 1800 km west of Ulaanbaatar, 350 km south from Khovd provincial center and 56 km from Yarant Mongolia-Chinese border station.

Shavar Uul

The Company acquired a 100% interest in a property known as Shavar uul. The Shavar uul property (2,933 hectares) is situated in the northwest side of Edren and Suman Khad Mountains located in the area of Erdene sum of Gobi altai province. The property is located 1250 km west of Ulaanbaatar and 250 km south from the provincial center Altai.

Argalant

On October 6, 2005, the Company entered into a letter of intent with Planet Exploration Ltd. ("Planet") which gives UGL an option to earn a 60% interest, and a second option to earn an additional 20% interest, in Planet's 100% owned Argalant property. Under the terms of the agreement UGL paid US\$100,000 and will incur an aggregate of US\$1,500,000 of exploration expenditures on Argalant within three years. A minimum

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of US\$500,000 shall be spent in the first year with a minimum of US\$500,000 to be spent within each of the subsequent two years. UGL has the option to complete the expenditures within a shorter time period if desired. Within a six month period of completing the US\$1,500,000 in expenditures UGL is entitled to at its discretion pay Planet US\$1,000,000 for an additional 20% interest in the property. If UGL does not exercise its second option the two companies will then proceed forward on a 60/40% basis. If UGL does exercise its second option the two companies will proceed forward on an 80/20% basis.

Banbury

The Company owns a 100% undivided interest in six patented mineral claims near Hedley, B.C. described as the Banbury Property. The interest is recorded at a nominal value of \$1.

Coal Project:

Ulan Ovoo

On November 15, 2005, the Company entered into a letter of intent with Orchir LLC that sets out the terms to acquire a 100% interest in the property known as Ulan Ovoo coal project. The Ulan Ovoo property is located in Selenge province, Mongolia. It is held by the vendor under a transferable, 55 year mining licence with a 45 year option for extension granted by the Government of Mongolia. The purchase price for the 100% interest, together with all equipment, buildings and other facilities, assembled and constructed at the property is US\$9,600,000. The purchase price will be paid as follows, subject to regulatory approval:

US\$500,000 within 14 days of the execution of the letter of intent, comprised of a US\$200,000 non-refundable deposit and US\$300,000 secured loan, which will revert to a payment upon completion of a NI 43-101 technical report and receipt of all necessary regulatory approvals;

US\$500,000 on or before March 1, 2006;

US\$500,000 on or before May 1, 2006;

US\$500,000 on or before July 1, 2006;

US\$1,500,000 on or before November 1, 2006; and

US\$6,100,000 on or before November 1, 2007.

A finder's fee of 75,000 common shares is payable to a third party by the Company in respect of the Ulan Ovoo purchase, subject to regulatory approval.

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Uranium Projects:

Mongolia Uranium Option Agreement

On June 14, 2005, the Company entered into a Letter Agreement with Maple Minerals Corp. (now known as Mega Uranium Ltd. "Mega") for uranium exploration and target generation in Mongolia. The agreement covers UGL's current uranium ground holdings in Mongolia, totaling approximately 339,000 hectares, which are comprised of 18 granted exploration licenses and an option to earn 100% of two exploration licenses in the Nergui Project. In addition, Mega and UGL will cooperate during the term of the agreement in the generation and acquisition of other uranium exploration targets in Mongolia. UGL's extensive gold/copper property holdings are not included in this agreement.

Upon completion of the due diligence review by Mega, a definitive formal option agreement was executed. The formal option agreement grants Mega the exclusive option to earn a 50% interest in UGL's uranium properties through the expenditure of US\$1.5 million over three years, with a minimum of US\$350,000 expended within the first year. As per the agreement, Mega issued UGL 50,000 common shares in its capital within 3 business days of the date that the executed formal agreement was accepted and approved by the TSX Venture Exchange. In addition, Mega was required to issue to UGL the equivalent of CDN\$75,000 in its common share capital (determined using the ten day average closing price) within 10 business days of the later of the date upon which UGL issues 250,000 common shares for the acquisition of its interest in the Nergui property, and the date that the executed formal agreement is accepted and approved by the TSX Venture Exchange. The equivalent of CDN\$75,000 shares of Mega are not required to be issued if UGL does not issue the 250,000 common shares for the Nergui property.

Upon Mega earning a 50% interest, a joint venture will be formed with the parties contributing pro-rata. Mega will also have the option to increase its interest to 60% by expending a further US\$2 million over the subsequent three years.

Included in UGL's uranium ground holdings in Mongolia are the following projects:

Naidal Property

The Company acquired a 100% interest in a property known as Naidal Uranium project located in the province Tuv in northeast Mongolia. The Naidal project (39,810 hectares) acquisition cost US\$5,000 and 100,000 shares at a deemed price of \$0.40 per share. The shares issued were subject to a four-month hold period expiring on April 22, 2005

Baganuran Property

The Company acquired a 100% interest in a property known as Baganaran. The Baganuran property (13,446 hectares) is a Uranium project located in the Dornogovi province of Mongolia. The purchase price for the Baganuran property is US\$30,000 of

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which US\$15,000 has been paid, and US\$15,000 to be paid within 14 days of the title of the license being transferred to the Company.

Maikhan Property

The Company acquired a 100% interest in a property known as Maikhan (referred to as the Ovoot Khuh property on the December 23, 2004 press release). The Maikhan property (2,500 hectares) is a Uranium project and is located in the Khentii and Dornod provinces of Mongolia. The Maikhan property was acquired by payment of US\$40,000.

Nergui Property

The Company entered into an agreement to acquire a 100% interest in a property known as Nergui. The Nergui property (123,562 hectares) is a Uranium project located in the Bulgan province of Mongolia. The purchase price for the Nergui property was US\$136,500 and 250,000 shares of the Company at a deemed price of \$0.60 per share. After careful review, management decided against issuing the 250,000 shares due under the agreement. Under the terms of the agreement the Company does not retain an interest in the project. The capitalized costs of \$187,026 on the Nergui property were written-off during the period December 31, 2005.

For the Current Fiscal Year to Date

(a) Schedule of increases in deferred costs:

Name	Opening Balance	Increase (Decrease)	Write-off	Ending Balance
Banbury	\$1	\$0		\$1
Huren Tolgoi	1,269,434	8,959	1,278,393	0
Gold Ram	27,282	9,067		36,349
Khondloy	49,860	58,962		108,822
Shavar Uul	42,797	586		43,383
Naranbulag	195,598	5,146		200,744
South Valley	1,094,083	7,821	1,101,903	0
Bayan Undur	65,865	33,589		99,454
Argalant	0	291,236		291,236
Ulan Ovoo	0	596,799		596,799
Uranium Option Agreement	132,623	89,415	187,026	35,012
Total	\$2,877,542	\$1,101,580	2,567,322	\$1,411,800

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(b) Schedule of exploration and development expenses:

Acquisition costs:

	Acquisition costs, beginning	Incurred during period	Option receipts	Properties abandoned	Acquisition, end of period
Banbury	\$1				\$1
Huren Tolgoi	\$146,107			(146,107)	\$0
Gold Ram	\$11,857				\$11,857
Khondloy	\$33,402				\$33,402
Shavar Uul	\$13,852				\$13,852
Naranbulag	\$186,396				\$186,396
South Valley	\$131,825			(131,825)	\$0
Bayan Undur	\$20,778				\$20,778
Argalant	\$0	119,485			\$119,485
Ulan Ovoo	\$0	582,350			\$582,350
Uranium Properties	\$132,623	168,320	(170,500)	(167,051)	\$(36,608)
Total	\$676,841	\$870,155	(170,500)	(444,983)	\$931,513

(b) Exploration expenses:

	Huren Tolgoi	Gold Ram	Khondloy	Shavar Uul	Naranbulag	South Valley	Bayan Undur	Argalant	Ulan Ovoo	Uranium Properties	Total
Exploration, Beginning of period	\$1,123,327	\$15,425	\$16,458	\$28,944	\$9,202	\$962,258	\$45,087	\$0	\$0	\$0	\$2,200,701
Drilling	3,073					2,357		72,761			78,191
Transport, Shipping, Other	5,574	9,067	2,252	375	5,146		15,869			5,724	44,007
Assaying						4,313	17,509			2,114	23,936
Geological Consulting	312		14,320	212		1,151	211	23,850	9,949	72,732	122,737
Other Field Work			42,390					75,140	4,500	138,515	260,545
Option exploration funding										(127,490)	(127,490)
Exploration expenses written off	(1,132,286)					(970,079)				(19,975)	(2,122,340)
Exploration, End of period	\$0	\$24,492	\$75,420	\$29,531	\$14,348	\$0	\$78,676	\$171,751	14,449	\$71,620	\$480,287

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Exploration Results

All UGL work programs are supervised by Mr. Glenn Griesbach, P.Geo. UGL Director Mr. Garry Clark, P. Geo is UGL's Qualified Person for work in Mongolia and assists in overseeing all operations. Mongolian logistical support is provided by MineInfo, a leading Mongolian consulting and exploration group based in Mongolia's capital Ulanbaatar.

Huren Tolgoi Property

On May 9, 2005, after careful review, management decided not to further proceed with the Huren Tolgoi copper/gold property due to excessive future carrying costs on the property's 100% option. Under the terms of the option agreement the Company does not retain an interest in the project.

Gold Ram Property

Combined results from a previous Mongolian geological survey and a 2003 UGL exploration program on the company's Gold Ram property include prospective high-grade gold occurrences of up to 17 g/t within a system of mesothermal quartz carbonate veins in a sheared intrusive, within Nomhon formation sediments. UGL is encouraged by the results of the 2003 exploration program and plans to evaluate the results and determine if a further program will be completed in 2006.

Khondloy Property

UGL completed a limited sampling program on the Khondloy property in 2003. This program was comprised of sampling the known occurrences and the discovery of the Darhan Suuj gold occurrence.

The Contact Fault Zone had been previously explored by the Chinese and more recently drilled (11 holes) by the Russians. The zone has been traced for over three kilometers, and sampling by the Company's field crew have returned values up to 0.74 g/t gold, 14.0% copper, 5.28% zinc, and 21 g/t silver. In total 35 rock chip grab samples were taken from outcrop locations and from the ancient workings, with 11 samples returning greater than 0.80% Cu, 12 samples returning greater than 0.10 g/t Au, and nine samples returning greater than 1.0% zinc.

The Intrusive is located to the south of the Fault Contact occurrence. Nine rock chip grab samples were taken and returned copper values up to 0.8%, and gold values up to 0.19 g/t. Copper values ranged from trace to 0.76%, zinc values from trace - 0.01%, lead values from trace - 0.40%, silver values from nil- 62.0 g/t, and gold values from nil - 0.07 g/t.

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The Darhan Suuj occurrence is located in the eastern portion of the property. The occurrence comprises quartz and quartz-sulphide veins and veinlets in a diorite intrusive. Results of nine rock chip samples returned copper values ranging from 0.01 - 2.21%, zinc values ranging from trace - 0.02%, lead values ranging from trace - 0.25%, and gold values ranging from nil - 0.15 g/t.

In June and July detailed mapping was conducted at a scale of 1:2000 along the 1 km strike length of the more-prospective part of the Khondloi copper-gold occurrence, as reported previously. The 2005 work has enabled UGL to determine that the mineralization is concentrated in the vicinity of a large-scale open fold axis and at or near the base of marbleized limestone units overlying schistose metasediments and subvolcanics.

Detailed prospecting was performed over the Darkhan Suuj copper-gold occurrence, located several km northeast of the Khondloi occurrence, where it has now been determined that high-grade copper and gold samples taken in 2003 were obtained from small rare blebs of chalcopyrite within quartz veins with almost no possibility of ore potential. Rock exposure is generally excellent. Diorite containing hundreds of isolated quartz veins, pods, lenses, and veinlets is present over an area of several square kilometers surrounding the occurrence. The quartz is obviously of metasomatic origin and, with very rare exception, contains no visible mineralization. The quartz bodies rarely exceed several square metres in over all surface dimensions and the same probably holds true for the vertical dimension.

Of the 73 rock chip grab and channel samples that were taken in June from all areas of the property, only 13 returned copper values greater than 0.3% Cu, with the greatest being 0.95% Cu. Sixty-three of the rock samples returned less than 0.1 ppm Au, nine returned less than 0.3 ppm Au and one returned a value of 1.34 ppm Au. All the higher-grade copper and gold samples were taken from existing pits at the most-prospective part of the Khondloi occurrence. UGL believes that the copper and gold assay values are, overall, less than those obtained in 2003 due to larger sample sizes taken in 2005.

No new copper or gold occurrences were found anywhere else on the property.

UGL is currently evaluating the results of the fieldwork and their impact on the exploration potential of the property.

Naranbulag Property

The Naranbulag property covers numerous ancient copper workings and quarries hosted in granites and silicified volcanics. The property has had 3,208 meters of diamond drilling (33 holes) and trenching by Russians (1977 to 1979). Based on this program 9

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mineralized zones are indicated with reported grades of 0.20 to 0.50% copper. The width of mineralization varies from 6m to 35m. UGL in 2005 completed a sampling and mapping program of the property to assess the copper mineralization and the geological setting. A total of 49 samples were taken with copper values up to 7.02% and gold values up to 0.08 grams per ton.

South Valley

During the period ended December 31, 2005, after careful review, management decided not to further proceed with the South Valley copper/gold property due to excessive future carrying costs on the property's 60% option. Under the terms of the option agreement the Company does not retain an interest in the project.

Bayan Undur

The Company completed a preliminary examination of the property in 2004. The program focused on the two previously sampled areas, Bayan Undur and Serten-Hutel. The sampling of the Bayan Undur focused on the larger quartz veins (up to 6 metres). Only three samples were taken with the assays all being low grade. The Serten-Hutel area of the property is a 7.5 kilometres structure with quartz stocks, lenses and veins. Previously sampling yielded values of up to 4 grams gold per ton. Twenty seven rock samples were taken during this program with assays. A total of 14 soil profiles were completed comprising 55 samples. The gold assays included 8000 ppb (one sample), 1031-7448 ppb (5 samples) 358-876 ppb (4 samples), 10-23 ppb (10 samples) and a range of Cu 30-84 ppm Zn 60-113 ppm and As 50-85 ppm for all samples.

In July mapping was conducted at a scale of 1:10,000 in the area of the Serten-Hutel occurrence. Sixty rock chip grab samples were taken during the mapping program; most from the Serten-Hutel area and a few elsewhere on the property. A soil geochemical survey at a scale of 1:2000 was conducted in the same area. A total of 388 soil samples were taken.

Rocks mapped on the property in July include greenstones of amphibolite facies, primarily orthoschists. Migmatized amphibolite-gabbros, granite-gneisses, tonalites, granites, granodiorites, andesites and basalts have also been identified and mapped. A variety of felsic dykes ranging from aplitic to pegmatic (texture) have also been identified. Chlorite and epidote-rich alteration is pervasive. The general foliation on the property is northerly with a moderately to steeply eastward to northeastward dip. Much of the property is covered by Quaternary sediments. Quartz veinlets, usually containing tourmaline, muscovite and sericite are common and tend to parallel the general rock fabric. Sulphide and iron-enrichment is common and usually parallels

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schistosity. Narrow quartz-hematite veins and veinlets have also been mapped. One such vein has been mapped along a strike length of about 150 m and reaches widths of up to 4.2 m. Another vein is about 35 m long and up to 6 m wide; it is more of a lense than a vein. A higher-than-usual concentration of quartz veins and veinlets is present within a few meters of these larger veins/lenses. The wall rocks are increasingly limonitic-hematitic closer to the quartz veins and veinlets. Sparse disseminated pyrite (and iron oxides after pyrite) is ubiquitous within the quartz.

Sixty rock chip samples taken from and adjacent to the principal vein, as well as from several other smaller veins and veinlets, and a pegmatite vein, in the immediate area returned not more than 0.02 ppm gold and typically less than 40 ppm copper.

Although a value of 12 g/t gold has been reported from a small quartz vein by previous explorers, UGL was not able to repeat this grade from any rock sample in 2005. The best two gold results obtained in 2005 are 0.13 ppm Au and 0.03 ppm Au. The best copper results is 127 ppm Cu. The best rock assays obtained in 2003 were 0.02 ppm Au and 84 ppm Cu. The analytical results of other elements that were tested for during both programs are uninteresting.

The 2005 soil geochemical survey, conducted on a 50 m x 25 m grid, and using a 150-mesh sieve to sieve samples from depths of about 35-45 cm, covered the same area as the 2003 geological mapping and prospecting. It also included the area where a number of gold-rich soil samples were obtained in 2003, when 5 soil samples returned between 1031 ppb (1.031 ppm) and 8000 ppb (8.000 ppm) Au. In 2005 the highest values returned from the 379 soil samples were 0.11 ppm Au and 134 ppm (0.0134%) Cu. Only 10 of the 379 soil samples returned over 0.05 ppm Au. Interestingly the lowest copper value is 32 ppm Cu (with a gradual climb to 134 ppm Cu). Either the soil has an approximately +30 ppm background or there is some systematic contamination in the sample processing. However, at these values, the point is moot.

The gold and copper results of the 2005 soil geochemical survey are not as high as those of the 2003 soil samples. The geologists who participated in both geochemical surveys have concluded that the lower average and mean 2005 results are due to a different sample depth. The 2003 samples were typically obtained from depths of 45-65 cm, from just above bedrock. It would be reasonable to assume, or even conclude, that there may be a chemical or physical enrichment of gold immediately above, or perhaps right on, the bedrock surface (even though it is naturally somewhat weathered at the bedrock soil interface).

UGL is currently studying the significance of the disparity of gold grades at the different soil depths. A team may be sent back to the field next summer to determine if the higher soil grades obtained in 2003 may in fact be related to subsurface topography or veins.

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Shavar Uul

UGL completed a limited exploration program on Shavar Uul in 2004. The program was designed to verify the known mineralization and to assess the 6 kilometre structure. A total of 23 rock samples were taken, with the highest assay being 14.3 gram gold per ton and 9.2% copper.

In July UGL conducted detailed 1:5,000 scale mapping covering a total of about 750 hectares over 4 small separate areas on the property that were identified as most-prospective in 2004. The targets were a number of small quartz veins identified in 2004. The veins are most commonly hosted by granodiorite and are oriented in a variety of directions and are very rarely more than 2 meters long and up to 40 cm wide. Many of the veins contain small amounts of fine-grained pyrite. Approximately 40 rock chip samples, almost all from quartz veins, were taken in July from the four areas. The best gold value returned was just over 1 g/t Au. Only one vein was confirmed to contain chalcopyrite; the same vein from which a sample grading 14.3 g/t Au was obtained in 2004.

Rocks on the property include mostly andesite, rhyolite, granite and syenite. Many trachyrhyolite and andesite dykes are present on the property. They generally strike NW. No sedimentary rocks or metamorphic rocks were observed in 2005. Approximately 40% of the property is covered by Quaternary sediments.

Further review of the 2004 and 2005 results will be completed in the next year.

Banbury

The Company has no plans for exploration on the Banbury property in 2006.

Uranium Properties:

On July 15, 2005, Mega (formerly Maple) provided UGL \$127,490 (US\$105,455) for the purpose of funding exploration on UGL uranium properties. As of December 31, 2005, UGL had expended \$112,226 of the option funds in exploration on uranium properties.

Naidal Property

Previous Russian work on the project includes prospecting, mapping, drilling and a radiometric survey. The structural zone controlling the development of the uranium mineralization has been tested over a 1600-meter strike length, with surface trenches on eight cross-sections varying in length from 100-300 meters.

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The property consists of 2 areas, northern and southern. In the northern target area the previous Russian work has identified a mineralized area that is 300 metres (m) in length, with an average thickness of 4.5 m, returning an average grade of 0.073% uranium. Previous work on the southern part of the field has identified a mineralized area that is 600 m in length and between 0.5 and 5.0 m in thickness with grades from anomalous, up to as high as 0.063% uranium. Both the northern and southern mineralized areas are at a maximum depth of 10m.

The Company intends to continue to review the data on this project with the plan to begin further exploration on the property.

Maikhan Property

Uranium was discovered on Maikhan during Russian work programs conducted in the spring/summer of 1976. In addition to sampling and mapping programs, the previous Russian programs on Maikhan included 11,700m of trenching. The programs report the identification of a 5km long uranium zone trending northwest and southeast. The thickness of the zone is believed to be 50-70m, dipping northwest at 70 degrees. Values up to .65% uranium (U) have been reported from within this zone.

Results from the Russian trenching program were reported as follows:

Six trenches were dug in this area, four in the southeast section of the above-mentioned zone (trenches 3-6), and two in the western section (trenches 1 and 2), which were dug to the northwest for 650m.

The element distribution in the ore as described in the Russian Maikhan reports is very similar to the Gurvanbulag and Dornod uranium deposits.

Trench 1 intersected a mineralized zone with values of 0.22% uranium (U) over 2m.

Trench 2 intersected a mineralized zone with values of 0.481% uranium (U) over 2m and a grade of 0.65% uranium (U) over 1m. Secondary mineralization (uranophane) was recorded in this trench.

Trench 3 crosses two mineralized zones. The first intersection has values of 0.184% uranium (U) over 2m and 0.321% uranium (U) over 1m. The second intersection recorded values of 0.182% uranium (U) over 2m. The mineralized zones have been described as "vein-like", with coffinite, pitchblende and colloform present. Molybdenum, pyrite, galena, chalcopyrite and sphalerite have also been recorded in the trench.

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Trench 4 encountered .063% U over 1m while trench 5 and 6 had values of molybdenum, lead, zinc, arsenic, silver and beryllium.

The host rock is a quartz-feldspar porphyry of Jurassic age, with associated hematite, kaolinite, and argillic alteration. Uranium mineralization in the license is largely controlled by the northwest fault system, occurring in small fractures along the porphyry. Mineralization is generated from hydrothermal processes. Minerals associated with uranium mineralization within the property include: disseminated uranophane; pitchblende; coffinite; kasolite and; pyrite. Other elements occurring include: Mo (up to 0.05%); Pb (up to 0.15%); Zn (up to 0.04%); As (up to 0.08%); Be (up to 0.02%) and; Ag (up to 0.001%). Uranium grades range from 0.063% to 0.65%.

In early 2005 UGL conducted a short reconnaissance program on the Maikhan property, consisting predominantly of ground spectrometer coverage. No trenching or drilling was conducted. Brief recommendations as to the direction of further exploration on the Maikhan Tolgoi area can be summarized as follows: (1). Geological-radiometric traverses; (2). Grid gamma-spectrometry surveys at 1:5,000 or 1:10,000 scales; (3). Radon emanation survey (a- trace technique *using AlphaCards*); (4) Vertical electric sounding on a 400 x 200 m grid for the studies of the VTS in depth; (5). Magnetic survey on a 100 x 20 m grid for the studies of structure.

Baganaran Property

Uranium was first discovered on the Baganaran property during Russian exploration programs in 1982, which led to additional Russian work programs being conducted on Baganaran in 1987. The exploration programs included geological mapping, sampling and 1,878 metres of trenching.

Conclusion reports from the Russian exploration programs resulted in a calculated uranium reserve being reported in pounds. This estimated reserve, though significant, is currently lacking enough supporting data for UGL management to confirm its size or grade. The Russian reports indicate a zone of uranium mineralization located on the Baganaran property approximately 3.5km long and lying 2-3 meters deep. Indicated uranium values were reported highest in the upper Cretaceous-Neogenic sediments.

Nergui Property

The property has a multi-year exploration history dating back to the height of the Cold War (1983) and continuing until as recently as 1992. All programs on the Nergui property, including geophysics, were commissioned by the Russian Government and were supervised by Russian sanctioned field crews. Some of the highest Uranium grades ever recorded in Mongolia were discovered during the initial Russian program in 1983. The Russians then continued to advance the property in 1986, 1990, and 1992.

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The Russian records outline the discovery of multiple uranium zones on Nergui including at least two high-grade zones. The uranium occurrences on Nergui are reported as being hosted within sandstone and siltstone of the Ikh Uul formation, formed in the Early to Middle Triassic. The sedimentary rock has been described as: "sandstone and siltstone with grayish gravelite phosphate". World-class uranium deposits in Mongolia are typically hosted in sandstone type deposits similar to those found on Nergui.

The reported high-grade zones on Nergui are located within 20 km southwest of the town (soum) of Selenge. Access to this region is by 270 kilometres of paved and dirt roads linking it to Mongolia's capital city Ulaanbaatar.

There are three reported uranium occurrences on the Nergui property; known as the 6774, 6775, and 6776 uranium occurrences. Information on these three mineral occurrences is available from three Russian reports.

In July UGL conducted geological mapping and ground radiometric prospecting of the most-prospective areas of the property, according to existing information. However, since virtually no outcrops are present within several hundred to thousands of meters of the reported locations of the three uranium occurrences, actual mapping was quickly abandoned in favour of prospecting with two handheld spectrometers, in addition to the two larger backpack-mounted units used for systematic grid traverses. Approximately 80 line-kilometers of continuous backpack-mounted GIS-S spectrometer surveying were completed over the areas of the reported uranium occurrences. Line spacing is both 100 meters and 50 meters. Readings were taken every second, or approximately every meter at normal walking speed.

The three uranium occurrences are reportedly located within Cretaceous molasse in the east-west trending Selenge (River) Basin. The Selenge Basin is bounded on both north and south sides by major regional faults. The width of the Selenge Basin on the Nergui property ranges from 7 km to 10 km in width. The Selenge Basin is referred to as a graben in Russian report #2432. UGL observations support this statement. Evidence of a major steep to moderately north-dipping fault on the north side of the basin has been observed by UGL geologists. To the north of the Selenge basin (and the northern fault that demarcates the basin) are gneissic granites and gneissic schists of Proterozoic Age.

To the south of the basin are basalts, basaltic andesites and rhyolites of Middle to Upper Jurassic Age. These rock types were observed by UGL geologists.

Three weeks were spent prospecting and conducting radiometric surveying of the immediate area of the reported coordinates of the three occurrences. No evidence of trenching, pitting, or even scarring was found in the vicinity of the reported coordinates of the occurrences. There are also no outcrops within hundreds to thousands of meters

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of any of the reported uranium occurrence's locations. Therefore the precise nature of the geology of the hills between the river and the major area of basaltic-andesite outcrops is difficult to ascertain. Despite weathering of the area to produce rolling hills with a relief of over 100 meters, no competent bedrock is exposed. The substrate appears to consist primarily of very light brown silty earth that contains perhaps a few percent of gneissic granite stones and boulders. All indications are that this unconsolidated material is scores of meters, and quite possibly well over 100 meters thick. It is not certain what the bedrock type(s) is under the reported locations of the three uranium occurrences.

Several kilometers northwest of the reported #6776 occurrence, an outcrop of conglomerate measuring about 100 meters long and 4 meters high was observed. It dips moderately to the south, towards the center of the Selenge Basin, as would be expected. The conglomerate consists predominantly of light to medium grey, medium grained felsic intrusive rocks, with a far lesser amount of finegrained intrusive or extrusive felsic-intermediate rocks. The boulders, cobbles, stones, and pebbles are invariably rounded. Although there is no real sorting, horizons of boulders, horizons of stones, and horizons of large pebbles were observed. The matrix consists of very coarse sand but it is present in very small amounts, generally less than 3% of the entire rock mass. In one location, bedding within pure sand was observed.

A large sandstone outcrop has been found and prospected about 20 km west of the #6776 occurrence area. This is the only sandstone outcrop that has been observed anywhere on the Nergui property. It is situated about 200 meters south of the current Selenge river course. The outcrop face is up to approximately 25 meters high, almost forming a cliff, and about 300 meters long. To the north, and in contact with the sandstone is a huge andesite outcrop. Within a few meters of the contact, numerous fragments of andesite are included within the sandstone, indicating (as expected) that the sandstone is younger than the volcanic rocks.

To the south of the Selenge Basin is a vast area of basaltic andesite, andesite, and rhyolite. We have observed rocks that, taken out of context, would definitely be called rhyolite, and they may very well be. However, in context, these 'rhyolites' are often found intermixed with andesites and without sharp contacts. The large volume of large vesicles found within the basaltic andesites, as well as flow patterns that have the vesicles oriented in different directions in different parts of the same outcrop, show that they are volcanic. Despite excellent large exposures, the lack of any pillows indicates that they were extruded on land.

With respect to the reported uranium occurrences by Russian geologists, it has been determined that the occurrences were ascertained by a scintillometer/spectrometer and that no follow up work was ever conducted. Our geologists were unable to find any evidence of the uranium occurrences in the locations specified by the Russians.

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During the period ended December 31, 2005, the Company decided not to complete the acquisition and wrote off its investment in the Nergui property. The 250,000 shares required to complete the purchase were not issued.

Uranium Field Programs Begin

Field crews have begun systematic exploration programs to evaluate several of the Company's uranium licenses. The current programs include using spectrometers and scintillometers to identify anomalous areas and sampling of anomalous outcrops and boulders including areas previously reported to have been explored by Mongolian & Russian field crews in years past.

Canadian 43-101 qualified geologist Mr. Glenn S. Griesbach has been appointed Uranium Exploration Program Manager for all UGL Enterprises Mongolian uranium properties including Maikhan.

On December 12, 2005, UGL announced the completion of five Russian language reports commissioned by UGL on 8 of UGL's Mongolian uranium properties, which have been joint ventured with Mega Uranium Ltd. The five reports cover the Jargalan, Elgen, Naidal, Maikhan, Modot Del, Adag Usnii, Shorvog Gol, and Khashaat properties. A sixth report on Baganurat is in the final stages of preparation. The reports were prepared under the direction of senior Russian uranium geologists, some of whom participated in joint Soviet-Mongolian uranium exploration in Mongolia in the 1980s and 1990s. The reports are extensive and include Russian information pertaining to geography, known uranium occurrences, historical drilling and trenching. The reports also recommend potential drill targets and provide general recommendations for areas for exploration expansion.

Argalant Property

Argalant covers 2,090 hectares approximately 900 km due west of Mongolia's capital Ulaanbaatar in the Mongolian province of Zavkhan. From late April to June of 2004 Planet conducted exploration programs on Argalant comprising of geological mapping, grab and soil samples, and geophysics (Induced Polarization and ground magnetics). This program was preceded by a smaller Planet reconnaissance program conducted in 2003 where 54 grab samples were taken. The programs were successful in outlining two important high-grade perpendicular striking prospects on Argalant: the Ovoot and the Gozgor.

Ovoot consists of multiple high grade copper/gold prospects consisting of fractures with malachite-azurite staining in andesite, skarnised gabbro and quartz sulphide veins with significant values of copper and gold. Numerous historical pits are present partially tracing the mineralization. Assay results from surface samples on Ovoot have ranged

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from 0.77 to 11.0 grams gold per ton and 1.81% to 10.32% copper (Planet Press Release February 12, 2004).

The Gozgor prospect is located about 1000 metres to the northwest of the Ovoot prospect. The Gozgor prospect consists of several structurally controlled, northeast trending, gold and copper-mineralized quartz veins that have been identified in several outcrops over a strike length of at least 1,800 meters. The quartz veins, locally up to 1.5 meters wide, are observed within a number of granite outcrops that are separated by wide swathes of sandy overburden.

A number of grab samples of sulphide-bearing quartz have been collected from the Gozgor quartz veins and have been analyzed for gold. The results of the grab sampling along a 720 metre section returned values of 5.0 to 191.0 grams gold per ton. (Planet Press Release July, 22 2004) These samples are all grab samples and may not accurately reflect the average grade of the quartz vein system.

On November 8, 2005, the Company announced that drilling had commenced on its 2,090 hectare optioned Argalant property. The program was to consist of several diamond drill holes, totaling no less than 1200 metres and was designed to test the property's high-grade Ovoot and Gozgor prospects.

UGL's drilling program was to test the down dip extensions of the known high-grade copper and gold showings (up to 10% copper and 191 grams per ton gold) and also test several geochemical and geophysical (mag and IP) anomalies. The first diamond drill hole was collared on November 3 (Hole ARDH-2005-1) to test the area of Chinese pits on the Ovoot copper zone.

UGL conducted a 3-hole drilling program at Argalant. More holes had been planned, however difficulties with the drill caused the program to be unexpectedly extended into late October and early November when unusually cold weather forced cessation of the drilling. However, good results were obtained from the limited drilling program. The drilling program targeted the Gozgor high-grade gold quartz vein with one hole and the Ovoot copper zone with two holes. Three holes totaling 1,200 metres were completed before winter conditions froze all the water sources. Diamond drill holes ARDH-2005-01 and 03 targeted the Ovoot copper-rich zone. Hole 2005-01 intersected 0.696 gram gold per tonne and 1.75% copper from 87.70 to 90.40 metres (2.7 metres) and 0.70 gram gold per ton and 0.844% copper from 183.0 to 186.0 metres (3.0 metres). Hole 2005-03 intersected 0.477% copper from 23.7 to 76.7 metres (53 metres), with 2.259% copper from 51.0 to 55.0 metres. Hole 2005-03 was stopped at 76.7 metres due to freezing of the water sources and ended in anomalous copper mineralization. Hole ARDH-2005-02 targeted the high-grade Gozgor gold showing. The assay results of the drilling included 0.778 gram gold per ton over 1.95 metres.

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The geological model for the Argalant mineralization remains somewhat subjective at this stage; however it contains skarn mineralization related to a possible porphyry intrusive, with peripheral (tourmaline-bearing) highly auriferous quartz-carbonate veining and stockworks.

Argalant is bordered on all sides by QGX Gold's 5,500 square kilometer licensed area covering most of the geological belt. The geological setting of this area has been interpreted as being analogous to Canada's Abitibi greenstone belt (QGX press release Sept. 7, 2005). QGX's (TSX-V QGX) Golden Hills 3.3 million ounces gold equivalent discovery (see QGX Gold September 7, 2005 press release or www.qgxgold.com for further information) is located approximately 45 kilometers northwest of the Argalant property.

UGL drill targets were selected based on geological mapping, rock grab (275 samples) and soil (534 samples) sample results, and geophysics (Induced Polarization and ground magnetics). The program was intended to be the first phase of a larger program that may include additional induced Polarization surveys and diamond drilling.

A third prospect is the Tsohiot gossan zone discovered in the extreme southwest part of the property during the last few days of the 2004 program conducted by Planet Exploration. The Tsohiot prospect is about 2000 meters south of the Gozgor Prospect. An IP survey was conducted over the Tsohiot prospect in 2004 but it has not been covered by geochemistry. UGL geologists are currently examining this area more closely and UGL may decide to drill hole the target during the current phase of drilling.

Ulan Ovoo Property

The Ulaan Ovoo project is in the large Jurassic-age Zelter coal basin in northern Mongolia, very close to the Russian border. Detailed work on the Ulaan Ovoo project, performed in 1975 by the Mongolian Ministry of Geology and Energy and in 1993-1997 by Erdenet, a Mongolian state-owned mining and processing company, defined a substantial area of hard coal together with a significant area of additional potential.

The historical data from this work suggested that Ulaan Ovoo had a potentially large coal deposit, with historical estimates of 78 million tonnes inferred coal for the north part of the project area. The south part of the project area, which remains incompletely explored, is speculated to have an exploration target of comparable potential size. The historical resource estimates for the north area are based on a series of core holes drilled at 40m to 500m spacings to depths of 250m or more across an area of several square km.

The historical work on Ulaan Ovoo includes a total of 66 drill holes, nearly 500 analyzed coal samples, detailed mapping and several engineering and preliminary scoping

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analyses. The project area is underlain by two main coal seams – with total net coal thickness up to 70m – and five minor layers, all of which are gently folded across the axis of a large syncline. The area is bisected and slightly offset by an east-west fault. Previous exploration work focused on a 3-square km area north of the fault, whereas the coal-bearing strata south of the fault remain poorly explored.

Ulaan Ovoo occurs in an area of moderately subdued topography with a sharply continental climate consisting of hot summers and cold winters. Although rainfall is sparse, historical studies indicate there is sufficient surface and ground water available to support a significant sized mining operation. The nearest railhead is only 120 km away at Shaamar and is accessible year round by unpaved road. The project is 8km by unpaved road to the Russian border.

Mr. Mel Klohn has been engaged by UGL to provide consulting services regarding the evaluation and advancement of Ulaan Ovoo and to act as the project's Qualified Person as defined by NI 43-101. Mr. Klohn is a Washington State Licensed Geologist, a member of the Society of Economic Geologists, the Society for Mining, Metallurgy and Exploration and the Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Klohn was appointed to the board of directors on January 31, 2006. Mr. Klohn's experience includes 10 years as an Exploration Vice President or Project Manager for Yamana Gold and 25 years with Exxon. At Exxon, he worked in a variety of positions including Senior Research Specialist, Senior Staff Geologist and Senior Exploration Geologist. His activities at Exxon were directed toward a variety of commodities including coal, petroleum, uranium, gold and polymetallic minerals, and he was responsible for Exxon's last successful coal exploration venture prior to the divestiture of its coal interests in the late-1980s to early-1990s.

UGL's immediate plan is to review all available data with the intent to produce a NI 43-101 compliant report and resource calculation. Once this report is completed an aggressive exploration program will commence which will include infill and exploratory drilling north of the fault aimed at expanding the resource. An aggressive exploration program will also be launched to assess the potential of additional resources south of the fault. The program south of the fault will be comprised of wide spaced drilling followed by infill drilling if warranted. Geophysical surveys will be utilized to help define the extent of the coal and direct future drilling.

UGL will also immediately conduct marketing discussions with potential coal buyers in Russia, China and beyond while simultaneously preparing an extensive marketing study. Asia is the world leader in coal importation led by Japan, the Republic of Korea and Taiwan. 79% of China's electricity is generated by hard coal (2003-World Coal Institute).

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Subject to regulatory approval, a finder's fee of 75,000 common shares is payable to a third party by UGL in respect of the Ulaan Ovoo purchase.

On January 17, 2006, UGL reported that the final agreement to purchase the Ulaan Ovoo coal project, northern Mongolia, had been signed and that UGL has contracted Behre Dolbear & Company (USA), Inc. to complete assessment and modeling of the historical inferred 78 million tonne bituminous coal resource and surrounding area of interest. The assessment will include completion of a NI 43-101 compliant Technical Report and the interpretation, collation and digitization of the project's historical drilling (66 holes) and sampling data. An exploration and development program of infill and step-out drilling and coal sampling will be designed to further validate, upgrade and expand the project's historical resource estimates. Work on the reports has already commenced and is scheduled to be completed by February 28, 2006.

The exploration and development program is designed to develop a Resource estimate compliant with NI 43-101. This will also advance a planned scoping study designed to outline potential of the Ulaan Ovoo project to become a new, long-life, large producing

bituminous coal operation. The Company is currently evaluating proposals for the scoping study.

A Behre Dolbear representative visited the site and prepared a resource evaluation consistent with JORC standards and the CIM Definition Standards (adopted on November 23, 2004). UGL was forwarded the newly revised Reportable Coal Resource in advance of the completed Behre Dolbear NI 43-101 compliant technical report that is on schedule to be completed by February 28, 2006.

On February 27, 2006, UGL announced that it has received confirmation and a significant upgrade to the historical coal resource estimate for its Ulaan Ovoo Coal Project in northern Mongolia.

The new estimate in a NI 43-101 compliant report, independently being prepared by Behre Dolbear (USA) of Denver, Colorado, upgraded the previously announced historical inferred resource estimate of 78 million tonnes by 75% to a Reportable Coal Resource (measured plus indicated) totaling approximately 136.4 million tonnes.

Of the 136.4 million tonne resource estimate, 77 million tonnes represents measured resource and 59.4 million tonnes is indicated.

Since acquiring the Ulaan Ovoo project in November 2005, UGL has expeditiously moved to prepare an extensive drill program that will delineate possibly substantial additional coal resources.

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A 10-hole drill program (2,500m) is planned to commence in April with 5 holes planned to confirm and upgrade the indicated Resources in the north block and 5 holes planned to define additional possible resources in the incompletely explored south block.

Related party transactions

The Company paid accounting fees of \$12,000 and rent of \$18,000 to a company controlled by the Chairman of the Company.

The Company paid legal fees of \$22,974 to a law firm in which a director is principal.

The Company entered into the Argalant property letter of intent with a company that has a common director.

Other MD&A Requirements

(a) Summary of Securities Issued During the Period:

On February 7, 2005, the Company closed the private placement of 4,000,000 Units at \$0.40 per Unit, each Unit comprised of one common share and one half share purchase warrant, with whole warrants exercisable into one common share for a period of two years from closing at \$0.60 per share. All of the securities issued under the placement are subject to a hold period expiring on June 5, 2005. A finder's fee of 5% of the proceeds placed payable in 157,150 Units was paid on portions of the placement.

On April 11, 2005, the Company closed the private placement of 5,290,910 Units at \$0.55 per Unit, each Unit comprised of one common share and one half share purchase warrant, with whole warrants exercisable into one common share for a period of two years from closing at \$0.75 per share. 1,366,667 Units issued are subject to a hold period expiring on August 1, 2005, with the remaining 3,924,243 Units subject to a hold period expiring on August 9, 2005. A finder's fee of 5% on the proceeds placed payable in cash or units was paid on portions of the placement.

175,000 common shares of the Company were issued during the period ended December 31, 2005, pursuant to the exercise of 175,000 share purchase warrants at a price of \$0.20 per share.

202,500 common shares of the Company were issued during the period ended December 31, 2005, pursuant to the exercise of 202,500 share purchase warrants at a price of \$0.25 per share.

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(b) Summary of Options Granted During the Period:

January 21, 2005, the Company granted 200,000 stock options vesting on an equal quarterly basis at \$0.40 per share for a period of five years to Fuller Fletcher & Associates Ltd. an investor relations service company.

On February 10, 2005, the Company granted 50,000 stock options vesting on an equal quarterly basis at \$0.45 per share for a period of five years to an employee.

On March 1, 2005, the Company granted 500,000 stock options at \$0.60 per share for a period of five years to employees, directors and consultants.

As at the End of the Year

(a) Share Capital:

- i. Authorized: Unlimited Common Shares without par value.
- ii. Issued and outstanding: 26,062,937 Common Shares.

(b) Summary of Options, Warrants and Convertible Securities:

Options – 390,000 exercisable at \$0.48 per share expiring November 24, 2008.

Options – 700,000 exercisable at \$0.50 per share expiring June 10, 2009.

Options – 200,000 vesting on an equal quarterly basis exercisable at \$0.40 per share expiring January 21, 2007.

Options – 50,000 vesting on an equal quarterly basis exercisable at \$0.45 per share expiring February 10, 2007.

Options – 500,000 exercisable at \$0.60 per share expiring on March 1, 2010.

Warrants:

1,325,000 whole warrants at \$0.20 per share until January 30, 2006.

1,072,500 whole warrants at \$0.25 per share until January 30, 2006.

2,067,700 whole warrants at \$0.60 per share until February 4, 2007.

10,875 whole warrants at \$0.60 per share until March 8, 2007.

700,417 whole warrants at \$0.75 per share until March 31, 2007

1,963,674 whole warrants at \$0.75 per share until April 8, 2007

(c) Shares in Escrow or Subject to Pooling Agreements:

Nil.

(d) List of Directors and Officers:

G. Arnold Armstrong,	Director, Chairman & CEO, Vancouver, B.C.
Ranjeet Sundher,	Director, President, Managing Director & CFO, Singapore
Carol Brownie,	Director and Secretary, Vancouver, B.C.
Lloyd S. Bray,	Director, West Vancouver, B.C.
J. Garry Clark,	Director, Thunder Bay, Ontario
Paul McKenzie,	Director, Vancouver, B.C.
Mel Klohn,	Director, Spokane Valley, Washington, USA

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Liquidity and Capital Resources

The Company ended the period with \$2,578,895 cash and working capital of \$2,555,671.

Net cash used in operating activities for the period was \$887,277 as compared to net cash used of \$364,014 during the period ended 2004.

Net cash used for investing activities for the current period was \$1,380,116 as compared to net cash used of \$2,170,448 during the period ended 2004.

Net cash provided from financing activities for the current period was \$4,585,774 as compared to net cash provided of \$758,465 during the period ended 2004.

Subsequent Events

On December 27, 2005, 163,242 warrants at \$0.20 were exercised. The shares were issued subsequent to year end.

During the month of January 2006, the remaining 1,325,000 warrants at \$0.20 per share and the remaining 1,072,500 warrants at \$0.25 per share were exercised.

During the month of February 2006, 10,875 warrants at \$0.60 per share expiring March 8, 2007 were exercised.

On January 31, 2006, the Company granted 650,000 incentive options to directors and consultants at \$0.45 per share for a five year period.

On February 9, 2006, the Company granted 100,000 incentive options to a consultant at \$0.65 per share for a five year period.

Outlook and Investor Relations

The Company continues to keep the shareholders advised as to the status of exploration and development on all its properties.

The Company continues to be logged into the SEDAR electronic filing system for the purpose of reporting on a timely basis. SEDAR can be accessed via the Internet at www.sedar.com.

Forward-Looking Statements: Statements in this discussion that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risk Factors" and elsewhere in the corporations' periodic filings with Canadian Securities Regulators. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. The companies do not assume the obligation to update any forward-looking statement.