

UGL Enterprises Ltd.

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Management Discussion and Analysis of Financial Condition and Results of Operations For the period ended March 31, 2006 Form 51-102F1

UGL Enterprises Ltd.
Period Ended March 31, 2006
Management Discussion and Analysis

The following discussion and analysis, prepared as of May 26, 2006, should be read together with the interim consolidated financial statements for the period ended March 31, 2006 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, 2005 and 2004, 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.

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	2006	2005				2004		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Total Revenues	\$19,578	\$20,439	\$22,122	\$19,557	\$1,831	\$2,230	\$5,971	\$10,503
Net Loss	510,259	485,376	1,273,698	1,469,820	505,838	209,420	285,098	142,159
Loss per share	0.02	0.02	0.05	0.07	0.05	0.05	0.02	0.01

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Performance Summary for the period ended March 31, 2006

The Company has earned interest revenue from cash and investments held in banks. The Company earned \$19,578 in interest revenue during the three months period ended as compared to \$1,831 in 2005. The increase in interest is due to the increase in cash invested during the quarter compared to 2005.

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 period ended March 31, 2006, of \$510,259 as compared to \$505,838 in 2005.

Using the Black-Scholes options pricing model, the calculated stock-based compensation expense was \$301,000 for the period as compared to \$320,000 in 2005.

Consulting expenses for the period were \$32,339 as compared to \$49,279 in 2005. 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. The Company has engaged the services of Sean McGay, based in Mongolia to assist with the exploration activities in Mongolia.

Professional fees for the period were \$5,320 as compared to \$49,279 in 2005. The professional fees consist of auditing, legal and accounting services. The decrease in professional fees compared to the prior year is due to the decrease 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 \$13,582 as compared to \$35,746 in 2005. The decrease in stock exchange fees and shareholder services expenses is due to the private placement financing that occurred during the period last year, and the property acquisitions and the distribution of information to the shareholders of the Company.

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Advertising and promotion expenses for the period were \$50,130 as compared to \$38,368 in 2005. 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 \$39,954 as compared to \$22,161 in 2005. The office administration expenses include rent and telephone expenses.

Travel expenses for the period were \$35,854 as compared to \$15,417 in 2005. The Company experienced an increase in travel during the period compared to 2005 by reason of the increased activities in Mongolia related to the exploration of the Ulan Owoo property.

Salary and benefits expenses for the period were \$40,437 as compared to \$12,848 in 2005. The Company has one Director on salary and an employee to assist with public relations and promotion.

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.

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.

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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.

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.

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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 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.

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Coal Projects:

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.

Chandgana Project

On March 29, 2006, the Company entered into a letter agreement with Coal Khentiy Ltd. that sets out the terms to acquire a 100% interest in the property known as Chandgana coal project. The Chandgana property, consisting of two licenses, is located in the northeast part of the Nyalga coal basin, approximately 290 km east of Ulan Bataar. Under the terms of the agreement, the Company will pay a total of US\$400,000, plus 250,000 common shares of UGL. A finder's fee of 50,000 common shares is payable to a third party by UGL. The transaction is subject to regulatory approval. The purchase price will be paid as follows, subject to regulatory approval:

Within 3 days of the date that this agreement is accepted and approved by the TSX Venture Exchange, the issuance of 250,000 common shares of UGL.

US\$50,000 within 21 days of signing the letter agreement;

US\$75,000 on or before July 1, 2006;

US\$275,000 on or before October 1, 2006.

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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 Darnogovi 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
Gold Ram	36,349	0		36,349
Khondloy	108,822	0		108,822
Shavar Uul	43,383	0		43,383
Naranbulag	200,744	0		200,744
Chandgana	0	58,617		58,617
Bayan Undur	99,454	80		99,534
Argalant	291,236	6,594		297,830
Ulan Ovoo	596,799	391,112		987,911
Uranium Option Agreement	35,012	(261,802)		(226,790)
Total	\$1,411,800	\$194,601		\$1,606,401

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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
Gold Ram	\$11,857				\$11,857
Khondloy	\$33,402				\$33,402
Shavar Uul	\$13,852				\$13,852
Naranbulag	\$186,396				\$186,396
Chandgana	\$0	58,617			\$58,617
Bayan Undur	\$20,778				\$20,778
Argalant	\$119,485				\$119,485
Ulan Ovoo	\$582,350	574,648			\$1,156,998
Uranium Properties	\$(36,608)				\$(36,608)
Total	\$931,513	\$633,265			\$1,564,778

(b) Exploration expenses:

	Gold Ram	Khondloy	Shavar Uul	Naranbulag	Chandgana	Bayan Undur	Argalant	Ulan Ovoo	Uranium Properties	Total
Exploration, Beginning of period	\$24,492	\$75,420	\$29,531	\$14,348	\$0	\$78,676	\$171,751	\$14,449	\$71,620	\$480,287
Drilling										
Transport, Shipping, Other							3,115	6,002	11,345	20,462
Assaying						80	3,479			3,559
Geological Consulting								159,872	14,839	174,711
Other Field Work										
Option exploration funding									(287,986)	(287,986)
Exploration expenses written off										
Exploration, End of period	\$24,492	\$75,420	\$29,531	\$14,348	\$0	\$78,756	\$178,345	\$180,323	\$(190,182)	\$391,033

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Exploration Results

All UGL work programs are supervised by Mr. Glenn Griesbach, P.Geo., Director Mel Klohn, L.P.Geo, and, 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 proceed further 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 proceed further 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 Seten-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 this 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. On March 17, 2006 Mega provided UGL \$287,986 (US\$250,000) for the purpose of funding exploration on UGL properties. As of March 31, 2006, UGL had expended a cumulative total of \$138,410 of the option funds in exploration on uranium properties.

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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.

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.

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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.

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.

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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.

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.

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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 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.

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.

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. Field activities in Mongolia will be directed at examining the uranium potential of a number of priority target areas on 5 of the UGL-Mega Joint Venture's 14 Mongolian uranium properties.

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

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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.

The 2006 field season will see specific identified target areas in the five priority properties studied and advanced through the use of ground-based radiometric surveys, Vertical Electrical Sounding (VES) surveys, Induced Polarization (IP) surveys, (AlphaCard –patented) radon surveys, and soil & Rock sampling. The UGL-Mega Joint Venture has budgeted to drill test the most favourable anomalies and showings later this year.

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 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

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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.

Further exploration work is planned for the summer of 2006.

The geological model for the Argalant mineralization remains somewhat subjective at this stage; however it contains skarn mineralization related to 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.qxgold.com for

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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 next 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 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

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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.

On January 17, 2006, UGL reported that the final agreement to purchase the Ulaan Ovoo coal project 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, and 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.

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 on February 27, 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. UGL announced the completion of the NI 43-101 compliant report on March 20, 2006.

The new estimate in a NI 43-101 compliant report, independently 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.

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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. 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.

On March 20, 2006, UGL announced that it had contracted Behre Dolbear to prepare a Technical Feasibility Study to determine reasonable mining rates, mining methods and other operational details as a prelude to developing an economic year-around mining operation.

A 10-hole drill program (2,500m) commenced in April, 2006 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.

UGL is in preliminary marketing discussions with potential coal buyers in several countries. Successful marketing negotiations could lead to early production.

The independent Qualified Person responsible for the Ulaan Ovoo Technical Report, who will also serve as Project Manager for the Study in progress, is Gardar G. Dahl, Jr., P.Geo, a Senior Associate of Behre Dolbear. Mr. Dahl is an established coal consultant with more than 35 years experience in coal exploration, mining and sales, both in surface and underground operations.

Chandgana Project

On March 29, 2006, the Company entered into a letter agreement with Coal Khentiy Ltd. that sets out the terms to acquire a 100% interest in the property known as Chandgana coal project. The Chandgana property, consisting of two licenses, is located in the northeast part of the Nyalga coal basin, approximately 290 km east of Ulan Bataar. The project is reasonably close to good infrastructure – towns, roads, power lines – and contains a substantial quantity of historically-defined shallow, thick, good quality sub-bituminous coal which UGL believes might be amenable to a large-scale, low cost bulk mining operation.

Chandgana Tal coal was first discovered by Russian surface reconnaissance in 1941 and subsequently explored in detail in 1962-1963. Exploration during this period consisted of digging 116 shafts and drilling 24 holes spaced on a 300-400 metre (m) x 150-400m grid to depths of 29 to 109m. In 1967, a small mine was opened to supply heating coal for local consumption and the mine has operated more-or-less continuously since, producing up to 20,000 tonnes of coal per year. The 1962-1963 Russian detailed exploration

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campaign defined coal resources, registered with the Mongolian States Reserve Council, using resource categories different from those currently accepted under Canadian National Instrument 43-101 (NI 43-101), but incorporating resource parameters – minimum coal thicknesses and maximum included parting thicknesses – generally consistent with those used today.

Using the Russian resource terminology, the area covered by UGL's two licenses contains a historical estimated coal resource of 31.0 million tonnes classified as categories "A" and "B," 59.6 million tonnes classified as category "C1," and 42.7 million tonnes classified as category "C2." According to recent published articles, such as that by S. Henley in the April 20, 2004, issue of the Mining Journal, the Russian resource categories "A and B" can generally be considered roughly equivalent to the "measured" resource category recognized by JORC (and accepted under NI 43-101), category "C1" is roughly equivalent to "indicated" resources and "C2" to "inferred" resources. **UGL emphasizes that these resource estimates are reported for historical purposes only and cautions that the veracity of this historical data has not yet been checked in detail and the compliance of the historical resource estimates with current NI 43-101 resource standards and acceptable categories has not yet been verified. Therefore, the historical coal resource estimate cannot be relied upon.**

The Chandgana Tal coal seams are Early Cretaceous in age and occur in an oval-shaped synclinal sub-basin, approximately 5 km x 7 km in size. Much of this coal-bearing sub-basin has not been explored in detail. It is apparently underlain by at least 5 known coal seams, with most of the coal resource carried by a single shallow thick seam. This seam is from 30 to 50m thick, is essentially flat-lying, and is overlain by no more than 34 m of overburden, a favorable situation for a potential future large-scale open-pit operation having a very low stripping ratio.

Results on core samples (411 total) collected by the Russians suggest that the Chandgana coal is a high volatile subbituminous A or B coal of good quality. The heating values range from 5,277 kcal/kg (9,499 BTU/pound) to 6,182 kcal/kg (11,129 BTU/pound) with an average volatile matter yield of 51.38%. The coal is desirably low in ash (average 11.67%), low in moisture (9.77% to 14.33%) and relatively low in sulphur (average 0.92%).

The Russian drilling was too limited to define the full lateral extent of the Chandgana coal seams and was also too shallow to fully test the 3 coal seams which are known to lie below the thick seam. UGL plans to examine this project in greater detail with a drilling program designed to define the extent of the coal on strike and to depth.

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Related party transactions

The Company paid accounting fees of \$3,000 and rent of \$4,500 to a company controlled by the Chairman of the Company.

The Company paid legal fees of \$230 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:

During the period 50,000 stock options at \$0.45 per share expiring February 10, 2007 were exercised.

During the period the following warrants were exercised:

1,325,000 at \$0.20 per share expiring January 28, 2006;

1,072,500 at \$0.25 per share expiring January 28, 2006;

398,620 at \$0.60 per share expiring February 4, 2007;

6,210 at \$0.60 per share expiring March 8, 2007;

60,833 at \$0.75 per share expiring March 31, 2007;

1,905,530 at \$0.75 per share expiring April 8, 2007.

(b) Summary of Options Granted During the Period:

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

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

On March 15, 2006, the Company granted 50,000 stock options at \$1.20 per share for a period of five years to an employee.

As at the End of the Period

(a) Share Capital:

i. Authorized: Unlimited Common Shares without par value.

ii. Issued and outstanding: 31,044,872 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 – 500,000 exercisable at \$0.60 per share expiring on March 1, 2010.

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Warrants:

1,669,080 whole warrants at \$0.60 per share until February 4, 2007.

4,665 whole warrants at \$0.60 per share until March 8, 2007.

639,584 whole warrants at \$0.75 per share until March 31, 2007

58,144 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

Liquidity and Capital Resources

The Company ended the period with \$4,054,848 cash and working capital of \$4,058,968.

Net cash used in operating activities for the period was \$231,171 as compared to net cash used of \$348,583 during the period ended 2005.

Net cash used for investing activities for the current period was \$566,172 as compared to net cash used of \$249,483 during the period ended 2005.

Net cash provided from financing activities for the current period was \$2,273,296 as compared to net cash provided of \$2,060,627 during the period ended 2005.

Subsequent Events

During April 2006, 1,008,183 warrants at \$0.60 per share were exercised.

During April 2006, 6,818 warrants at \$0.75 per share were exercised.

During April 2006, 25,000 stock options at \$0.48 per share expiring November 24, 2008; 50,000 stock options at \$0.50 per share expiring June 10, 2009; and 50,000 stock options at \$0.45 per share expiring February 10, 2007, were exercised.

During April 2006, 75,000 shares were issued as payment of a finder's fee for the Ulan Ovoo project.

During May 2006, 50,000 shares were issued as payment of a finder's fee for the Chandgana project.

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During May 2006, 250,000 shares were issued to the vendor of the Ulan Ovoo property as per the letter agreement.

During April 2006, 130,000 stock options exercisable at \$1.10 per share expiring April 3, 2011, were granted to directors and consultants.

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.