

URANIUM ENERGY CORP
Form SB-2
October 04, 2006

UNITED STATES SECURITIES AND EXCHANGE

COMMISSION

Washington, D.C., 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

URANIUM ENERGY CORP.

(Exact name of registrant as specified in charter)

NEVADA

1090

98-0399476

(State or jurisdiction of
incorporation or organization)

(Primary Standard Industrial
Classification Code Number)

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

9801 Anderson Mill Road, Suite 230, Austin, Texas, U.S.A., 78750

Telephone: (512) 828-6980

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

AMIR ADNANI

President, Chief Executive Officer, Principal Executive Officer and a director

9801 Anderson Mill Road, Suite 230, Austin, Texas, U.S.A., 78750

Telephone: (512) 828-6980

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

Thomas J. Deutsch, Esq.

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1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7

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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement is declared effective.

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registrations statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered ⁽¹⁾ | Amount to be Registered ⁽²⁾ | Proposed Maximum Offering Price Per Share ⁽³⁾ | Proposed Maximum Aggregate Offering Price ⁽³⁾ | Amount of Registration Fee ⁽⁴⁾ |
|------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------|
| Shares of common stock, par value \$0.001 per share | 232,500 shares ⁽⁵⁾ | \$1.93 | \$448,725 | \$48.01 |
| Shares of common stock, par value \$0.001 per share | 300,000 shares ⁽⁶⁾ | \$1.93 | \$579,000 | \$61.95 |
| Shares of common stock, par value \$0.001 per share, underlying common stock purchase warrants | 300,000 shares ⁽⁷⁾ | \$1.93 | \$579,000 | \$61.95 |
| Shares of common stock, par value \$0.001 per share | 2,525,000 shares ⁽⁸⁾ | \$1.93 | \$4,873,250 | \$521.43 |
| Shares of common stock, par value \$0.001 per share, underlying common stock purchase warrants | 1,262,500 shares ⁽⁹⁾ | \$2.50 | \$3,156,250 | \$337.71 |
| Shares of common stock, par value \$0.001 per share, underlying common stock purchase warrants | 471,000 shares ⁽¹⁰⁾ | \$2.50 | \$1,177,500 | \$125.99 |

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| | | | |
|---------|---------------------|--------------|------------|
| Totals: | 5,091,000 shares | \$10,813,725 | \$1,157.04 |
|---------|---------------------|--------------|------------|

- In the event of a stock split, stock dividend or similar transaction involving the common shares of the Registrant in order to prevent dilution, the number of shares of common stock registered shall be automatically increased to cover additional shares in accordance with Rule 416(a) under the United States *Securities Act of 1933*, as amended (the "Securities Act").
- Includes shares of our common stock, par value \$0.001 per share, which may be offered pursuant to this registration statement, which shares which are issuable upon the exercise of the warrants held by the selling shareholders (each a "Selling Shareholder"). In addition to the shares set forth in the table, the amount to be registered includes an indeterminate number of shares issuable upon the exercise of the warrants as such number may be adjusted as a result of stock splits, stock dividends and similar transactions in accordance with Rule 416 of the Securities Act. The number of shares of common stock registered hereunder represents a good faith estimate by us of the number of shares of common stock issuable upon the exercise of the warrants. For purposes of estimating the number of shares of common stock to be included in this registration statement, we calculated a good faith estimate of the number of shares of our common stock that we believe will be issuable upon the exercise of the warrants to account for market fluctuations and for anti-dilution and price protection adjustments. Should a decrease in the exercise price of the warrants as a result of an issuance or sale of shares below the then current market price result in our having insufficient shares, we will not rely upon Rule 416, but will file a new registration statement to cover the resale of such additional shares should that become necessary.
- Estimated solely for the purpose of determining the registration fee. Unless otherwise stated, we have based the fee calculation on the average of the last reported bid and ask price for our common stock on the OTC Bulletin Board on September 22, 2006. The Proposed Maximum Offering Price per Share is calculated in accordance with Rule 457(g) of the Securities Act, based upon the last reported bid and ask price for our common stock on the OTC Bulletin Board on September 22, 2006. The Proposed Aggregate Maximum Aggregate Offering Price is based on the Proposed Maximum Offering Price Per Share times the total number of shares of common stock to be registered. These amounts are calculated solely for the purpose of calculating the registration fee pursuant to Rule 457(g) of the Securities Act.
- The fee is calculated in accordance with Rule 457(c) of the Securities Act. Estimated for the sole purpose of calculating the registration fee. We have based the fee calculation on the average of the last reported bid and ask price for our common stock on the OTC Bulletin Board on September 22, 2006.
- On November 15, 2005, we issued an aggregate of 155,000 shares of common stock, at a price of \$0.50 per share, by way of private placement (the "November 2005 Private Placement"). On February 28, 2006, we completed a forward split of our shares of common stock, on the basis of 1.5 shares for each outstanding share of our common stock, of which these shares of common stock result. The common stock registered represents the post-forward split 232,500 shares of common stock issued in connection with the November 2005 Private Placement. We had agreed to file a registration statement with the United States Securities and Exchange Commission (the "SEC") in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued in the November 2005 Private Placement.
- On April 1, 2006, we issued an aggregate of 300,000 units (each an "April 2006 Unit"), at a price of \$1.00 per April 2006 Unit, with each April 2006 Unit consisting of one share of common stock and one non-transferable common stock purchase warrant (each an "April 2006 Warrant"), to certain of the Selling Shareholders named herein (collectively, the "April 2006 Private Placement"). The common stock registered represents the 300,000 shares of common stock issued in connection with the issuance of the April 2006 Units. We agreed to file a registration

statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the April 2006 Warrants in the April 2006 Private Placement.

- Each April 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.50 per share during the period commencing on April 1, 2006 and ending on the day which is the earlier of (i) April 1, 2007 and (ii) six months commencing from the effective date of the Company's proposed registration statement related to the April 2006 Private Placement. The common stock registered represents the 300,000 shares of common stock issuable upon exercise of the April 2006 Warrants.
- In May and June of 2006 we issued an aggregate of 2,525,000 units (each a "May 2006 Unit"), at a price of \$2.00 per May 2006 Unit, with each May 2006 Unit consisting of one share of common stock and one-half of one non-transferable common stock purchase warrant (each a "May 2006 Warrant"), to certain of the Selling Shareholders named herein (collectively, the "May 2006 Private Placement"). The common stock registered represents the 2,525,000 shares of common stock issued in connection with the issuance of the May 2006 Units. We agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the May 2006 Warrants in the May 2006 Private Placement. We agreed to use our reasonable commercial efforts to file a registration statement within 120 days from the date of completion of the May 2006 Private Placement.
- Each whole May 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$2.50 per share during the period commencing on the date of issuance and ending on the day which is the earlier of (i) 12 months from the date of issuance and (ii) six months commencing from the effective date of the Company's proposed registration statement related to the May 2006 Private Placement. The common stock registered represents the 1,262,500 shares of common stock issuable upon exercise of the May 2006 Warrants.
- We issued an aggregate of 471,000 non-transferable common stock purchase warrants to acquire 471,000 shares of our common stock as finder's fees (each a "Finder's Fee Warrant") in connection with the offering of the May 2006 Units. The common stock registered represents the 471,000 shares of common stock issuable upon exercise of the Finder's Fee Warrants. The Finder's Fee Warrants have the same terms and conditions as the May 2006 Warrants.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED SEPTEMBER 29, 2006

PROSPECTUS

URANIUM ENERGY CORP.

OFFERING OF 5,091,000 SHARES OF COMMON STOCK

This prospectus relates to the sale of 3,057,500 shares of our common stock by certain of the selling shareholders (each a "Selling Shareholder") named in this prospectus under the heading "Selling Shareholders". We will not receive any proceeds from the sale of the currently outstanding common stock by the Selling Shareholders. In addition, this prospectus relates to the sale of 2,033,500 shares issuable upon the exercise of certain outstanding warrants to acquire

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shares of our common stock by certain of the Selling Shareholders. These shares include the following shares, all as described in this prospectus under "Selling Shareholders":

1. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 232,500 shares of our common stock issued on November 15, 2005 pursuant to a private placement;
2. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issued on April 1, 2006 pursuant to a private placement (the "April 2006 Private Placement");
3. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issuable upon the exercise of 300,000 non-transferable common stock purchase warrants issued pursuant to the April 2006 Private Placement;
4. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 2,525,000 shares of our common stock issued in May and June of 2006 pursuant to a private placement (the "May 2006 Private Placement");
5. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 1,262,500 shares of our common stock issuable upon the exercise of 1,262,500 non-transferable common stock purchase warrants issued pursuant to the May 2006 Private Placement; and
6. the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 471,000 shares of our common stock issuable upon the exercise of 471,000 non-transferable common stock purchase warrants which relate to finders' fee for the May 2006 Private Placement.

We will not receive any of the proceeds from the sale of shares by the Selling Shareholders. However, we will receive proceeds upon the exercise of any common stock purchase warrants that may be exercised by certain of the Selling Shareholders. If all of the warrants are exercised we will receive proceeds in an amount up to \$4,783,750. The proceeds, if any, would be used for general corporate purposes including, in order of priority, acquisition costs, exploration expenses and working capital.

The Selling Shareholders may sell their shares through private transactions or in public sales through the over-the-counter markets or on any exchanges on which our shares are traded at the time of sale. These sales may occur at prevailing market prices or at privately negotiated prices. The shares may be sold directly or through agents or broker-dealers acting as agents on behalf of the Selling Shareholders. The Selling Shareholders may engage brokers, dealers or agents, who may receive commissions or discounts from the Selling Shareholders. We will pay substantially all the expenses incident to the registration of the shares, except for sales commissions and other sellers' compensation applicable to sales of the shares.

Our common stock is registered under Section 12(g) of the United States *Securities Exchange Act of 1934*, as amended (the "Exchange Act"), and is quoted on the NASD Over-the-Counter Bulletin Board (the "OTCBB") under the symbol "URME.OB". The last reported sales price per share of our common stock as reported by the OTCBB on September 22, 2006, was \$1.95.

Our principal offices are located at 9801 Anderson Mill Road, Suite 230, Austin Texas, U.S.A., 78750, and our telephone number is (512) 828 6980.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The purchase of the securities offered through this prospectus involves a high degree of risk. You should invest in our common stock only if you can afford to lose your entire investment. You should carefully read and consider the section of this prospectus titled "Risk Factors" before buying any of our shares of common stock.

The information in this prospectus is not complete and may be changed. The Selling Shareholders may not sell or offer these securities until this registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offence.

The date of this prospectus is u , 2006

The following table of contents has been designed to help you find important information contained in this prospectus. We encourage you to read the entire prospectus.

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| Risks Related to Our Business | 7 |
| We will require significant additional financing in order to continue our exploration activities and our assessment of the commercial viability of our mineral properties. | 7 |
| As our mineral properties do not contain any reserves or any known body of economic mineralization, we may not discover commercially exploitable quantities of ore on our mineral properties that would enable us to enter into commercial production, achieve revenues and recover the | 7 |

money we spends on exploration.

Our exploration activities on our mineral properties may not be commercially successful, which could lead us to abandon our plans to develop the property and its investments in exploration. 7

Our business is difficult to evaluate because we have a limited operating history. 8

We have a history of operating losses and there can be no assurances we will be profitable in the future. 8

We have received a going concern opinion from our independent auditors on their report accompanying our December 31, 2005 and 2004 financial statements. 8

We will require additional funding in the future. 9

As part of our growth strategy, we intend to acquire additional minerals exploration properties. 9

We are a new entrant into the uranium minerals exploration and development industry without profitable operating history. 9

The risks associated with exploration and development and, if applicable, mining could cause personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. 9

The uranium exploration and mining industry is highly competitive and there is no assurance that we will be successful in acquiring the leases. 9

The marketability of natural resources will be affect by numerous factors beyond our control which may result in us not receiving an adequate return on invested capital to be profitable or viable. 10

Uranium mining operations are subject to comprehensive regulation, which may cause substantial delays or require capital outlays in excess of those anticipated, causing an adverse effect on our business operations. 10

Uranium minerals exploration and development and mining activities are subject to certain environmental regulations, which may prevent or delay the commencement or continuance of our operations. 10

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Any change in government regulation/administrative practices may have a negative impact on our ability to operate and our profitability. | 11 |
| We may be unable to retain key employees or consultants or recruit additional qualified personnel. | 11 |
| Our officers and directors may be subject to conflicts of interest. | 11 |
| Nevada law and our articles of incorporation may protect our directors from certain types of lawsuits. | 11 |
| Risks Related to Our Common Stock | 12 |
| Sales of a substantial number of shares of our common stock into the public market by certain stockholders may result in significant downward pressure on the price of our common stock and could affect your ability to realize the current trading price of our common stock. | 12 |
| The trading price of our common stock on the OTC Bulletin Board has been and may continue to fluctuate significantly and stockholders may have difficulty reselling their shares. | 12 |
| One of our shareholders may exercise voting power of more than 17% of our common stock. | 12 |
| Additional issuances of equity securities may result in dilution to our existing stockholders. Our Articles of Incorporation authorize the issuance of 750,000,000 shares of common stock. | 13 |
| Our common stock is classified as a "penny stock" under SEC rules which limits the market for our common stock. | 13 |
| A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations. | 13 |
| A majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or officers. | 13 |
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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. The registration statement containing this prospectus, including the exhibits to the registration statement, also contains additional information about Uranium Energy Corp. and the securities offered under this prospectus. That registration statement can be read at the Securities and Exchange Commission's website (located at www.sec.gov) or at the Securities and Exchange Commission's Public Reference Room mentioned under the heading "Where You Can Find More Information" of this prospectus.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document. Our business, financial condition or results of operations may have changed since that date.

REFERENCES

As used in this prospectus: (i) the terms "we", "us", "our", "Uranium Energy" and the "Company" mean Uranium Energy Corp.; (ii) "SEC" refers to the Securities and Exchange Commission; (iii) "Securities Act" refers to the United States *Securities Act of 1933*, as amended; (iv) "Exchange Act" refers to the United States *Securities Exchange Act of 1934*, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

On January 24, 2004, we completed a reverse stock split of our shares of common stock on the basis of one share for each two outstanding shares. On February 28, 2006, we completed a forward split of our shares of common stock on the basis of 1.5 shares for each outstanding share of our common stock. All share amounts in this prospectus reflect the reverse and subsequent forward split of our shares, unless otherwise indicated.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements.

The Company

We are a natural resource exploration company engaged in the exploration of properties that may contain uranium minerals in the United States. Our strategy is to acquire properties that are thought to be prospective for uranium exploration and have undergone some degree of uranium exploration but have not yet been mined. To date, we have acquired interests in 18,715.56 gross acres of leased or staked mineral properties, consisting of claim blocks located in the States of Arizona, Colorado, Utah, New Mexico, Wyoming and Texas that have been either leased or staked, which we intend to explore for economic deposits of uranium. These leases are also subject to 5.0% to 8.25% net royalty interests. Each of these properties has been the subject of historical exploration by other mining companies, and provides indications that further exploration for uranium is warranted. Our view that our properties are prospective for mineral exploration is based on prior exploration conducted by other companies, or management information and work product derived from various reports, maps, radioactive rock samples, exploratory drill logs, state organization reports, consultants, geological study, and other exploratory information.

We also have access to historical exploration data consisting chiefly of drill hole assay results, drill hole logs, studies, publicly published works, our own created work product, and maps, that help guide our property acquisition strategy. We plan to use this exploration data as the basis for formulating the exploration programs that we plan to undertake on our properties.

The acreage and location of our mineral properties is summarized as follows:

Gross Acres

Net Acres⁽¹⁾

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| | | |
|------------|-----------|-----------|
| Arizona | 2,231.28 | 2,231.28 |
| Colorado | 1,074.32 | 1,074.32 |
| Utah | 640.00 | 640.00 |
| Wyoming | 7,695.18 | 7,695.18 |
| Texas | 3,794.78 | 3,596.91 |
| New Mexico | 3,280.00 | 3,250.58 |
| Total: | 18,715.56 | 18,488.27 |

(1)

Certain of our interests in our mineral properties in Texas are less than 100%. Accordingly, we have presented the acreage of our mineral properties on a net acre basis.

Our principal mineral properties are the Shirley Basin AB claims in Carbon County, Wyoming and the Weesatche project in Goliad County, Texas.

We plan to use our database of exploration data in order to target additional exploration properties for acquisition. In 2006, we have plans to acquire approximately 1,284 further acres of mineral properties consisting of further claim blocks located in the State of Texas. Our ability to complete these acquisitions will be subject to our obtaining sufficient financing and our being able to conclude agreements with the property owners on terms that are acceptable to us. Other mineral property acquisitions are contemplated in the States of interest that include Arizona, Utah, Colorado, New Mexico, Texas, and Wyoming. These potential acquisition properties have not yet been specifically identified.

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Our properties do not have any reserves. We plan to conduct exploration programs on these properties with the objective of ascertaining whether any of our properties contain economic concentrations of uranium that are prospective for mining. As such, we are considered an exploration or exploratory stage company. Since we are an exploration stage company, there is no assurance that a commercially viable mineral deposit exists on any of our properties, and a great deal of further exploration will be required before a final evaluation as to the economic and legal feasibility for our future exploration is determined. We have no known reserves of uranium or any other type of mineral. Since inception, we have not established any proven or probable reserves on its mineral property interests.

We were incorporated under the laws of the State of Nevada on May 16, 2003 under the name "Carlin Gold Inc." During 2004, we changed our business operations and focus from precious metals exploration in the State of Nevada to the exploration for economic reserves of uranium throughout the United States. On January 24, 2005, we filed an amendment to our articles of incorporation changing our name to "Uranium Energy Corp."

On January 24, 2004, we completed a reverse stock split of our shares of common stock on the basis of one share for two outstanding shares. Effective February 28, 2006, we completed a forward split of our shares of common stock on the basis of 1.5 shares for each outstanding share to increase liquidity for our shares of common stock. Effective February 28, 2006, we filed an amendment to our Articles of Incorporation with the Nevada Secretary of State which increased our authorized capital stock from 75,000,000 shares of common stock at \$0.001 par value to 750,000,000

shares of common stock par value \$0.001.

Our executive offices are located at 9801 Anderson Mill Road, Suite 230, Austin, Texas, U.S.A., 78750, and our telephone number is (512) 828 6980.

The Offering

The Issuer:

Uranium Energy Corp.

The Selling Shareholders:

The selling shareholders (each a "Selling Shareholder") are comprised of our existing shareholders who:

- ◆ on November 15, 2005 purchased an aggregate of 155,000 shares of common stock, at a price of \$0.50 per share, by way of private placement (the "November 2005 Private Placement"). On February 28, 2006, we completed a forward split of our shares of common stock, on the basis of 1.5 shares for each outstanding share of our common stock, increasing the number of shares issued under the November 2005 Private Placement to 232,500 shares;
- ◆ on April 1, 2006 purchased an aggregate of 300,000 units (each an "April 2006 Unit"), at a price of \$1.00 per April 2006 Unit, by way of private placement (the "April 2006 Private Placement"), with each April 2006 Unit consisting of one share of common stock and one non-transferable common stock purchase warrant (each an "April 2006 Warrant");
- ◆ in May and June of 2006 purchased an aggregate of 2,525,000 units (each a "May 2006 Unit"), at a price of \$2.00 per May 2006 Unit, by way of private placement (the "May 2006 Private Placement"), with each May 2006 Unit consisting of one share of common stock and one-half of one non-transferable common stock purchase warrant (each a "May 2006 Warrant"); and
- ◆ in May and June of 2006 acquired an aggregate of 471,000 non-transferable common stock purchase warrants to acquire 471,000 shares of our common stock as finder's fees (each a "Finder's Fee Warrant") in connection with the offering of the May 2006 Units.

The Selling Shareholders are named in this prospectus under "Selling Shareholders".

The Selling Shareholders are offering up to an aggregate of 5,091,000 shares of our common stock comprised of:

- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 232,500 shares of our common stock issued on November 15, 2005 pursuant to the November 2005 Private Placement;
- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issued on April 1, 2006 pursuant to the April 2006 Private Placement;
- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issuable upon the exercise of the 300,000 non-transferable April 2006 Warrants issued pursuant to the April 2006 Private Placement;
- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 2,525,000 shares of our common stock issued in May and June of 2006 pursuant to the May 2006 Private Placement;
- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 1,262,500 shares of our common stock issuable upon the exercise of the 1,262,500 non-transferable May 2006 Warrants issued pursuant to the May 2006 Private Placement; and
- ◆ the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 471,000 shares of our common stock issuable upon the exercise of the 471,000 non-transferable Finder's Fee Warrants which relate to finders' fees for the May 2006 Private Placement.

Offering Price:

The Selling Shareholders may, from time to time, sell any or all of their shares of common stock offered by this prospectus on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed prices, at prevailing market prices, at prices related to prevailing market prices, at varying prices or negotiated prices. The shares may be sold directly or through agents or broker-dealers acting as agents on behalf of the Selling Shareholders. We will pay substantially all the expenses relating to the registration of the shares offered by this prospectus, except for sales commissions and other fees applicable to sales of the shares. See "Plan of Distribution" for a description of the methods of distribution.

Use of Proceeds: We will not receive any of the proceeds from the sale of shares by the Selling Shareholders. However, we will receive proceeds upon the exercise of any common stock purchase warrants that may be exercised by certain of the Selling Shareholders. If all of the warrants are exercised we will receive proceeds in an amount up to \$4,783,750. The proceeds, if any, would be used for general corporate purposes including, in order of priority, acquisition costs, exploration expenses and working capital.

Market for our Common Stock: Our common stock is quoted on the OTC Bulletin Board under the symbol "URME.OB". The last report sale price for our shares on the OTC Bulletin Board on September 22, 2006 was \$1.95 per share.

Outstanding Shares of Common Stock: There were 27,987,338 shares of our common stock issued and outstanding as at September 28, 2006. If all warrants are exercised, then there would be 29,720,838 shares of our common stock issued and outstanding.

Risk Factors: See "Risk Factors" and the other information in this prospectus for a discussion of the factors you should consider before deciding to invest in our securities.

This prospectus relates to the sale of 3,057,500 shares of our common stock by certain of the Selling Shareholders named in this prospectus under the heading "Selling Shareholders". We will not receive any proceeds from the sale of the currently outstanding common stock by the Selling Shareholders. In addition, this prospectus relates to the sale of 2,033,500 shares issuable upon the exercise of certain outstanding warrants to acquire shares of our common stock by certain of the Selling Shareholders. These shares include the following shares, all as described in this prospectus under "Selling Shareholders":

On November 15, 2005, we issued an aggregate of 155,000 shares of common stock, at a price of \$0.50 per share, to certain of the Selling Shareholders named herein by way of the November 2005 Private Placement. On February 28, 2006, we completed a forward split of our shares of common stock, on the basis of 1.5 shares for each outstanding share of our common stock. The common stock registered represents the post-forward split 232,500 shares of common stock issued in connection with the November 2005 Private Placement. We had agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued in the November 2005 Private Placement, completed pursuant to Rule 903 of Regulation S under the Securities Act.

On April 1, 2006, we issued an aggregate of 300,000 April 2006 Units, at a price of \$1.00 per April 2006 Unit, with each April 2006 Unit consisting of one share of common stock and one non-transferable April 2006 Warrant, to certain of the Selling Shareholders named herein by way of the April 2006 Private Placement. The common stock registered represents the 300,000 shares of common stock issued in connection with the issuance of the April 2006 Units. We agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the April 2006 Warrants in the April 2006 Private Placement, completed pursuant to Rule 506 of Regulation D under the Securities Act. Each April 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.50 per share during the period commencing on April 1, 2006 and ending on the day which is the earlier of (i) April 1, 2007 and (ii) six months commencing from the effective date of the registration statement of which this prospectus forms a part. The common stock registered also represents the 300,000 shares of common stock issuable upon exercise of the April 2006 Warrants.

In May and June of 2006 we issued an aggregate of 2,525,000 May 2006 Units, at a price of \$2.00 per May 2006 Unit, with each May 2006 Unit consisting of one share of common stock and one-half of one non-transferable May 2006 Warrant, to certain of the Selling Shareholders named herein by way of the May 2006 Private Placement. The common stock registered represents the 2,525,000 shares of common stock issued in connection with the issuance of the May 2006 Units. We agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the May 2006 Warrants in the May 2006 Private Placement, completed pursuant to Rule 506 of Regulation D and Rule 903 of Regulation S under the Securities Act. We agreed to use our reasonable commercial efforts to file a registration statement within 120 days from the date of completion of the May 2006 Private Placement. Each whole May 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$2.50 per share during the period commencing on the date of issuance and ending on the day which is the earlier of (i) 12 months from the date of issuance and (ii) six months commencing from the effective date of the registration statement of which this prospectus forms a part. The common stock registered also represents the 1,262,500 shares of common stock issuable upon exercise of the May 2006 Warrants.

In May and June of 2006 we issued an aggregate of 471,000 non-transferable Finder's Fee Warrants to acquire 471,000 shares of our common stock as finder's fees in connection with the offering of the May 2006 Units. The common stock registered represents the 471,000 shares of common stock issuable upon exercise of the Finder's Fee Warrants. The Finder's Fee Warrants have the same terms and conditions as the May 2006 Warrants.

Summary of Financial Data

The following consolidated financial data has been derived from and should be read in conjunction with: (i) our unaudited interim financial statements as at and for the six months ended June 30, 2006; and (ii) our audited financial statements for the years ended December 31, 2005 and 2004, together with the notes to these financial statements and the section of this prospectus entitled "Management's Discussion and Analysis or Plan of Operations" included elsewhere herein.

Balance Sheet Data

| | As at June 30, 2006 | As at December 31, 2005 | As at December 31, 2004 |
|--------------------------------------------|---------------------|----------------------------|----------------------------|
| | (Unaudited) | (Audited) | (Audited) |
| Cash and cash equivalents | \$4,037,681 | \$ 107,160 | \$ 406,270 |
| Working capital (deficiency) | 3,875,900 | (216,128) | 369,856 |
| Total assets | 4,086,378 | 107,460 | 407,883 |
| Total liabilities | 161,781 | 323,288 | 36,414 |
| Total stockholders' equity (deficiency) | 3,924,597 | (215,828) | 371,469 |

Statement of Operations Data

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| | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2006 | Fiscal Year Ended December 31, 2005 | Fiscal Year Ended December 31, 2004 |
|--------------------|----------------------------------------|--------------------------------------|-------------------------------------------|-------------------------------------------|
| | (Unaudited) | (Unaudited) | (Audited) | (Audited) |
| Operating expenses | \$6,243,890 | \$7,483,586 | \$ 1,998,805 | \$128,170 |
| Net loss | 6,230,718 | 7,470,414 | 1,998,805 | 128,170 |
| Net loss per share | 0.24 | 0.31 | 0.12 | 0.08 |

RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below may not be all of the risks facing our company. Additional risks not presently known to us or that we currently consider immaterial may also impair our business operations. You could lose all or part of your investment due to any of these risks.

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Risks Related to Our Business

We will require significant additional financing in order to continue our exploration activities and our assessment of the commercial viability of our mineral properties.

We will need to raise additional financing to complete further exploration of our mineral properties. Furthermore, if the costs of our planned exploration programs are greater than anticipated, we may have to seek additional funds through public or private share offerings or arrangements with corporate partners. There can be no assurance that we will be successful in our efforts to raise these require funds, or on terms satisfactory to us. The continued exploration of our mineral properties and the development of our business will depend upon our ability to establish the commercial viability of our mineral properties and to ultimately develop cash flow from operations and reach profitable operations. We currently are in the exploration stage and we have no revenue from operations and we are experiencing significant negative cash flow. Accordingly, the only other sources of funds presently available to us are through the sale of equity. We presently believe that debt financing will not be an alternative to us as all of our properties are in the exploration stage. Alternatively, we may finance our business by offering an interest in our mineral properties to be earned by another party or parties carrying out further exploration and development thereof or to obtain project or operating financing from financial institutions, neither of which is presently intended. If we are unable to obtain this additional financing, we will not be able to continue our exploration activities and our assessment of the commercial viability of our mineral properties. Further, if we are able to establish that development of our mineral properties is commercially viable, our inability to raise additional financing at this stage would result in our inability to place our mineral properties into production and recover our investment.

As our mineral properties do not contain any reserves or any known body of economic mineralization, we may not discover commercially exploitable quantities of ore on our mineral properties that would enable us to enter into commercial production, achieve revenues and recover the money we spends on exploration.

Our properties do not contain reserves in accordance with the definitions adopted by the SEC and there is no assurance that any exploration programs that we out will establish reserves. All of our mineral properties are in the exploration stage as opposed to the development stage and has no known body of economic mineralization. The known mineralization at these projects has not yet been determined to be economic ore, and may never be determined to be economic. We plan to conduct further exploration activities on our mineral properties, which future exploration may include the completion of feasibility studies necessary to evaluate whether a commercial mineable orebody exists on any of our mineral properties. There is a substantial risk that these exploration activities will not result in discoveries of commercially recoverable quantities of ore. Any determination that our properties contain commercially recoverable quantities of ore may not be reached until such time that final comprehensive feasibility studies have been concluded that establish that a potential mine is likely to be economic. There is a substantial risk that any preliminary or final feasibility studies carried out by us will not result in a positive determination that our mineral properties can be commercially developed.

Our exploration activities on our mineral properties may not be commercially successful, which could lead us to abandon our plans to develop the property and its investments in exploration.

Our long-term success depends on its ability to establish commercially recoverable quantities of ore on our mineral properties that can then be developed into commercially viable mining operations. Mineral exploration is highly speculative in nature, involves many risks and is frequently non-productive. These risks include unusual or unexpected geologic formations, and the inability to obtain suitable or adequate machinery, equipment or labor. The success of uranium exploration is determined in part by the following factors:

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- identification of potential uranium mineralization based on superficial analysis;
- availability of government-granted exploration permits;
- the quality of management and geological and technical expertise; and
- the capital available for exploration.

Substantial expenditures are required to establish proven and probable reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We may invest significant capital and resources in exploration activities and abandon such investments if it is unable to identify commercially exploitable mineral reserves. The decision to abandon a project may reduce the trading price of our common stock and impair our ability to raise future financing. We cannot provide any assurance to investors that we will discover or acquire any mineralized material in sufficient quantities on any of our properties to justify commercial operations. Further, we will not be able to recover the funds that we spend on exploration if we are not able to establish commercially recoverable quantities of ore on our mineral properties.

Our business is difficult to evaluate because we have a limited operating history.

In considering whether to invest in our common stock, you should consider that our inception was May 16, 2003 and, as a result, there is only limited historical financial and operating information available on which to base your

evaluation of our performance.

We have a history of operating losses and there can be no assurances we will be profitable in the future.

We have a history of operating losses, expect to continue to incur losses, and may never be profitable, and we must be considered to be in the exploration stage. Further, we have been dependent on sales of our equity securities and debt financing to meet our cash requirements. We have incurred losses totalling approximately \$9,621,875 from May 16, 2003 (inception) to June 30, 2006. As of June 30, 2006, we had an accumulated deficit of \$9,621,875. We have incurred net losses totalling approximately \$1,998,805 during fiscal year ended December 31, 2005. Further, we do not expect positive cash flow from operations in the near term. There is no assurance that actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that: (i) the costs to acquire additional uranium exploration claims are more than we currently anticipate; (ii) exploration and or future potential mining costs for additional claims increase beyond our expectations; or (iii) we encounter greater costs associated with general and administrative expenses or offering costs.

Our participation in an increasingly larger number of uranium minerals exploration prospects has required and will continue to require substantial capital expenditures. The uncertainty and factors described throughout this section may impede our ability to economically discover, acquire, develop and/or exploit uranium prospects. As a result, we may not be able to achieve or sustain profitability or positive cash flows from operating activities in the future.

We have received a going concern opinion from our independent auditors on their report accompanying our December 31, 2005 and 2004 financial statements.

The independent auditor's report accompanying our December 31, 2005 and 2004 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that the Company will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business. Our ability to continue as a going concern is dependent on raising additional capital to fund our operations and ultimately on generating future profitable operations. There can be no assurance that we will be able to raise sufficient additional capital or eventually have positive cash flow from operations to address all of our cash flow needs. If we are not able to find alternative sources of cash or generate positive cash flow from operations, our business and shareholders will be materially and adversely affected.

We will require additional funding in the future.

Based upon our historical losses from operations, we will require additional funding in the future. If we cannot obtain capital through financings or otherwise, our ability to execute our exploration programs will be greatly limited. Our current plans require us to make capital expenditures for the exploration of our minerals exploration properties. Historically, we have funded our operations through the issuance of equity and short-term debt financing arrangements. We may not be able to obtain additional financing on favorable terms, if at all. Our future cash flows and the availability of financing will be subject to a number of variables, including potential production and the market prices of uranium. Further, debt financing could lead to a diversion of cash flow to satisfy debt-servicing obligations and create restrictions on business operations. If we are unable to raise additional funds, it would have a material adverse effect upon our operations.

As part of our growth strategy, we intend to acquire additional minerals exploration properties.

Such acquisitions may pose substantial risks to our business, financial condition, and results of operations. In pursuing acquisitions, we will compete with other companies, many of which have greater financial and other resources to acquire attractive properties. Even if we are successful in acquiring additional properties, some of the properties may not produce positive results of exploration, or we may not complete exploration of such prospects within specified time periods may cause the forfeiture of the lease in that prospect. There can be no assurance that we will be able to successfully integrate acquired properties, which could result in substantial costs and delays or other operational, technical, or financial problems. Further, acquisitions could disrupt ongoing business operations. If any of these events occur, it would have a material adverse effect upon our operations and results from operations.

We are a new entrant into the uranium minerals exploration and development industry without profitable operating history.

Since inception, our activities have been limited to organizational efforts, obtaining working capital and acquiring and developing a very limited number of properties. As a result, there is limited information regarding production or revenue generation. As a result, our future revenues may be limited.

The business of minerals exploration and development is subject to many risks and if uranium is found in economic production quantities, the potential profitability of future possible uranium mining ventures depends upon factors beyond our control. The potential profitability of mining uranium properties if economic quantities of Uranium are found is dependent upon many factors and risks beyond our control, including, but not limited to: (i) unanticipated ground and water conditions and adverse claims to water rights; (ii) geological problems; (iii) metallurgical and other processing problems; (iv) the occurrence of unusual weather or operating conditions and other force majeure events; (v) lower than expected ore grades; (vi) accidents; (vii) delays in the receipt of or failure to receive necessary government permits; (viii) delays in transportation; (ix) labor disputes; (x) government permit restrictions and regulation restrictions; (xi) unavailability of materials and equipment; and (xii) the failure of equipment or processes to operate in accordance with specifications or expectations.

The risks associated with exploration and development and, if applicable, mining could cause personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

We are not currently engaged in mining operations because we are in the exploration phase and have not yet any proved uranium reserves. We do not presently carry property and liability insurance. Cost effective insurance contains exclusions and limitations on coverage and may be unavailable in some circumstances.

The uranium exploration and mining industry is highly competitive and there is no assurance that we will be successful in acquiring the leases.

The uranium exploration and mining industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce uranium, but also market uranium and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive uranium properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low uranium market prices. Our larger competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover productive prospects in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing uranium properties.

The marketability of natural resources will be affected by numerous factors beyond our control which may result in us not receiving an adequate return on invested capital to be profitable or viable.

The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include macroeconomic factors, market fluctuations in commodity pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of uranium and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

Uranium mining operations are subject to comprehensive regulation, which may cause substantial delays or require capital outlays in excess of those anticipated, causing an adverse effect on our business operations.

If economic quantities of uranium are found on any lease owned by us in sufficient quantities to warrant uranium mining operations, such mining operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Uranium mining operations are also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of mining methods and equipment. Various permits from government bodies are required for mining operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus resulting in an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages which we may elect not to insure against due to prohibitive premium costs and other reasons. To date we have not been required to spend material amounts on compliance with environmental regulations. However, we may be required to do so in future and this may affect our ability to expand or maintain our operations.

Uranium minerals exploration and development and mining activities are subject to certain environmental regulations, which may prevent or delay the commencement or continuance of our operations.

Uranium minerals exploration and development and future potential uranium mining operations are or will be subject to stringent federal, state, provincial, and local laws and regulations relating to improving or maintaining environmental quality. Our global operations are also subject to many environmental protection laws. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault. Environmental laws also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested of many years ago.

Future potential uranium mining operations and current exploration activities are or will be subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected species, mine safety, toxic substances and other matters. Uranium mining is also subject to risks and liabilities associated with pollution of the environment and disposal of waste products occurring as a result of mineral exploration and production. Compliance with these laws and regulations will impose substantial costs on us and will subject us to significant potential liabilities.

Costs associated with environmental liabilities and compliance are expected to increase with the increasing scale and scope of operations and we expect these costs may increase in the future.

We believe that our operations comply, in all material respects, with all applicable environmental regulations. However, we are not fully insured at the current date against possible environmental risks.

Any change in government regulation/administrative practices may have a negative impact on our ability to operate and our profitability.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States or any other applicable jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter our ability to carry on business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitably.

We may be unable to retain key employees or consultants or recruit additional qualified personnel.

Our extremely limited personnel means that we would be required to spend significant sums of money to locate and train new employees in the event any of our employees resign or terminate their employment with us for any reason. Due to our limited operating history and financial resources, we are entirely dependent on the continued service of Amir Adnani, our President, Chief Executive Officer, Principal Executive Officer and a director, D. Bruce Horton, a director, Randall Reneau, our Chief Exploration Officer and a director, and Harry Anthony, our Chief Operating Officer and a director. Further, we do not have key man life insurance on any of these individuals. We may not have the financial resources to hire a replacement if any of our officers were to die. The loss of service of any of these employees could therefore significantly and adversely affect our operations.

Our officers and directors may be subject to conflicts of interest.

Our officers and directors serve only part time and are subject to conflicts of interest. Each of our executive officers and directors serves only on a part time basis. Each devotes part of his working time to other business endeavors, including consulting relationships with other corporate entities, and has responsibilities to these other entities. Such conflicts include deciding how much time to devote to our affairs, as well as what business opportunities should be presented to us. Because of these relationships, our officers and directors may be subject to conflicts of interest.

Nevada law and our articles of incorporation may protect our directors from certain types of lawsuits.

Nevada law provides that our officers and directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as officers and directors. Our Bylaws permit us broad indemnification powers to all persons against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our officers and directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our officers and directors against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

Sales of a substantial number of shares of our common stock into the public market by certain stockholders may result in significant downward pressure on the price of our common stock and could affect your ability to realize the current trading price of our common stock.

Sales of a substantial number of shares of our common stock in the public market by certain stockholders could cause a reduction in the market price of our common stock. As of the date of this prospectus, we have 27,987,338 shares of common stock issued and outstanding. Of the total number of issued and outstanding shares of common stock, certain stockholders are able to resell up to 3,653,583 shares of our common stock pursuant to a registration statement declared effective on December 5, 2005. As a result of the registration statement, 3,653,583 shares of our common stock were issued and are available for immediate resale which could have an adverse effect on the price of our common stock.

As of the date of this prospectus, there are 22,077,492 outstanding shares of our common stock that are restricted securities as that term is defined in Rule 144 under the Securities Act. Although the Securities Act and Rule 144 place certain prohibitions on the sale of restricted securities, restricted securities may be sold into the public market under certain conditions. Further, as of the date of this prospectus, there are an aggregate of 3,487,500 stock options outstanding.

Any significant downward pressure on the price of our common stock as the selling stockholders sell their shares of our common stock could encourage short sales by the selling stockholders or others. Any such short sales could place further downward pressure on the price of our common stock.

The trading price of our common stock on the OTC Bulletin Board has been and may continue to fluctuate significantly and stockholders may have difficulty reselling their shares.

Our common stock commenced trading on December 5, 2005 and has since traded in the \$2-3 range with limited trading volume. In addition to volatility associated with Bulletin Board securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock: (i) disappointing results from our discovery or development efforts; (ii) failure to meet our revenue or profit goals or operating budget; (iii) decline in demand for our common stock; (iv) downward revisions in securities analysts' estimates or changes in general market conditions; (v) technological innovations by competitors or in competing technologies; (vi) lack of funding generated for operations; (vii) investor perception of our industry or our prospects; and (viii) general economic trends.

In addition, stock markets have experienced price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to sell their shares at a fair price and you may lose all or part of your investment.

One of our shareholders may exercise voting power of more than 17% of our common stock.

As of the date of this prospectus, Golden West Investments Ltd. ("Golden West") owns 4,875,000 shares of our common stock, or 17.42% of our outstanding common stock and is one of our largest shareholders. Due to its stock ownership, Golden West may be in a viable position to affect the election of the Board of Directors and, therefore, to affect the control our business and affairs including certain significant corporate actions such as acquisitions, the sale or purchase of assets, and the issuance and sale of our securities. Further, Golden West may be able to affect the prevention of or cause a change in control. We also may be prevented from entering into transactions that could be beneficial to us without Golden West's consent. The interest of one of our largest shareholders may differ from the interests of other shareholders.

Additional issuances of equity securities may result in dilution to our existing stockholders. Our Articles of Incorporation authorize the issuance of 750,000,000 shares of common stock.

The Board of Directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and the issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, if you acquire shares of our common stock, your proportionate ownership interest and voting power could be decreased. Further, any such issuances could result in a change of control.

Our common stock is classified as a "penny stock" under SEC rules which limits the market for our common stock.

Because our stock is not traded on a stock exchange or on the NASDAQ National Market or the NASDAQ Small Cap Market, and because the market price of the common stock is less than \$5 per share, the common stock is classified as a "penny stock." Our stock has not traded above \$5 per share. SEC Rule 15c-9 under the Exchange Act imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customers concerning the risk of penny stocks. Many broker-dealers decline to participate in penny stock transactions because of the extra requirements imposed on penny stock transactions. Application of the penny stock rules to our common stock reduces the market liquidity of our shares, which in turn affects the ability of holders of our common stock to resell the shares they purchase, and they may not be able to resell at prices at or above the prices they paid.

A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.

A decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise additional capital for our operations. Because our operations to date have been principally financed through the sale of equity securities, a decline in the price of our common stock could have an adverse effect upon our liquidity and our continued operations. A reduction in our ability to raise equity capital in the future would have a material adverse effect upon our business plan and operations, including our ability to continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

A majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or officers.

A majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on our directors or officers, or enforce within the United States or Canada any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal securities laws against them. In addition, investors may not be able to commence an action in a Canadian court predicated upon the civil liability provisions of the securities laws of the United States. The foregoing risks also apply to those experts identified in this prospectus that are not residents of the United States.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this prospectus include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties outlined in this prospectus under "Risk Factors". These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this prospectus. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this prospectus are made as of the date of this prospectus and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of common stock offered by the Selling Shareholders under this prospectus. We would receive gross proceeds in the approximate amount of \$4,783,750 assuming the exercise of all warrants of which the underlying common stock are being offered hereby.

All proceeds from the sale of the shares will be for the account of the Selling Shareholders, and they will pay any and all expenses incurred by them for brokerage, accounting or tax services or any other expenses incurred by them in disposing of their shares. We will however incur substantially all of the costs associated with the filing of this prospectus and the registration statement of which it forms a part.

SELLING SHAREHOLDERS

The Selling Shareholders named in this prospectus are offering all of the 5,091,000 shares of common stock offered through this prospectus. The Selling Shareholders are comprised of our existing shareholders who:

- on November 15, 2005 purchased an aggregate of 155,000 shares of common stock, at a price of \$0.50 per share, by way of the November 2005 Private Placement. On February 28, 2006, we completed a forward split of our shares of common stock, on the basis of 1.5 shares for each outstanding share of our common stock, increasing the number of shares issued under the November 2005 Private Placement to 232,500;
- on April 1, 2006 purchased an aggregate of 300,000 April 2006 Units, at a price of \$1.00 per April 2006 Unit, by way of the April 2006 Private Placement, with each April 2006 Unit consisting of one share of common stock and one non-transferable April 2006 Warrant;
- in May and June of 2006 purchased an aggregate of 2,525,000 May 2006 Units, at a price of \$2.00 per May 2006 Unit, by way of the May 2006 Private Placement, with each May 2006 Unit consisting of one share of

common stock and one-half of one non-transferable May 2006 Warrant; and

- in May and June of 2006 acquired an aggregate of 471,000 non-transferable Finder's Fee Warrants to acquire 471,000 shares of our common stock as finder's fees in connection with the offering of the May 2006 Units.

On November 15, 2005, we issued an aggregate of 155,000 shares of common stock, at a price of \$0.50 per share, to certain of the Selling Shareholders named herein by way of the November 2005 Private Placement. On February 28, 2006, we completed a forward split of our shares of common stock, on the basis of 1.5 shares for each outstanding share of our common stock. The common stock registered represents the post-forward split 232,500 shares of common stock issued in connection with the November 2005 Private Placement. We had agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued in the November 2005 Private Placement, completed pursuant to Rule 903 of Regulation S under the Securities Act.

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On April 1, 2006, we issued an aggregate of 300,000 April 2006 Units, at a price of \$1.00 per April 2006 Unit, with each April 2006 Unit consisting of one share of common stock and one non-transferable April 2006 Warrant, to certain of the Selling Shareholders named herein by way of the April 2006 Private Placement. The common stock registered represents the 300,000 shares of common stock issued in connection with the issuance of the April 2006 Units. We agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the April 2006 Warrants in the April 2006 Private Placement, completed pursuant to Rule 506 of Regulation D under the Securities Act. Each April 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$1.50 per share during the period commencing on April 1, 2006 and ending on the day which is the earlier of (i) April 1, 2007 and (ii) six months commencing from the effective date of the Company's proposed registration statement related to the April 2006 Private Placement. The common stock registered also represents the 300,000 shares of common stock issuable upon exercise of the April 2006 Warrants.

In May and June of 2006 we issued an aggregate of 2,525,000 May 2006 Units, at a price of \$2.00 per May 2006 Unit, with each May 2006 Unit consisting of one share of common stock and one-half of one non-transferable May 2006 Warrant, to certain of the Selling Shareholders named herein by way of the May 2006 Private Placement. The common stock registered represents the 2,525,000 shares of common stock issued in connection with the issuance of the May 2006 Units. We agreed to file a registration statement with the SEC in accordance with the requirements of the Securities Act in order to register the resale by the investors of the shares issued and the shares issuable upon exercise of the May 2006 Warrants in the May 2006 Private Placement, completed pursuant to Rule 506 of Regulation D and Rule 903 of Regulation S under the Securities Act. We agreed to use our reasonable commercial efforts to file a registration statement within 120 days from the date of completion of the May 2006 Private Placement. Each whole May 2006 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$2.50 per share during the period commencing on the date of issuance and ending on the day which is the earlier of (i) 12 months from the date of issuance and (ii) six months commencing from the effective date of the Company's proposed registration statement related to the May 2006 Private Placement. The common stock registered also represents the 1,262,500 shares of common stock issuable upon exercise of the May 2006 Warrants.

In May and June of 2006 we issued an aggregate of 471,000 non-transferable Finder's Fee Warrants to acquire 471,000 shares of our common stock as finder's fees in connection with the offering of the May 2006 Units. The common stock registered represents the 471,000 shares of common stock issuable upon exercise of the Finder's Fee Warrants. The Finder's Fee Warrants have the same terms and conditions as the May 2006 Warrants.

The private placement transactions were completed in reliance of Rule 506 of Regulation D of the Securities Act, with respect to investors in the United States, and in reliance of Rule 903 of Regulation S of the Securities Act, with respect

to those investors who were not "U.S. Persons", within the meaning of Regulation S, and who were otherwise outside of the United States. Sales to United States investors pursuant to Rule 506 of Regulation D were limited to investors who qualified as "accredited investors" within the meaning of Rule 501(a) of Regulation D.

The selling shareholders are offering up to an aggregate of 5,091,000 shares of our common stock comprised of:

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- the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 232,500 shares of our common stock issued on November 15, 2005 pursuant to the November 15, 2005 Private Placement;
- the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issued on April 1, 2006 pursuant to the April 2006 Private Placement;
- the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 300,000 shares of our common stock issuable upon the exercise of the 300,000 non-transferable April 2006 Warrants issued pursuant to the August 2006 Private Placement;
- the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 2,525,000 shares of our common stock issued in May and June of 2006 pursuant to the May 2006 Private Placement;
- the resale by certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 1,262,500 shares of our common stock issuable upon the exercise of the non-transferable May 2006 Warrants issued pursuant to the May 2006 Private Placement; and
- the resale by a certain Selling Shareholders, and their transferees, donees or successors, of an aggregate of 471,000 shares of our common stock issuable upon the exercise of the 471,000 non-transferable Finder's Fee Warrants which relate to finders' fee for the May 2006 Private Placement.

The following table sets forth certain information regarding the beneficial ownership of the shares of common stock to be sold by the selling shareholders as of September 28, 2006. The number of shares held by the selling shareholders include both the shares issued in the private placement transactions and the shares issuable to the selling shareholders upon exercise of the warrants.

Information with respect to beneficial ownership is based upon information obtained from the Selling Shareholders. Information with respect to "Shares Beneficially Owned Prior to this Offering" includes the shares issuable upon exercise of the Warrants held by the Selling Shareholders as these Warrants are exercisable within 60 days of September 28, 2006. The "Number of Shares Being Offered" includes the shares acquired by the Selling Shareholders in the private placement transactions described above and the shares that are issuable upon exercise of the Warrants acquired by the Selling Shareholders. Information with respect to "Shares Beneficially Owned After this Offering" assumes the sale of all of the shares offered by this prospectus and no other purchases or sales of our common shares by the Selling Shareholders. Except as described below and to our knowledge, the named Selling Shareholder beneficially owns and has sole voting and investment power over all shares or rights to these shares. Other than the relationships described below, none of the Selling Shareholders had or have any material relationship with us. Each of Sprott Asset Management Inc. and Boulder Investment Partners Limited is an underwriter in connection with the offering of their securities under this prospectus because each such Selling Shareholder is a registered broker-dealer. On information and belief based upon query by the Company to the Selling Shareholders, we do not believe that any

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other Selling Shareholders are registered broker-dealers or affiliates of registered broker-dealers. We do not have any agreement with either of Sprott Asset Management Inc. and Boulder Investment Partners Limited in connection with the distribution of any of the securities offered by this prospectus. Within the last three years Michael Baybak, a Selling Shareholder, has acquired other securities of our company. On information and belief based upon query by the Company and to the Selling Shareholders, we do not believe that any other Selling Shareholders has had any relationship with our company within the last three years.

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| <u>Name of Selling Shareholder</u> | <u>Shares Beneficially Owned Prior To This Offering</u> | | <u>Number of Shares Being Offered</u> | <u>Shares Beneficially Owned After This Offering</u> | |
|--------------------------------------------------------------------|---------------------------------------------------------|-------------------|---------------------------------------|------------------------------------------------------|-------------------|
| | (1) | (2) | | (1) | (2) |
| | <u>Number</u> | <u>Percentage</u> | <u>Number</u> | <u>Number</u> | <u>Percentage</u> |
| <u>November 2005 Private Placement shares</u> | | | | | |
| (3) | | | | | |
| Hassan Jayad Kardan | 210,000 | 0.75% | 210,000 | Nil | Nil |
| Sohrab Mehregani | 22,500 | 0.08% | 22,500 | Nil | Nil |
| <u>April 2006 Private Placement shares and April 2006 Warrants</u> | | | | | |
| (4) | | | | | |
| Michael Baybak | 500,000 | 1.79% | 500,000 | Nil | Nil |
| James Davidson | 100,000 | 0.36% | 100,000 | Nil | Nil |
| <u>May 2006 Private Placement shares and May 2006 Warrants</u> | | | | | |
| (5) | | | | | |
| Sprott Asset Management Inc. ⁽⁶⁾ | 2,250,000 | 8.04% | 2,250,000 | Nil | Nil |
| Berwick Capital Ltd. ⁽⁷⁾ | 75,000 | 0.27% | 75,000 | Nil | Nil |
| Clariden Investments Ltd. ⁽⁸⁾ | 22,500 | 0.08% | 22,500 | Nil | Nil |

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| | | | | | |
|----------------------------------------------|---------|-------|---------|-----|-----|
| Schroder & Co. Bank AG ⁽⁹⁾ | 75,000 | 0.27% | 75,000 | Nil | Nil |
| Ben A. Johnson | 56,250 | 0.20% | 56,250 | Nil | Nil |
| Lawrence Roulston | 75,000 | 0.27% | 75,000 | Nil | Nil |
| Albert Roesch | 150,000 | 0.54% | 150,000 | Nil | Nil |
| Michelle A. Alger, Trustee | 52,500 | 0.19% | 52,500 | Nil | Nil |
| Inservice Limited ⁽¹⁰⁾ | 225,000 | 0.80% | 225,000 | Nil | Nil |
| Barbara Fodor & Peter Fodor | 150,000 | 0.54% | 150,000 | Nil | Nil |
| Dwight Family Trust ⁽¹¹⁾ | 150,000 | 0.54% | 150,000 | Nil | Nil |
| Brent Cook | 11,250 | 0.04% | 11,250 | Nil | Nil |
| Insight (K) Investments Ltd. ⁽¹²⁾ | 150,000 | 0.54% | 150,000 | Nil | Nil |
| Bunnaton Ltd. | | | | | |