

BAXTER INTERNATIONAL INC

Form 10-K

February 19, 2009

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-4448

Baxter International Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	36-0781620
<i>(State or Other Jurisdiction of Incorporation or Organization)</i>	<i>(I.R.S. Employer Identification No.)</i>

One Baxter Parkway, Deerfield, Illinois	60015
<i>(Address of Principal Executive Offices)</i>	<i>(Zip Code)</i>

Registrant's telephone number, including area code 847.948.2000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, \$1.00 par value	New York Stock Exchange Chicago Stock Exchange
Preferred Stock Purchase Rights (currently traded with common stock)	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer
<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter), based on the per share closing sale price of \$63.94 on that date and the assumption for the purpose of this computation only that all of the registrant's directors and executive officers are affiliates, was approximately \$40 billion. There is no non-voting common equity held by non-affiliates of the registrant.

The number of shares of the registrant's common stock, \$1.00 par value, outstanding as of January 31, 2009 was 613,849,295.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for fiscal year ended December 31, 2008 are incorporated by reference into Parts I, II and IV of this report. Portions of the registrant's definitive 2009 proxy statement for use in connection with its Annual Meeting of Shareholders to be held on May 5, 2009 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	Page Number
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	6
<u>Item 1B. Unresolved Staff Comments</u>	11
<u>Item 2. Properties</u>	11
<u>Item 3. Legal Proceedings</u>	12
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	12
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	14
<u>Item 6. Selected Financial Data</u>	14
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	14
<u>Item 8. Financial Statements and Supplementary Data</u>	14
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	14
<u>Item 9A. Controls and Procedures</u>	15
<u>Item 9B. Other Information</u>	15
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	15
<u>Item 11. Executive Compensation</u>	15
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	16
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	17
<u>Item 14. Principal Accountant Fees and Services</u>	17
<u>Item 15. Exhibits and Financial Statement Schedules</u>	18
<u>Directors' Deferred Compensation Plan</u>	
<u>Form of Severance Agreement</u>	
<u>Supplemental Pension Plan</u>	
<u>Deferred Compensation Plan</u>	
<u>Non-Employee Director Compensation Plan</u>	
<u>Computation of Ratio of Earnings to Fixed Charges</u>	
<u>Selections from the 2008 Annual Report to Shareholders</u>	
<u>Subsidiaries</u>	
<u>Consent of PricewaterhouseCoopers LLP</u>	
<u>Certification of Chief Executive Officer</u>	
<u>Certification of Chief Financial Officer</u>	
<u>Section 1350 Certification of Chief Executive Officer</u>	
<u>Section 1350 Certification of Chief Financial Officer</u>	

Table of Contents

PART I

Item 1. Business.

Company Overview

Baxter develops, manufactures and markets products that save and sustain the lives of people with hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices, clinical and medical research laboratories, and by patients at home under physician supervision. Baxter manufactures products in 26 countries and sells them in more than 100 countries.

Baxter International Inc. was incorporated under Delaware law in 1931. As used in this report, except as otherwise indicated in information incorporated by reference, *Baxter International* means Baxter International Inc. and *Baxter*, the company or the *Company* means Baxter International and its consolidated subsidiaries.

Business Segments

The BioScience, Medication Delivery and Renal segments comprise Baxter's continuing operations.

BioScience. The BioScience business manufactures recombinant and plasma-based proteins to treat hemophilia and other bleeding disorders; plasma-based therapies to treat immune deficiencies, alpha 1-antitrypsin deficiency, burns and shock, and other chronic and acute blood-related conditions; products for regenerative medicine, such as biosurgery products and technologies used in adult stem-cell therapies; and vaccines.

Medication Delivery. The Medication Delivery business manufactures intravenous (IV) solutions and administration sets, premixed drugs and drug-reconstitution systems, pre-filled vials and syringes for injectable drugs, IV nutrition products, infusion pumps, and inhalation anesthetics, as well as products and services related to pharmacy compounding, drug formulation and packaging technologies.

Renal. The Renal business provides products to treat end-stage renal disease, or irreversible kidney failure. The business manufactures solutions and other products for peritoneal dialysis (PD), a home-based therapy, and also distributes products for hemodialysis (HD), which is generally conducted in a hospital or clinic.

Financial information about Baxter's segments and principal product lines is incorporated by reference from the section entitled *Notes to Consolidated Financial Statements - Note 12 Segment Information* of Baxter's Annual Report to Shareholders for fiscal year 2008 (the *Annual Report*), which is filed as Exhibit 13 to this Report on Form 10-K.

Sales and Distribution

The company has its own sales force and also makes sales to and through independent distributors, drug wholesalers acting as sales agents and specialty pharmacy or homecare companies. In the United States, Cardinal Health, Inc. warehouses and ships a significant portion of the company's products through its distribution centers. These centers are generally stocked with adequate inventories to facilitate prompt customer service. Sales and distribution methods include frequent contact by sales representatives, automated communications via various electronic purchasing systems, circulation of catalogs and merchandising bulletins, direct-mail campaigns, trade publication presence and advertising.

International sales are made and products are distributed on a direct basis or through independent local distributors or sales agents in more than 100 countries.

International Markets

Baxter generates approximately 60% of its revenues outside the United States. While healthcare cost containment continues to be a focus around the world, demand for healthcare products and services continues

Table of Contents

to be strong worldwide. The company's strategies emphasize global expansion and technological innovation to advance medical care worldwide. Baxter's operations are subject to certain additional risks inherent in conducting business outside the United States, such as fluctuations in currency exchange rates, changes in exchange controls, loss of business in government tenders, nationalization, increasingly complex labor environments, expropriation and other governmental actions, changes in taxation, importation limitations, export control restrictions, violations of U.S. or local laws, dependence on a few government entities as customers, pricing restrictions, economic destabilization, instability, disruption or destruction in a significant geographic region due to the location of manufacturing facilities, distribution facilities or customers.

Financial information about foreign and domestic operations and geographic information is incorporated by reference from the section entitled "Notes to Consolidated Financial Statements - Note 12 Segment Information" of the Annual Report.

Contractual Arrangements

Substantial portions of the company's products are sold through contracts with customers, both within and outside the United States. Some of these contracts have terms of more than one year and place limits on our ability to increase prices. In the case of hospitals and other facilities, these contracts may specify minimum quantities of a particular product or categories of products to be purchased by the customer.

In keeping with the increased emphasis on cost-effectiveness in healthcare delivery, many hospitals and other customers of medical products in the United States and in other countries have joined group purchasing organizations (GPOs), or combined to form integrated delivery networks (IDNs), to enhance purchasing power. GPOs and IDNs negotiate pricing arrangements with manufacturers and distributors, and the negotiated prices are made available to members. Baxter has purchasing agreements with several of the major GPOs in the United States. GPOs may have agreements with more than one supplier for certain products. Accordingly, in these cases, Baxter faces competition from other suppliers even where a customer is a member of a GPO under contract with Baxter.

Raw Materials

Raw materials essential to Baxter's business are purchased from numerous suppliers worldwide in the ordinary course of business. Although most of these materials are generally available, certain raw materials used in producing some of the company's products are available only from one or a limited number of suppliers, and Baxter at times may experience shortages of supply. In an effort to manage risk associated with raw materials supply, Baxter works closely with its suppliers to help ensure availability and continuity of supply while maintaining high quality and reliability. The company also seeks to develop new and alternative sources of supply where beneficial to its overall raw materials procurement strategy.

The company also utilizes long-term supply contracts with some suppliers to help maintain continuity of supply and manage the risk of price increases. Baxter is not always able to recover cost increases for raw materials through customer pricing due to contractual limits and market pressure on such price increases.

Competition

Baxter's Medication Delivery, BioScience and Renal businesses enjoy leading positions based on a number of competitive advantages. The Medication Delivery business benefits from the breadth and depth of its product offering, as well as strong relationships with customers, including hospitals, customer purchasing groups and pharmaceutical and biotechnology companies. The BioScience business benefits from continued innovation in its products and therapies, consistency of its supply of products, and strong customer relationships. The Renal business benefits from

its position as one of the world's leading manufacturers of PD products, as well as its strong relationships with customers and patients, including the many patients who self-administer the home-based therapy supplied by Baxter. Baxter as a whole benefits from efficiencies and cost advantages resulting from shared manufacturing facilities and the technological advantages of its products.

Table of Contents

Although no single company competes with Baxter in all of its businesses, Baxter faces competition in each of its segments from international and domestic healthcare and pharmaceutical companies of all sizes. BioScience continues to face competitors from pharmaceutical, biotechnology and other companies. Medication Delivery faces competition from medical device manufacturers and pharmaceutical companies particularly in the multi-source generics and anesthetics markets. In Renal, global and regional competitors continue to expand their manufacturing capacity for PD products and their PD sales and marketing channels. Competition is primarily focused on cost-effectiveness, price, service, product performance, and technological innovation. There has been consolidation in the company's customer base and by its competitors, which continues to result in pricing and market share pressures.

Global efforts toward healthcare cost containment continue to exert pressure on product pricing. Governments around the world use various mechanisms to control healthcare expenditures, such as price controls, product formularies (lists of recommended or approved products), and competitive tenders which require the submission of a bid to sell products. Sales of Baxter's products are dependent, in part, on the availability of reimbursement by government agencies and healthcare programs, as well as insurance companies and other private payers. In the United States, many state governments have adopted or proposed initiatives relating to Medicaid and other health programs that may limit reimbursement or increase rebates that Baxter and other providers are required to pay to the state. In addition to government regulation, managed care organizations in the United States, which include medical insurance companies, medical plan administrators, health-maintenance organizations, hospital and physician alliances and pharmacy benefit managers, continue to put pressure on the price and usage of healthcare products. Managed care organizations seek to contain healthcare expenditures, and their purchasing strength has been increasing due to their consolidation into fewer, larger organizations and a growing number of enrolled patients. Baxter faces similar issues outside of the United States. In Europe and Latin America, for example, the government provides healthcare at low cost to patients, and controls its expenditures by purchasing products through public tenders, regulating prices, setting reference prices in public tenders or limiting reimbursement or patient access to certain products.

Intellectual Property

Patents and other proprietary rights are essential to Baxter's business. Baxter relies on trademarks, copyrights, trade secrets, know-how and confidentiality agreements to develop, maintain and strengthen its competitive position. Baxter owns a number of patents and trademarks throughout the world and has entered into license arrangements relating to various third-party patents and technologies. Products manufactured by Baxter are sold primarily under its own trademarks and trade names. Some products distributed by the company are sold under the company's trade names while others are sold under trade names owned by its suppliers. Trade secret protection of unpatented confidential and proprietary information is also important to Baxter. The company maintains certain details about its processes, products, and technology as trade secrets and generally requires employees, consultants, parties to collaboration agreements and other business partners to enter into confidentiality agreements.

Baxter's policy is to protect its products and technology through patents and trademarks on a worldwide basis. This protection is sought in a manner that balances the cost of such protection against obtaining the greatest value for the company. Baxter also recognizes the need to promote the enforcement of its patents and trademarks. Baxter will continue to take commercially reasonable steps to enforce its patents and trademarks around the world against potential infringers, including judicial or administrative action where appropriate.

Baxter operates in an industry susceptible to significant patent litigation. At any given time, the company is involved as either a plaintiff or defendant in a number of patent infringement and other intellectual property-related actions. Such litigation can result in significant royalty or other payments or result in injunctions that can prevent the sale of products.

Research and Development

Baxter's investment in research and development is essential to its future growth and its ability to remain competitive in all three of its business segments. Accordingly, Baxter continues to increase its investment in

Table of Contents

research and development programs to develop innovative products, systems and manufacturing methods. Expenditures for Baxter's research and development activities were \$868 million in 2008, \$760 million in 2007 and \$614 million in 2006. These expenditures include costs associated with research and development activities performed at the company's research and development centers located around the world, which include facilities in Austria, Belgium, Japan and the United States, as well as in-licensing, milestone and reimbursement payments made to partners for research and development work performed at non-Baxter locations.

Principal areas of strategic focus for research and development include recombinant therapeutics, plasma-based therapeutics, vaccines, initiatives in regenerative medicine including adult stem-cell therapy, kidney dialysis, small molecule drugs, enhanced packaging systems for medication delivery, drug formulation technologies, and pharmacy compounding. The company's research efforts emphasize self-manufactured product development, and portions of that research relate to multiple product lines. Baxter supplements its own research and development efforts by acquiring various technologies and entering into development and other collaboration agreements with third parties. For more information on the company's research and development activities, please refer to our discussion under the caption entitled "Research and Development" in "Management's Discussion and Analysis" of the Annual Report.

Quality Management

Baxter places significant emphasis on providing quality products and services to its customers. Quality management plays an essential role in determining and meeting customer requirements, preventing defects and improving the company's products and services. Baxter has a network of quality systems throughout the company's business units and facilities that relate to the design, development, manufacturing, packaging, sterilization, handling, distribution and labeling of the company's products. To assess and facilitate compliance with applicable requirements, the company regularly reviews its quality systems to determine their effectiveness and identify areas for improvement. Baxter also performs assessments of its suppliers of raw materials, components and finished goods. In addition, the company conducts quality management reviews designed to inform management of key issues that may affect the quality of products and services.

From time to time, the company may determine that products manufactured or marketed by the company do not meet company specifications, published standards, such as those issued by the International Standards Organization, or regulatory requirements. When a quality issue is identified, Baxter investigates the issue and takes appropriate corrective action, such as withdrawal of the product from the market, correction of the product at the customer location, notice to the customer of revised labeling, and other actions. For more information on corrective actions taken by Baxter, please refer to our discussion under the caption entitled "Certain Regulatory Matters" in "Management's Discussion and Analysis" of the Annual Report.

Government Regulation

The operations of Baxter and many of the products manufactured or sold by the company are subject to extensive regulation by numerous government agencies, both within and outside the United States. In the United States, the federal agencies that regulate the company's facilities, operations, employees, products (their manufacture, sale, import and export) and services include: the U.S. Food and Drug Administration (FDA), the Drug Enforcement Agency, the Environmental Protection Agency, the Occupational Health & Safety Administration, the Department of Agriculture, the Department of Labor, the Department of Defense, Customs and Border Protection, the Department of Commerce, the Department of Treasury and others. Because Baxter supplies products and services to healthcare providers that are reimbursed by federally funded programs such as Medicare, its activities are also subject to regulation by the Center for Medicare/Medicaid Services and enforcement by the Office of the Inspector General within the Department of Health and Human Services. State agencies in the United States also regulate the facilities, operations, employees, products and services of the company within their respective states. Outside the United States, our products and

operations are subject to extensive regulation by government agencies, including the European Medicines Agency (EMA) in the European Union. International government agencies also regulate public health, product registration, manufacturing, environmental conditions, labor, exports, imports and other aspects of the company's global operations.

Table of Contents

The FDA in the United States, the EMEA in Europe, and other government agencies inside and outside of the United States, administer requirements covering the testing, safety, effectiveness, manufacturing, labeling, promotion and advertising, distribution and post-market surveillance of Baxter's products. The company must obtain specific approval from the FDA and non-U.S. regulatory authorities before it can market and sell most of its products in a particular country. Even after the company obtains regulatory approval to market a product, the product and the company's manufacturing processes are subject to continued review by the FDA and other regulatory authorities.

The company is subject to possible administrative and legal actions by the FDA and other regulatory agencies inside and outside the United States. Such actions may include warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, refusal of a government to grant approvals, restrictions on operations or withdrawal of existing approvals. From time to time, the company institutes compliance actions, such as removing products from the market found not to meet applicable requirements and improving the effectiveness of quality systems. For more information on compliance actions taken by the company, please refer to our discussion under the caption entitled "Certain Regulatory Matters" in "Management's Discussion and Analysis" of the Annual Report.

Environmental policies of the company require compliance with all applicable environmental regulations and contemplate, among other things, appropriate capital expenditures for environmental protection.

Employees

As of December 31, 2008, Baxter employed approximately 48,500 people.

Available Information

Baxter makes available free of charge on its website at www.baxter.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing or furnishing such material to the Securities and Exchange Commission.

In addition, Baxter's Corporate Governance Guidelines, Code of Conduct, and the charters for the committees of Baxter's Board of Directors are available on Baxter's website at www.baxter.com under "Corporate Governance" and in print upon request by writing to: Corporate Secretary, Baxter International Inc., One Baxter Parkway, Deerfield, Illinois 60015. Information contained on Baxter's website shall not be deemed incorporated into, or to be a part of, this Annual Report on Form 10-K.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This Annual Report includes forward-looking statements, including statements with respect to accounting estimates and assumptions, future litigation outcomes, the company's efforts to remediate its infusion pumps and other regulatory matters, expectations with respect to restructuring programs (including expected cost savings), strategic plans, product mix, promotional efforts, geographic expansion, sales and pricing forecasts, expectations with respect to business development activities, the divestiture of low margin businesses, potential developments with respect to credit and credit ratings, interest expense in 2009, estimates of liabilities, ongoing tax audits and related tax provisions, deferred tax assets, future pension plan expense, expectations with respect to the company's exposure to foreign currency risk, the company's internal R&D pipeline, future capital and R&D expenditures, the sufficiency of the company's financial flexibility and the adequacy of credit facilities and reserves, the effective tax rate in 2009, expected revenues from the Fenwal transition services agreements, and all other statements that do not relate to

historical facts. The statements are based on assumptions about many important factors, including assumptions concerning: demand for and market acceptance risks for new and existing products, such as ADVATE and IGIV, and other therapies; the company's ability to identify business development and growth opportunities for existing products and to exit low margin businesses or products; product quality or patient safety issues, leading to product recalls, withdrawals, launch

Table of Contents

delays, sanctions, seizures, litigation, or declining sales, including with respect to the company's heparin products; future actions of regulatory bodies and other government authorities that could delay, limit or suspend product development, manufacturing or sale or result in seizures, injunctions, monetary sanctions or criminal or civil penalties, including any sanctions available under the Consent Decree entered into with the FDA concerning the COLLEAGUE and SYNDEO pumps; foreign currency fluctuations, particularly due to reduced benefits from the company's natural hedges and limitations on the ability to cost-effectively hedge resulting from the recent financial market and currency volatility; fluctuations in the balance between supply and demand with respect to the market for plasma protein products; reimbursement policies of government agencies and private payers; product development risks including satisfactory clinical performance, the ability to manufacture at appropriate scale, and the general unpredictability associated with the product development cycle; the ability to enforce the company's patent rights or patents of third parties preventing or restricting the company's manufacture, sale or use of affected products or technology; the impact of geographic and product mix on the company's sales; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; inventory reductions or fluctuations in buying patterns by wholesalers or distributors; the availability and pricing of acceptable raw materials and component supply; global regulatory, trade and tax policies; any changes in law concerning the taxation of income, including income earned outside of the United States; actions by tax authorities in connection with ongoing tax audits; the company's ability to realize the anticipated benefits of restructuring initiatives; change in credit agency ratings; any impact of the commercial and credit environment on the company and its customers; continued developments in the market for transfusion therapies products and Fenwal's ability to execute with respect to the acquired business; and other factors identified elsewhere in this report, including those factors described below under the caption "Item 1A. Risk Factors, and other filings with the Securities and Exchange Commission, all of which are available on the company's website.

Actual results may differ materially from those projected in the forward-looking statements. The company does not undertake to update its forward-looking statements.

Item 1A. Risk Factors.

In addition to the other information in this Annual Report on Form 10-K, shareholders or prospective investors should carefully consider the following risk factors. If any of the events described below occurs, our business, financial condition and results of operations and future growth prospects could suffer.

If we are unable to successfully introduce new products or fail to keep pace with advances in technology, our business, financial condition and results of operations could be adversely affected.

The successful and timely implementation of our business model depends on our ability to adapt to changing technologies and introduce new products. As Baxter's competitors will continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety, patients' and clinicians' ease of use and cost-effectiveness are important to Baxter's success. The success of new product offerings will depend on many factors, including our ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, maintain advantageous positions with respect to intellectual property, and differentiate our products from those of our competitors. A failure by us to introduce planned products or other new products or to introduce these products on schedule could have an adverse effect on our business, financial condition and results of operations.

The development and acquisition of innovative products and technologies that improve efficacy, safety, patients' and clinicians' ease of use and cost-effectiveness involve significant technical and business risks. If we cannot adapt to changing technologies, our products may become obsolete, and our business could suffer. Because the healthcare industry is characterized by rapid technological change, we may be unable to anticipate changes in our current and

potential customers' requirements. Our success will depend, in part, on our ability to continue to enhance our existing products, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license or acquire leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

Table of Contents

We are subject to a number of existing laws and regulations, non-compliance with which could adversely affect our business, financial condition and results of operations, and we are susceptible to a changing regulatory environment.

As a participant in the healthcare industry, our operations and products, and those of our customers, are regulated by numerous government agencies, both within and outside the United States. The impact of this on us is direct, to the extent we are subject to these laws and regulations, and indirect in that in a number of situations, even though we may not be directly regulated by specific healthcare laws and regulations, our products must be capable of being used by our customers in a manner that complies with those laws and regulations.

The manufacture, distribution and marketing of our products are subject to extensive ongoing regulation by the FDA and other regulatory authorities both within and outside the United States. Any new product must undergo lengthy and rigorous testing and other extensive, costly and time-consuming procedures mandated by the FDA and foreign regulatory authorities. We may elect to delay or cancel our anticipated regulatory submissions for new indications for our current or proposed new products for a number of reasons. Failure to comply with the requirements of the FDA or other regulatory authorities could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, refusal of a government to grant approvals, restrictions on operations or withdrawal of existing approvals. Any of these actions could cause a loss of customer confidence in us and our products, which could adversely affect our sales.

We continue to address issues with our infusion pumps as discussed further under the caption entitled "Certain Regulatory Matters" in "Management's Discussion and Analysis" of the Annual Report. In connection with these issues, there can be no assurance that additional costs or civil and criminal penalties will not be incurred, that additional regulatory actions with respect to the company will not occur, that substantial additional charges or significant asset impairments may not be required, or that additional legislation or regulation will not be introduced that may adversely affect the company's operations. Third parties may also file claims against us in connection with these pump issues. In addition, sales of these products may continue to be affected and sales of other Baxter products may be adversely affected if we do not adequately address these pump issues.

In addition, the healthcare regulatory environment may change in a way that restricts our existing operations or our growth. The healthcare industry is likely to continue to undergo significant changes for the foreseeable future, which could have an adverse effect on our business, financial condition and results of operations. We cannot predict the effect of possible future legislation and regulation.

Failure to provide quality products and services to our customers could have an adverse effect on our business and subject us to regulatory actions and costly litigation.

Quality management plays an essential role in determining and meeting customer requirements, preventing defects and improving the company's products and services. Our future operating results will depend on our ability to implement and improve our quality management program, and effectively train and manage our employee base with respect to quality management. While Baxter has a network of quality systems throughout our business units and facilities, which relates to the design, development, manufacturing, packaging, sterilization, handling, distribution and labeling of our products, quality and safety issues may occur with respect to any of our products. In addition, some of the raw materials employed in Baxter's production processes are derived from human and animal origins. Though great care is taken to assure the safety of these raw materials, the nature of their origin elevates the potential for the introduction of pathogenic agents or other contaminants.

A quality or safety issue could have an adverse effect on our business, financial condition and results of operations and may result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, refusal of a government to grant approvals, restrictions on operations or withdrawal of existing approvals. An inability to address a quality or safety issue in an effective manner on a timely basis may also cause a loss of customer confidence in us or our products, which may result in losses of sales. In addition, we may be named as a defendant in product

Table of Contents

liability lawsuits, which could result in costly litigation, reduced sales, significant liabilities and diversion of our management's time, attention and resources. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees.

In 2008, we removed our heparin sodium injection products from distribution in the United States after identifying an increasing level of allergic-type and hypotensive adverse reactions occurring in certain patients. For more information on this recall and the lawsuits we face in connection with this recall, please refer to "Certain Regulatory Matters" in Management's Discussion and Analysis of the Annual Report and Notes to Consolidated Financial Statements Note 11 Legal Proceedings of the Annual Report.

If reimbursement for our current or future products is reduced or modified, our business could suffer.

Sales of our products depend, in part, on the extent to which the costs of our products are paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. These healthcare management organizations and third-party payors are increasingly challenging the prices charged for medical products and services. Additionally, the containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been targeted in this effort. We also face challenges in certain foreign markets where the pricing and profitability of our products generally are subject to government controls. Government controls in foreign markets also impact our ability to collect accounts receivable in a timely manner. Accordingly, our current and potential products may not be considered cost effective, and reimbursement to the consumer may not be available or sufficient to allow us to sell our products on a competitive basis. Legislation and regulations affecting reimbursement for our products may change at any time and in ways that are difficult to predict and these changes may be adverse to us. Any reduction in Medicare, Medicaid or other third-party payor reimbursements could have a negative effect on our operating results.

If we are unable to obtain sufficient components and/or raw materials on a timely basis, our business may be adversely affected.

The manufacture of our products requires the timely delivery of sufficient amounts of quality components and materials. We manufacture our products in over 50 manufacturing facilities around the world. We acquire our components and materials from many suppliers in various countries. While efforts are made to diversify our sources of components and materials, in certain instances we acquire components and materials from a sole supplier. We work closely with our suppliers to ensure the continuity of supply but we cannot guarantee these efforts will continue to be successful. In addition, due to the regulatory environment in which we operate, we may not be able to quickly establish additional or replacement sources for some components or materials. A reduction or interruption in supply, and an inability to develop alternative sources for such supply, could adversely affect our ability to manufacture our products in a timely or cost-effective manner, and our ability to make product sales.

Consolidation in the healthcare industry could adversely affect our business, financial condition and results of operations.

There has been consolidation in our customer base, and by our competitors, which has resulted in pricing and sales pressures. As these consolidations occur, competition to provide products like ours will become more intense, and the importance of establishing relationships with key industry participants including GPOs, IDNs and other customers will become greater. Customers will continue to work and organize to negotiate price reductions for our products and services. To the extent we are forced to reduce our prices, our business will become less profitable unless we are able to achieve corresponding reductions in costs. The company's sales could be adversely affected if any of its contracts with its GPOs, IDNs or other customers are terminated in part or in their entirety, or members decide to purchase from

another supplier.

If we are unable to protect our patents or other proprietary rights, or if we infringe on the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.

Patent and other proprietary rights are essential to our business. Our success depends to a significant degree on our ability to obtain and enforce patents and licenses to patent rights, both in the United States and

Table of Contents

in other countries. We cannot assure that pending patent applications will result in issued patents, that patents issued or licensed will not be challenged or circumvented by competitors, that our patents will not be found to be invalid or that the intellectual property rights of others will not prevent the company from selling certain products or including key features in the company's products.

The patent position of a healthcare company is often uncertain and involves complex legal and factual questions. Significant litigation concerning patents and products is pervasive in our industry. Patent claims include challenges to the coverage and validity of our patents on products or processes as well as allegations that our products infringe patents held by competitors or other third parties. A loss in any of these types of cases could result in a loss of patent protection or the ability to market products, which could lead to a significant loss of sales, or otherwise materially affect future results of operations.

We also rely on trademarks, copyrights, trade secrets and know-how to develop, maintain and strengthen our competitive positions. While we protect our proprietary rights to the extent possible, we cannot guarantee that third parties will not know, discover or develop independently equivalent proprietary information or techniques, or that they will not gain access to our trade secrets or disclose our trade secrets to the public. Therefore, we cannot guarantee that we can maintain and protect unpatented proprietary information and trade secrets. Misappropriation of our intellectual property would have an adverse effect on our competitive position and may cause us to incur substantial litigation costs.

If our business development activities are unsuccessful, our business could suffer and our financial performance could be adversely affected.

We are engaged in business development activities including evaluating acquisitions, joint development opportunities, technology licensing arrangements and other opportunities. These activities may result in substantial investment of the company's resources. Our success developing products or expanding into new markets from such activities will depend on a number of factors, including our ability to find suitable opportunities for acquisition, investment or alliance; whether we are able to establish an acquisition, investment or alliance on terms that are satisfactory to us; the strength of the other company's underlying technology, products and ability to execute its business strategies; any intellectual property and litigation related to these products or technology; and our ability to successfully integrate the acquired company, business, product, technology or research into our existing operations including the ability to adequately fund acquired in-process research and development projects. If we are unsuccessful in our business development activities, we may be unable to meet our financial targets and we may be required to record asset impairment charges.

If we are unsuccessful in identifying growth opportunities or if we are unsuccessful in exiting low margin businesses or discontinuing low profit products, our business, financial condition and results could be adversely affected.

Successful execution of our business strategy depends, in part, on improving the profit margins we earn with respect to our current and future products. A failure to identify and take advantage of opportunities that allow us to increase our profit margins or a failure by us to exit low profit margin businesses or discontinue low profit margin products, may result in us failing to meet our financial targets and may otherwise have an adverse effect on our business, financial condition and results of operations.

We face substantial competition and many of our competitors have significantly greater financial and other resources.

Although no single company competes with Baxter in all of its businesses, Baxter faces substantial competition in each of its segments, from international and domestic healthcare and pharmaceutical companies of all sizes. Competition is primarily focused on cost-effectiveness, price, service, product performance, and technological innovation. Some competitors, principally large pharmaceutical companies, have greater financial, research and development and marketing resources than Baxter. Competition may increase further as additional companies begin to enter our markets or modify their existing products to compete directly with ours. Greater financial, research and development and marketing resources may allow our competitors to respond more quickly

Table of Contents

to new or emerging technologies and changes in customer requirements that may render our products obsolete or non-competitive. If our competitors develop more effective or affordable products, or achieve earlier patent protection or product commercialization than we do, our operations will likely be negatively affected.

We also face competition for marketing, distribution and collaborative development agreements, for establishing relationships with academic and research institutions, and for licenses to intellectual property. In addition, academic institutions, government agencies and other public and private research organizations may also conduct research, seek patent protection and establish collaborative arrangements for discovery, research, clinical development and marketing of products similar to ours. These companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel as well as in acquiring technologies complementary to our programs. If we are unable to successfully compete with these companies and institutions, our business may suffer.

We are subject to risks associated with doing business globally.

Our operations, both within and outside the United States, are subject to risks inherent in conducting business globally and under the laws, regulations and customs of various jurisdictions and geographies. These risks include fluctuations in currency exchange rates, changes in exchange controls, loss of business in government tenders that are held annually in many cases, nationalization, increasingly complex labor environments, expropriation and other governmental actions, changes in taxation, including legislative changes in United States and international taxation of income earned outside of the United States, importation limitations, export control restrictions, violations of U.S. or local laws, including the U.S. Foreign Corrupt Practices Act (FCPA), dependence on a few government entities as customers, pricing restrictions, economic destabilization, instability, disruption or destruction in a significant geographic region due to the location of manufacturing facilities, distribution facilities or customers regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, or natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease. Failure to comply with the laws and regulations that affect our global operations, including the FCPA, could have an adverse effect on our business, financial condition or results of operations.

We are subject to foreign currency exchange risk.

In 2008, we generated approximately 60% of our revenue outside the United States. Our financial results may be adversely affected by fluctuations in foreign currency exchange rates, especially in light of recent market volatility and drastic movements in currency exchange rates. These conditions may also reduce the benefits from our natural hedges and limit our ability to cost-effectively hedge against our foreign currency exposure. A discussion of the financial impact of foreign exchange rate fluctuations and the ways and extent to which we attempt to mitigate such impact is contained under the heading **Financial Instrument Market Risk** contained in **Management's Discussion and Analysis** of the Annual Report. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can mitigate these risks.

Current challenges in the commercial and credit environment may adversely affect our business and financial condition.

The global financial markets have recently experienced unprecedented levels of volatility. The company's ability to generate cash flows from operations, issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for the company's products or in the solvency of its customers or suppliers, deterioration in the company's key financial ratios or credit ratings, or other significantly

unfavorable changes in conditions. While these conditions and the current economic downturn have not meaningfully impaired our ability to access credit markets or meaningfully adversely affected our operations to date, continuing volatility in the global financial markets could increase borrowing costs or affect the company's ability to access the capital markets. Current or worsening economic conditions may also adversely affect the business of our customers, including their ability to pay for our products and services, and the amount spent on healthcare generally. This could result in a decrease in the demand for our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. These conditions may also adversely affect certain of our suppliers, which could cause a disruption in our ability to produce our products.

Table of Contents**Item 1B. *Unresolved Staff Comments.***

None.

Item 2. *Properties.*

Our corporate offices are owned and located at One Baxter Parkway, Deerfield, Illinois 60015.

Baxter owns or has long-term leases on substantially all of its major manufacturing facilities. With respect to its continuing operations, the company maintains 15 manufacturing facilities in the United States and its territories, including three in Puerto Rico. The company also manufactures in Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, the Czech Republic, Germany, India, Ireland, Italy, Japan, Malta, Mexico, the Philippines, Poland, Singapore, Spain, Switzerland, Tunisia, Turkey and the United Kingdom. The majority of these facilities are shared by more than one of the company's business segments. Our principal manufacturing facilities by segment are listed below:

Business	Location	Owned/Leased
BioScience	Orth, Austria	Owned
	Vienna, Austria	Owned
	Lessines, Belgium	Owned
	Hayward, California	Leased
	Los Angeles, California	Owned
	Thousand Oaks, California	Owned
	Bohumil, Czech Republic	Owned
	Pisa, Italy	Owned
	Rieti, Italy	Owned
	Beltsville, Maryland	Leased
	Neuchatel, Switzerland	Owned
Medication Delivery	Mountain Home, Arkansas	Owned
	Toongabbie, Australia	Owned
	Lessines, Belgium	Owned
	Sao Paulo, Brazil	Owned
	Alliston, Canada	Owned
	Shanghai, China	Owned
	Cali, Colombia	Owned
	Cartago, Costa Rica	Owned
	Thetford, England	Owned
	Halle, Germany	Owned
	Round Lake, Illinois	Owned
	Bloomington, Indiana	Owned/Leased(1)
	Grosotto, Italy	Owned
	Cleveland, Mississippi	Leased
	Cherry Hill, New Jersey	Owned/Leased(1)
	North Cove, North Carolina	Owned
	Aibonito, Puerto Rico	Leased

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

Guayama, Puerto Rico	Owned
Jayuya, Puerto Rico	Leased
Woodlands, Singapore	Owned/Leased(2)
Sabinanigo, Spain	Owned

Table of Contents

Business	Location	Owned/Leased
Renal	Mountain Home, Arkansas	Owned
	Toongabbie, Australia	Owned
	Sao Paulo, Brazil	Owned
	Alliston, Canada	Owned
	Guangzhou, China	Owned(3)
	Cali, Colombia	Owned
	Castlebar, Ireland	Owned
	Miyazaki, Japan	Owned
	Cuernavaca, Mexico	Owned
	North Cove, North Carolina	Owned
	Woodlands, Singapore	Owned/Leased(2)

(1) The Bloomington, Indiana and Cherry Hill, New Jersey locations include both owned and leased facilities.

(2) Baxter owns the facility located at Woodlands, Singapore and leases the property upon which it rests.

(3) The Guangzhou, China facility is owned by a joint venture in which Baxter owns a majority share.

The company also owns or operates shared distribution facilities throughout the world. In the United States and Puerto Rico, there are 13 shared distribution facilities with the principal facilities located in Memphis, Tennessee; Catano, Puerto Rico; North Cove, North Carolina; and Round Lake, Illinois. Internationally, we have more than 100 shared distribution facilities located in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Ecuador, France, Germany, Greece, Guatemala, Hong Kong, India, Italy, Japan, Korea, Mexico, New Zealand, Panama, Peru, Philippines, Poland, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, the United Kingdom, and Venezuela.

The company continually evaluates its plants and production lines and believes that its current facilities plus any planned expansions are generally sufficient to meet its expected needs and expected near-term growth. Expansion projects and facility closings will be undertaken as necessary in response to market needs.

Item 3. *Legal Proceedings.*

Incorporated by reference to Notes to Consolidated Financial Statements Note 11 Legal Proceedings of the Annual Report.

Item 4. *Submission of Matters to a Vote of Security Holders.*

None.

Executive Officers of the Registrant

Robert L. Parkinson, Jr., age 58, is Chairman and Chief Executive Officer of Baxter, having served in that capacity since April 2004. Prior to joining Baxter, Mr. Parkinson was Dean of Loyola University Chicago's School of Business Administration and Graduate School of Business from 2002 to 2004. He retired from Abbott Laboratories in 2001

following a 25-year career, having served in a variety of domestic and international management and leadership positions, including as President and Chief Operating Officer. Mr. Parkinson also serves on the boards of directors of Chicago-based Northwestern Memorial Hospital and the Northwestern Memorial Foundation as well as Loyola University Chicago's Board of Trustees.

Joy A. Amundson, age 54, is Corporate Vice President – President, BioScience, having served in that capacity since August 2004. Prior to joining Baxter in August 2004, Ms. Amundson was a principal of Amundson Partners, Inc., a healthcare-consulting firm, from 2001. From 1995 to 2001, she served as a Senior Vice President of Abbott Laboratories.

Peter J. Arduini, age 44, is Corporate Vice President – President, Medication Delivery. Prior to joining Baxter in March 2005, Mr. Arduini spent 15 years at GE Healthcare in a variety of management roles for domestic and global businesses, the most recent of which was global general manager of GE Healthcare's computerized axial tomography scan (CT) and functional imaging business.

Table of Contents

Michael J. Baughman, age 44, is Corporate Vice President and Controller, having served in that capacity since May 2006. Mr. Baughman joined Baxter in 2003 as Vice President of Corporate Audit and was appointed Controller in March 2005. Before joining Baxter, Mr. Baughman spent 16 years at PricewaterhouseCoopers LLP, in roles of increasing responsibility, which included audit partner and partner in the firm's mergers and acquisitions practice.

Robert M. Davis, age 42, is Corporate Vice President and Chief Financial Officer, having served in that capacity since May 2006. Mr. Davis joined Baxter as Treasurer in November 2004. Prior to joining Baxter, Mr. Davis was with Eli Lilly and Company from 1990 where he held a number of financial positions, including Assistant Treasurer, Director of Corporate Financial Planning and tax counsel.

James M. Gatling, age 59, is Corporate Vice President – Manufacturing having served in that capacity since December 1996. Mr. Gatling is also responsible for the environment, health and safety function.

John J. Greisch, age 53, is Corporate Vice President – President, International, having served in that capacity since May 2006. From June 2004 to May 2006, he served as Corporate Vice President and Chief Financial Officer and from January to June 2004, he was Corporate Vice President – President, BioScience. Prior to that, Mr. Greisch served as Vice President of Finance and Strategy for BioScience from May 2003 to January 2004 and as Vice President of Finance for Renal from March 2002 until April 2003. Prior to joining Baxter, he was President and Chief Executive Officer of FleetPride Corporation, a distribution company, from 1998 until 2001.

Susan R. Lichtenstein, age 52, is Corporate Vice President and General Counsel. Prior to joining Baxter in April 2005, Ms. Lichtenstein was a partner with McDermott Will & Emery. She joined the law firm after having served as General Counsel to the Governor of Illinois from 2003 to 2004. Ms. Lichtenstein served as Senior Vice President, General Counsel and Corporate Secretary for Tellabs, Inc. from 2000 to 2002. From 1994 to 2000, Ms. Lichtenstein held several positions with Ameritech Corporation, including Senior Vice President, General Counsel and Corporate Secretary from 1999 to 2000.

Jeanne K. Mason, age 53, is Corporate Vice President, Human Resources. Prior to joining Baxter in May 2006, Ms. Mason was with General Electric from 1988, holding various leadership positions, the most recent of which was with GE Insurance Solutions, a primary insurance and reinsurance business, where she was responsible for global human resource functions.

Bruce H. McGillivray, age 53, is Corporate Vice President – President, Renal, having served in that capacity since August 2004. From 2002 until August 2004, Mr. McGillivray was President of Renal, Europe and from 1997 to 2002, he was President of Baxter Corporation in Canada.

Norbert G. Riedel, age 51, is Corporate Vice President and Chief Scientific Officer, having served in that capacity since May 2001. From 1998 to 2001, he served as President of the recombinant business unit of BioScience. Prior to joining Baxter, Dr. Riedel was head of worldwide biotechnology and worldwide core research functions at Hoechst Marion Roussel, now Sanofi-Aventis.

Karenann K. Terrell, age 47, is Corporate Vice President and Chief Information Officer. Prior to joining Baxter in April 2006, Ms. Terrell was with DaimlerChrysler Corporation from 2000 where she served in various positions, the most recent of which was Vice President and Chief Information Officer, Chrysler Group and Mercedes Benz North America. Prior to that, she spent 16 years with General Motors with responsibility for brand development and e-business management.

Cheryl L. White, age 55, is Corporate Vice President, Quality, having served in that capacity since March 2006. From 1997 to 2006, Ms. White held various management positions in Baxter's BioScience business, the most recent of

which was Vice President, Quality Management.

All executive officers hold office until the next annual election of officers and until their respective successors are elected and qualified.

Table of Contents**PART II****Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

The following table includes information about the company's common stock repurchases during the three-month period ended December 31, 2008.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(1)	Approximate Dollar Value of Shares that may yet be Purchased Under the Program(1)
October 1, 2008 through October 31, 2008	3,072,800	\$ 60.60	3,072,800	
November 1, 2008 through November 30, 2008	3,127,267	\$ 56.68	3,127,267	
December 1, 2008 through December 31, 2008	1,911,418	\$ 52.26	1,911,418	
Total	8,111,485	\$ 57.12	8,111,485	\$ 1,165,944,322

(1) On March 18, 2008, the company announced that its Board of Directors authorized the repurchase of up to \$2.0 billion of the company's common stock. During the fourth quarter of 2008, the company repurchased approximately 8.1 million shares in open market purchases for approximately \$463 million under this program. The remaining authorization under this program totaled approximately \$1.2 billion at December 31, 2008. The program does not have an expiration date.

Additional information required by this item is incorporated by reference from the section entitled "Notes to Consolidated Financial Statements - Note 13 Quarterly Financial Results and Market for the Company's Stock (Unaudited)" of the Annual Report.

Item 6. *Selected Financial Data.*

Incorporated by reference from the section entitled "Five-Year Summary of Selected Financial Data" of the Annual Report.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Incorporated by reference from the section entitled Management's Discussion and Analysis of the Annual Report.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Incorporated by reference from the section entitled Financial Instrument Market Risk in Management's Discussion and Analysis of the Annual Report.

Item 8. *Financial Statements and Supplementary Data.*

Incorporated by reference from the sections entitled Report of Independent Registered Public Accounting Firm, Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Cash Flows, Consolidated Statements of Shareholders' Equity and Comprehensive Income and Notes to Consolidated Financial Statements of the Annual Report.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Table of Contents

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

Baxter carried out an evaluation, under the supervision and with the participation of its Disclosure Committee and management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of Baxter's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of December 31, 2008. Baxter's disclosure controls and procedures are designed to ensure that information required to be disclosed by Baxter in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is communicated to management, including the Chief Executive Officer, Chief Financial Officer and its Board of Directors, to allow timely decisions regarding required disclosure.

Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of December 31, 2008.

Assessment of Internal Control Over Financial Reporting

Baxter included a report of management's assessment of the effectiveness of its internal control over financial reporting as of December 31, 2008 in its Annual Report. Baxter's independent auditor, PricewaterhouseCoopers LLP, an independent registered public accounting firm, also audited, and reported on, the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's audit report are included in the Annual Report and incorporated herein by reference.

Changes in Internal Control over Financial Reporting

There has been no change in Baxter's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, Baxter's internal control over financial reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Refer to information under the captions entitled Election of Directors, Committees of the Board Audit Committee, Corporate Governance Code of Conduct and Section 16(a) Beneficial Ownership Reporting Compliance in Baxter's definitive proxy statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on May 5, 2009 (the Proxy Statement), all of which information is incorporated herein by reference. Also refer to information regarding executive officers of Baxter under the caption entitled Executive Officers of the Registrant in Part I of this Annual Report on Form 10-K.

Item 11. *Executive Compensation.*

Refer to information under the captions entitled Executive Compensation, Director Compensation and Compensation Committee Report in the Proxy Statement, all of which information is incorporated herein by reference.

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.****EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information relating to shares of common stock that may be issued under Baxter's existing equity compensation plans as of December 31, 2008.

Plan Category	Number of Shares to be Issued upon Exercise of Outstanding Options, Warrants and Rights(a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a) (c)
Equity Compensation Plans Approved by Shareholders(1)	42,520,943(2)	\$ 44.46(3)	33,401,811(4)
Equity Compensation Plans Not Approved by Shareholders(5)	3,530,851(2)(6)	\$ 40.41	847,839(7)
Total	46,051,794(8)	\$ 44.13	34,249,650

(1) Consists of the 2000, 2001, 2003 Incentive Compensation Programs, the 2007 Incentive Plan and the Employee Stock Purchase Plan for United States Employees and the Employee Stock Purchase Plan for International Employees (collectively, the Employee Stock Purchase Plans).

(2) Excludes purchase rights under the Employee Stock Purchase Plans. Under the Employee Stock Purchase Plans, eligible employees may purchase shares of common stock through payroll deductions of up to 15 percent of base pay at a purchase price equal to 85 percent of the closing market price on the purchase date (as defined by the Employee Stock Purchase Plans). A participating employee may not purchase more than \$25,000 in fair market value of common stock under the Employee Stock Purchase Plans in any calendar year and may withdraw from the Employee Stock Purchase Plans at any time.

(3) Restricted stock units and performance share units are excluded when determining the weighted-average exercise price of outstanding options.

(4) Includes (i) 4,484,436 shares of common stock available for purchase under the Employee Stock Purchase Plan for United States Employees as of December 31, 2008; (ii) 213,668 shares of common stock available under the 2000 Incentive Compensation Program; (iii) 1,258,172 shares of common stock available under the 2001 Incentive Compensation Program; (iv) 4,021,395 shares of common stock available under the 2003 Incentive

Compensation Program; and (v) 23,424,140 shares of common stock available under the 2007 Incentive Plan.

- (5) Consists of the 2001 Global Stock Option Plan, additional shares of common stock available under the 2001 Incentive Compensation Program pursuant to an amendment thereto not approved by shareholders, and the stock option grants described below under February 2000 Stock Option Grant.
- (6) Of the 3,530,851 shares issuable upon exercise of outstanding options granted under equity compensation plans not approved by shareholders, 1,237,831 shares are issuable upon exercise of options granted in February 2001 under the 2001 Global Stock Option Plan, 1,690,656 shares are issuable upon exercise of options granted under the 2001 Incentive Compensation Program pursuant to an amendment thereto not approved by shareholders, and 602,364 shares are issuable upon exercise of the options described below under February 2000 Stock Option Grant.
- (7) Consists of 847,839 shares of common stock available for purchase under the Employee Stock Purchase Plan for International Employees. Although the company's shareholders have approved the Employee Stock Purchase Plan for International Employees, only the company's Board of Directors has approved these additional shares.
- (8) Includes outstanding awards of 44,026,498 stock options, which have a weighted-average exercise price of \$44.13 and a weighted-average remaining term of 5.9 years, 655,274 shares issuable upon vesting of restricted stock units, and 1,370,022 shares issuable upon vesting of performance share units.

Table of Contents

The material features of each equity compensation plan under which equity securities are authorized for issuance that was adopted without the approval of shareholders are described below.

February 2000 Stock Option Grant

The Compensation Committee approved grants to Baxter employees of non-qualified stock options to purchase 5,625,114 shares in February 2000. As of December 31, 2008, 602,364 shares are issuable under the February 2000 grant. The exercise price of these stock options is equal to the fair market value of Baxter common stock on the date of grant, which is the closing price of the common stock on the New York Stock Exchange on the grant date. The exercise price of the options may be paid in cash or in certain shares of Baxter common stock. All of the stock options granted under these programs have vested. The terms and conditions of each of these grants provide that the provisions of the shareholder-approved 1998 Incentive Compensation Program govern these stock option grants (except for the limit on shares available under the 1998 Program).

2001 Global Stock Option Plan

The 2001 Global Stock Option Plan is a broad-based plan adopted by Baxter's Board of Directors in February 2001 to enable Baxter to make a special one-time stock option grant to eligible non-officer employees worldwide. On February 28, 2001, Baxter granted a non-qualified option to purchase 200 shares of common stock at an exercise price of \$45.515 per share (post 2001 stock split) to approximately 44,000 eligible employees under the 2001 Global Stock Option Plan. The exercise price of these options equals the closing price for Baxter common stock on the New York Stock Exchange on the grant date. The options became exercisable on February 28, 2004, which was the third anniversary of the grant date, and expire on February 25, 2011. If an option holder leaves Baxter after the vesting date, then the option will expire three months after the holder leaves the company.

Refer to information under the captions entitled "Security Ownership by Directors and Executive Officers" and "Security Ownership by Certain Beneficial Owners" in the Proxy Statement for additional information required by this item, all of which information is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions and Director Independence.*

Refer to the information under the caption entitled "Certain Relationships and Related Transactions," "Board of Directors and Corporate Governance" "Director Independence" in the Proxy Statement, all of which information is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services.*

Refer to the information under the caption entitled "Audit and Non-Audit Fees" in the Proxy Statement, all of which information is incorporated herein by reference.

Table of Contents

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

The following documents are filed as a part of this report:

(1) Financial Statements:

Consolidated Balance Sheets	Annual Report, page 55
Consolidated Statements of Income	Annual Report, page 56
Consolidated Statements of Cash Flows	Annual Report, page 57
Consolidated Statements of Shareholders' Equity and Comprehensive Income	Annual Report, page 58
Notes to Consolidated Financial Statements	Annual Report, pages 59-85
Report of Independent Registered Public Accounting Firm	Annual Report, page 54

(2) Schedules required by Article 12 of Regulation S-X:

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	Page 24
Schedule II Valuation and Qualifying Accounts	Page 25

All other schedules have been omitted because they are not applicable or not required.

- (3) Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference. Exhibits in the Exhibit Index marked with a "C" in the left margin constitute management contracts or compensatory plans or arrangements contemplated by Item 15(b) of Form 10-K.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Baxter International Inc.

By: /s/ Robert L. Parkinson, Jr.

Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer

DATE: February 19, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 19, 2009.

Signature	Title
/s/ Robert L. Parkinson, Jr. Robert L. Parkinson, Jr.	Chairman and Chief Executive Officer (principal executive officer)
/s/ Robert M. Davis Robert M. Davis	Corporate Vice President and Chief Financial Officer (principal financial officer)
/s/ Michael J. Baughman Michael J. Baughman	Corporate Vice President and Controller (principal accounting officer)
/s/ Walter E. Boomer Walter E. Boomer	Director
/s/ Blake E. Devitt Blake E. Devitt	Director
/s/ John D. Forsyth John D. Forsyth	Director
/s/ Gail D. Fosler Gail D. Fosler	Director
/s/ James R. Gavin III, M.D., Ph.D. James R. Gavin III, M.D., Ph.D.	Director

James R. Gavin III, M.D., Ph.D.

/s/ Peter S. Hellman

Director

Peter S. Hellman

/s/ Wayne T. Hockmeyer, Ph.D

Director

Wayne T. Hockmeyer, Ph.D

Table of Contents

Signature	Title
/s/ Joseph B. Martin, M.D., Ph.D. Joseph B. Martin, M.D., Ph.D.	Director
/s/ Carole J. Shapazian Carole J. Shapazian	Director
/s/ Thomas T. Stallkamp Thomas T. Stallkamp	Director
/s/ Albert P. L. Stroucken Albert P. L. Stroucken	Director

Table of Contents

EXHIBIT INDEX

Number and Description of Exhibit

- 3. Certificate of Incorporation and Bylaws
- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on May 18, 2006).
- 3.2 Bylaws, as amended and restated on November 11, 2008 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on November 17, 2008).
- 4. Instruments defining the rights of security holders, including indentures
- 4.1 Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit (a) to the Company's Registration Statement on Form S-16 (Registration No. 02-65269), filed on August 17, 1979).
- 4.2 Rights Agreement, dated as of December 9, 1998, between the Company and First Chicago Trust Company of New York as Rights Agent (including form of Certificate of Designation, form of Rights Certificates and form of Summary of Rights) (incorporated by reference to Exhibit 10 to the Company's Current Report on Form 8-K, filed on December 15, 1998).
- 4.3 Certificate of Adjustment to the Rights Agreement, dated as of May 30, 2001 (incorporated by reference to Exhibit 2 to the Company's Amendment No. 1 to Registration Statement on Form 8-A, filed on May 30, 2001).
- 4.4 Indenture, dated as of April 26, 2002, between the Company and Bank One Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.5 to Amendment No. 1 to Form 8-A, filed on December 23, 2002).
- 4.5 Second Supplemental Indenture, dated as of March 10, 2003, to Indenture dated as of April 26, 2002, between the Company and Bank One Trust Company, N.A., as Trustee (including form of 4.625% Notes due 2015) (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-109329), filed on September 30, 2003).
- 4.6 Indenture, dated August 8, 2006, between the Company and J.P. Morgan Trust Company, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on August 9, 2006).
- 4.7 First Supplemental Indenture, dated August 8, 2006, between the Company and J.P. Morgan Trust Company, National Association, as Trustee (including form of 5.90% Senior Note due 2016) (incorporated by reference to Exhibit 4.2 to Form 8-K, filed on August 9, 2006).
- 4.8 Second Supplemental Indenture, dated December 7, 2007, between the Company and The Bank of New York Trust Company, N.A. (as successor in interest to J.P. Morgan Trust Company, National Association), as Trustee (including form of 6.250% Senior Note due 2037) (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on December 7, 2007).
- 4.9 Third Supplemental Indenture, dated May 22, 2008, between the Company and The Bank of New York Trust Company, N.A. (as successor in interest to J.P. Morgan Trust Company, National Association), as Trustee (including form of 5.375% Senior Notes due 2018) (incorporated by reference to Exhibit 4.1 to Form 8-K, filed on May 22, 2008).
- 10. Material Contracts
- 10.1 Credit Agreement, dated December 20, 2006, among Baxter International Inc. as Borrower, J.P. Morgan Chase Bank, as Administrative Agent and certain other financial institutions named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 22, 2006).
- 10.2 Consent Decree for Condemnation and Permanent Injunction with the United States of America (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 29, 2006).
- C 10.3 Form of Indemnification Agreement entered into with directors and officers (incorporated by reference to Exhibit 19.4 to the Company's Quarterly Report on Form 10-Q, filed on November 14, 1986).

C 10.4 Baxter International Inc. 1998 Incentive Compensation Program (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K, filed on March 20, 1998).

Table of Contents

Number and Description of Exhibit

C 10.5	Baxter International Inc. 2000 Incentive Compensation Program (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement on Schedule 14A, filed on March 23, 2000).
C 10.6	Baxter International Inc. 2001 Incentive Compensation Program and Amendment No. 1 thereto (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K, filed on March 13, 2002).
C 10.7	Baxter International Inc. 2003 Incentive Compensation Program (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement on Schedule 14A, filed on March 21, 2003).
C 10.8	Baxter International Inc. 2007 Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, filed on March 20, 2007).
C 10.9	Form of Baxter International Inc. LTI Stock Option and Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K, filed on March 16, 2005).
C 10.10	Baxter International Inc. Equity Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on March 16, 2007).
C 10.11	Form of Stock Option Plan Terms and Conditions (incorporated by reference to Exhibit 10.40 to the Company's Quarterly Report on Form 10-Q, filed on November 4, 2004).
C 10.12	Baxter International Inc. Stock Option Plan adopted February 17, 1998, Terms and Conditions (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 333-71553), filed on February 1, 1999).
C 10.13	Baxter International Inc. Stock Option Plan adopted February 21, 2000, Terms and Conditions (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 (Registration No. 333-48906), filed on October 30, 2000).
C 10.14	2001 Global Stock Option Plan adopted February 27, 2001, Terms and Conditions (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K, filed on March 12, 2003).
C *10.15	Baxter International Inc. Directors' Deferred Compensation Plan (amended and restated effective January 1, 2009).
C 10.16	Amended and Restated Employment Agreement, between Robert L. Parkinson, Jr. and Baxter International Inc., dated December 12, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 17, 2008).
C *10.17	Form of Severance Agreement entered into with executive officers (amended and restated effective December 18, 2008).
C *10.18	Baxter International Inc. and Subsidiaries Supplemental Pension Plan (amended and restated effective January 1, 2009).
C *10.19	Baxter International Inc. and Subsidiaries Deferred Compensation Plan (amended and restated effective January 1, 2009).
C 10.20	Baxter International Inc. Employee Stock Purchase Plan for United States Employees (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K, filed on February 26, 2008).
C *10.21	Baxter International Inc. Non-Employee Director Compensation Plan (as amended and restated effective January 1, 2009).
*12.	Computation of Ratio of Earnings to Fixed Charges.
*13.	Selections from the 2008 Annual Report to Shareholders (such report, except to the extent expressly incorporated herein by reference, is being furnished for the information of the Securities and Exchange Commission only and is not deemed to be filed as part of this Annual Report on Form 10-K).
*21.	Subsidiaries of Baxter International Inc.
*23.	Consent of PricewaterhouseCoopers LLP.

Table of Contents

Number and Description of Exhibit

- *31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- *31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- *32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- *32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

C Management contract or compensatory plan or arrangement.

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
FINANCIAL STATEMENT SCHEDULE**

To the Board of Directors of Baxter International Inc.:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 19, 2009 appearing in the 2008 Annual Report to Shareholders of Baxter International Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 19, 2009

Table of Contents**SCHEDULE II**

Valuation and Qualifying Accounts	Balance at	Additions Charged to	Charged/(Credited) to	Deductions From	Balance at
(In millions of dollars)	Beginning	Costs and	Other	Reserves	End of
	of Period	Expenses	Accounts(1)		Period
Year ended December 31, 2008:					
Allowance for doubtful accounts	\$ 134	2	(17)	(16)	\$ 103
Inventory reserves	\$ 212	158	(11)	(112)	\$ 247
Deferred tax asset valuation allowance	\$ 196	8	(18)	(46)	\$ 140
Year ended December 31, 2007:					
Allowance for doubtful accounts	\$ 127	6	13	(12)	\$ 134
Inventory reserves	\$ 180	139	3	(110)	\$ 212
Deferred tax asset valuation allowance	\$ 234	32	(8)	(62)	\$ 196
Year ended December 31, 2006:					
Allowance for doubtful accounts	\$ 120	23	8	(24)	\$ 127
Inventory reserves	\$ 146	176	6	(148)	\$ 180
Deferred tax asset valuation allowance	\$ 319	21	(46)	(60)	\$ 234

- (1) Valuation accounts of acquired or divested companies and foreign currency translation adjustments. Reserves are deducted from assets to which they apply.

25

and

- g) We rent office space at 1111 West Hasting Street, Suite 320, Vancouver, B.C., Canada V6E 2J3, for our corporate administration office. There is no lease commitment and rent and expenses are paid on a month to month basis.

ITEM 3. LEGAL PROCEEDINGS

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

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

During seven months ended July 31, 2007, and through the date of this Annual Report, no matters were submitted to our shareholders for approval.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market for Common Equity

Shares of our common stock commenced trading on the OTC Bulletin Board under the symbol "URME:OB" on December 5, 2005. On September 28, 2007 shares of our common stock commenced trading on the American Stock Exchange under the symbol "UEC". The market for our common stock is limited, and can be volatile. The following table sets forth the high and low bid prices relating to our common stock on a quarterly basis for the periods indicated as quoted by the OTC Bulletin Board stock market. These quotations reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not reflect actual transactions.

<u>Period Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
July 31, 2007	\$4.20	\$3.11
June 30, 2007	\$7.54	\$3.71
March 31, 2007	\$9.35	\$2.80
December 31, 2006	\$3.58	\$2.67
September 30, 2006	\$3.25	\$1.72
June 30, 2006	\$4.85	\$2.00
March 31, 2006	\$7.33	\$0.83
December 31, 2005	\$Nil	\$Nil

As of the date of this Annual Report we had 64 registered shareholders.

Dividend Policy

No dividends have been declared or paid on our common stock. We have incurred recurring losses and do not currently intend to pay any cash dividends in the foreseeable future.

Securities Authorized for Issuance Under Compensation Plans

We have one equity compensation plan, the Uranium Energy Corp. 2006 Stock Incentive Plan (the "2006 Plan"). The table set forth below presents information relating to our equity compensation plans as of the date of this Annual Report:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding (a))</u>
Equity Compensation Plans Approved by Security Holders (2006 Stock Incentive Plan)	3,832,500	\$ 1.44	1,760,000
Equity Compensation Plans Not Approved by Security Holders (*)	4,009,998	\$ 2.66	Nil

2006 Stock Incentive Plan

On December 19, 2005, our Board of Directors authorized and approved the adoption of the 2005 Stock Option Plan effective December 19, 2005. On October 10, 2006, we adopted the 2006 Stock Incentive Plan (the "2006 Plan") in place of the 2005 Stock Option Plan, under which an aggregate of 10,000,000 of our shares may be issued. All securities issued under the 2005 Stock Option Plan are covered by the 2006 Plan.

The purpose of the 2006 Plan is to enhance our long-term stockholder value by offering opportunities to our directors, officers, employees and eligible consultants to acquire and maintain stock ownership in order to give these persons the opportunity to participate in our growth and success, and to encourage them to remain in our service.

The 2006 Plan is to be administered by our Board of Directors or a committee appointed by and consisting of two or more members of the Board of Directors, which shall determine, among other things: (i) the persons to be granted awards under the 2006 Plan; (ii) the number of shares or amount of other awards to be granted; and (iii) the terms and conditions of the awards granted. We may issue restricted shares, options, stock appreciation rights, deferred stock rights, dividend equivalent rights, among others, under the 2006 Plan.

An award may not be exercised after the termination date of the award and may be exercised following the termination of an eligible participant's continuous service only to the extent provided by the administrator under the 2006 Plan. If the administrator under the 2006 Plan permits a participant to exercise an award following the termination of continuous service for a specified period, the award terminates to the extent not exercised on the last day of the specified period or the last day of the original term of the award, whichever occurs first. In the event an eligible participant's service has been terminated for "cause", he or she shall immediately forfeit all rights to any of the awards outstanding. The 2006 Plan is subjective to approval by our shareholders within 12 months from the date of adoption of the 2006 Plan by our Board of Directors.

During seven months ended July 31, 2007 and through the date of this Annual Report, we granted an aggregate of 1,030,000 stock options at exercise prices ranging from \$3.30 per share to \$5.70 per share. During the same period, a total of 995,000 stock options were exercised at varying exercise prices resulting in the receipt of aggregate proceeds of \$745,000.

Common Stock Purchase Warrants

As of the date of this Annual Report, there are an aggregate of 4,009,998 common stock purchase warrants issued and outstanding. During the seven months ended July 31, 2007, and through the date of this Annual Report, we issued an aggregate 159,998 common stock purchase warrants. The warrants to purchase shares of common stock and the shares of common stock underlying the warrants were issued in private placements, and related to private placements as follows: (i) on January 3, 2007, we issued 100,000 warrants to acquire up to 100,000 shares at an exercise price of \$3.00 per share until the latter of (a) 18 months from the date of issuance or (b) nine months commencing from the effective date of the pending Registration Statement (the "January 2007 Warrants"), and (ii) on June 15, 2007, we issued to certain investors an aggregate of 59,998 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 22, 2006 private placement subscription agreements with the Company. See " -- Recent Sales of Unregistered Securities."

Pursuant to the terms of a registration statement filed on Form SB-2, SEC File No. 333-127185 (the "Registration Statement"), under the Securities Act, an aggregate of 2,700,000 shares of common stock underlying certain common stock purchase warrants, some of which are described above, were registered with an effective date of June 15, 2007.

During the seven months ended July 31, 2007, a total of 1,283,500 share purchase warrants have been exercised for aggregate proceeds of \$2,908,750.

Recent Sales of Unregistered Securities

During the seven months ended July 31, 2007, and through the date of this Annual Report, to provide capital, we sold stock in private placement offerings, issued stock in exchange for our debts or pursuant to contractual agreements as set forth below.

January 2007 Private Placement Offering

On January 3, 2007, we closed a private placement offering (the "January 2007 Private Placement Offering"), whereby we issued an aggregate of 200,000 units at a price of \$2.50 per unit (the "January 2007 Units"). Each January 2007 Unit consists of one share of common stock and one-half of one warrant (the "January 2007 Warrant"). 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 January 2007 Warrants. Each whole January 2007 Warrant entitles the holder to purchase one share of common stock at an exercise price of \$3.00 per share during the period commencing on the date of issuance and ending on the day which is the latter of: (i) 18 months from the date of issuance; or (ii) nine months commencing from the effective date of the registration statement.

The January 2007 Private Placement Offering was 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 per share price of these offerings was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth. We issued Units to investors who are non-U.S. residents. The investors executed subscription agreements and acknowledged that the securities to be issued have not been registered under the Securities Act, that they understood the economic risk of an investment in the securities, and that they had the opportunity to ask questions of and receive answers from our management concerning any and all matters related to acquisition of the securities.

We have filed a Registration Statement on Form SB-2 under the Securities Act to register an aggregate of 8,100,000 shares of our common stock, of which 2,700,000 are shares underlying the respective warrants. The Registration Statement was declared effective by the SEC on June 15, 2007.

Mineral Asset Option Agreement

On April 11, 2007, we issued an aggregate of 750,000 shares of our restricted common stock in accordance with the terms and provisions of a mineral asset Option agreement with Brad Moore dated October 11, 2005. The 750,000 shares represented the final obligation due towards the completion of the Option agreement. In accordance with the terms and provisions of the Option agreement, title to the properties to be acquired was transfer upon payment of all remaining stock required under the Option. During the Option term we had the right as operator to conduct or otherwise direct all exploration on the properties to be acquired.

Consulting Services Agreement

On February 1, 2007, we entered into a consulting services agreement which included an obligation to issue 2,500 shares of our restricted common stock per month. In accordance with the terms and provisions of the agreement, to date we have issued a total of 12,500 shares of our restricted common stock. The issuance of the shares represents the commitment from February 2007 through June 2007.

Warrants

On June 15, 2007, we issued to certain investors an aggregate of 59,998 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 22, 2006 private placement subscription agreements with us. These warrants were issued as liquidated damages resulting from the Company's delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of our restricted common stock under the same terms as the original warrants issued at the closing of the private placement of December 22, 2006.

ITEM 6. MANAGEMENT

'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with our audited financial statements as at and for the seven months ended July 31, 2007 and for the fiscal year ended December 31, 2006 and the related notes. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed above and elsewhere in this Annual Report, particularly in the section entitled "Risk Factors". Our financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

We are an exploration stage company and have not generated any revenue and incurred recurring losses to date. Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not

include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

We expect we will require additional capital to meet our long term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

Seven Months Ended July 31, 2007 Compared to Fiscal Year Ended December 31, 2006

We are an exploration stage company and net revenues during the seven months ended July 31, 2007, and fiscal year ended December 31, 2006, were \$Nil. Our net loss for the seven months ended July 31, 2007, was \$16,193,375, compared to a net loss of \$14,818,318 during fiscal year ended December 31, 2006.

Operating expenses incurred during the seven months ended July 31, 2007, increased to \$16,719,832 from \$14,924,525 incurred during the fiscal year ended December 31, 2006. The increase is primarily due to the expansion of current operations and the corresponding change in exploration costs associated with the increased acquisition and development of our uranium properties and related infrastructure. Significant expenditures and changes are outlined as follows:

- a) Consulting fees decreased to \$253,026 during the seven months ended July 31, 2007, from \$708,555 during the fiscal year ended December 31, 2006, due primarily to the shorter reporting period and decreases in costs relating to investor relations from unrelated service providers;
- b) Consulting fees - stock-based decreased to \$704,058 during the seven months ended July 31, 2007, from \$4,665,967 during the fiscal year ended December 31, 2006, due primarily to a reduction in the number of stock options issued as compensation to consultants during the current period;
- c) Depreciation increased to \$49,562 during the seven months ended July 31, 2007, from \$19,737 during the fiscal year ended December 31, 2006, due to significant investments in property and equipment during the current fiscal period and the last half of the prior fiscal year;
- d) General and administrative costs decreased to \$2,246,054 during the seven months ended July 31, 2007, from \$2,496,900 during the fiscal year ended December 31, 2006, due to the expansion in operations and personnel during the current fiscal period which is offset by the shorter reporting period;
- e) Impairment loss on mineral properties increased to \$8,267,100 during the seven months ended July 31, 2007, from \$3,022,311 during the fiscal year ended December 31, 2006. The prior year impairment loss was reclassified from mineral property expenditures to conform with current year presentation (see Note 14 to the Company's July 31, 2007 financial statements). Current year acquisition costs that have been written off to impairment include approximately \$1,500,000 relating to Cibola Resources, and approximately \$5,400,000 in stock-based acquisition costs due to the high valuation of the remaining shares issued pursuant to the Brad Moore Option agreement;
- f) Interest and finance charges increased to \$116,396 during the seven months ended July 31, 2007, from \$Nil during the fiscal year ended December 31, 2006, due to a current period expense realized on the issuance of warrants resulting from delays in an SB-2 Registration Statement becoming effective;
- g) Management fees decreased to \$302,697 during the seven months ended July 31, 2007, from \$647,248 during the fiscal year ended December 31, 2006, due primarily to bonuses paid in the prior year and the shorter reporting period;

- h) Management fees - stock-based increased to \$1,774,500 during the seven months ended July 31, 2007, from \$923,253 during the fiscal year ended December 31, 2006, due to the higher valuation of options issued as compensation to management during the current period;
- i) Mineral property expenditures increased to \$2,453,001 during the seven months ended July 31, 2007, from \$1,693,912 during the fiscal year ended December 31, 2006, due to the expansion of exploration activities over the prior period, where exploration was carried out primarily in the later stages of the year;
- j) Professional fees increased to \$317,347 during the seven months ended July 31, 2007, from \$315,564 during the fiscal year ended December 31, 2006, due primarily to increases in audit and review costs in addition to increases in counsel fees associated with the growth in the Company's operations, which are offset by the shorter reporting period; and
- k) Wages and benefits - stock-based decreased to \$236,213 during the seven months ended July 31, 2007, from \$431,078 during the fiscal year ended December 31, 2006, due primarily to a reduction in the number of options issued as compensation to employees during the current period.

Of the \$16,719,832 incurred as operating expenses during the seven months ended July 31, 2007, an aggregate of \$302,697 was incurred payable to certain officers and directors in management and consulting fees. Of the \$302,697: (i) we incurred to our President and Chief Executive Officer an aggregate of \$88,750 in connection with performance of managerial, administrative and business development services; (ii) we incurred to our Chief Operating Officer an aggregate of \$93,750 in connection with performance of managerial and operational services; and (iii) we incurred to our Chief Financial Officer an aggregate of \$51,707 in connection with performance of administrative and financial services. As of the date of this Annual Report there were no amounts due and owing to our directors and officers. We also paid \$20,745 in consulting fees and \$11,980 in media and website development and hosting fees to private companies controlled by direct family members of two directors. See "Item 10. Executive Compensation" and "Item 12. Certain Relationships and Related Transactions and Director Independence."

Interest and other income increased to \$331,286 during the seven months ended July 31, 2007, from \$106,207 during the fiscal year ended December 31, 2006, due to significantly higher cash balances maintained throughout the current period.

Deferred tax benefit increased to \$195,171 during the seven months ended July 31, 2007 from \$Nil during the fiscal year ended December 31, 2006. The deferred tax benefit is calculated on the estimated unrealized gain on available-for-sale securities in the current fiscal period which is reflected in other comprehensive income.

Our net loss during the seven months ended July 31, 2007, was \$16,193,375 or (\$0.45) per share, compared to a net loss of \$14,818,318 or (\$0.56) per share during the fiscal year ended December 31, 2006. The weighted average number of shares outstanding was 36,389,384 for the seven months ended July 31, 2007, compared to 26,342,512 for the fiscal year ended December 31, 2006.

Liquidity and Capital Resources

Seven Months Ended July 31, 2007

At July 31, 2007, we had \$9,083,453 in cash and cash equivalents. Generally, we have financed operations to date through the proceeds of private placements in addition to stock option and warrant exercises.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the seven months ended July 31, 2007, net cash flows used in operating activities was \$5,295,863, compared to \$5,838,523 for the fiscal year ended December 31, 2006. The current period balance consisting primarily of the net loss of \$16,193,375 adjusted by \$8,267,100 to eliminate the impairment loss on mineral properties and by \$2,714,771 to eliminate non-cash stock compensation expense.

Cash Flows from Financing Activities

We have financed our operations primarily from the issuance of equity. For the seven months ended July 31, 2007, net cash flows from financing activities was \$3,712,919, compared to \$19,912,749 for the fiscal year ended December 31, 2006. The current period balance consists of proceeds received from the sale of our common stock. We completed a private placement financing in January 2007 whereby we sold an aggregate of 200,000 units at a price of \$2.50 per unit for gross proceeds of \$500,000. Additionally, during the seven months ended July 31, 2007, a total of 995,000 shares of our common stock were issued pursuant to stock option exercises for aggregate proceeds of \$745,000, and a total of 1,297,400 shares of our common stock were issued pursuant to warrant exercises for aggregate proceeds of \$2,943,500.

Cash Flows from Investing Activities

For the seven months ended July 31, 2007, our net cash flows used in investing activities was \$2,914,980, compared to \$600,009 for the fiscal year ended December 31, 2006. Investing activities consisted primarily of the acquisition of mineral properties, including approximately \$1,500,000 for our share of Cibola Resources and approximately \$700,000 for the Holley acquisition.

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

Plan of Operations and Funding

Our existing working capital is expected to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) uranium exploration operating activities; (ii) possible future reserve definition; (iii) possible future mining initiatives on current and future properties; and (iv) future possible property acquisitions. We intend to finance these expenses with further issuances of securities and debt issuances. We expect we will need to raise additional capital to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

During the seven months ended July 31, 2007, we engaged in a private placement offering under Regulation D and Regulation S of the Securities Act. Pursuant to the terms of the private placements, we issued aggregate amounts of our restricted common stock at subscription prices and under terms as follows:

- a) During January 2007, we closed the January 2007 Private Placement Offering in the aggregate amount of 200,000 January 2007 Units at a subscription price of \$2.50 per January 2007 Unit for aggregate gross proceeds of \$500,000. The aggregate January 2007 Units comprised 200,000 shares of our restricted common stock and 100,000 January 2007 Warrants with piggyback registration rights for all securities

underlying the January 2007 Units issued. The January 2007 Units are exercisable at \$3.00 per share for a term commencing on the date of issuance and ending on the latter of: (i) 18 months from the date of issuance, or (ii) nine months commencing from the effective date of the proposed registration statement; and

b) There were no fees due or payable in connection with the January 2007 private Placement Offering.

We filed a Form SB-2 Registration Statement under the Securities Act to register an aggregate of 8,100,000 shares, inclusive of the 5,400,000 common shares issued in the respective private placement offerings and the 2,700,000 common shares underlying the respective warrants. The Registration Statement was declared effective by the SEC on June 15, 2007.

Going Concern

We commenced operations on May 16, 2003, and have not realized any significant revenues since inception. As at July 31, 2007, we have working capital of \$9,593,650 and an accumulated deficit of \$33,163,154 (December 31, 2006 - \$16,969,779). Although the existing cash resources are currently expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as a going concern for a period of longer than the upcoming year is dependent upon the ability of the Company to obtain necessary financing to continue operations. We are in the exploration stage of our mineral property development and to date have not yet established any known mineral reserves on any of our existing properties. Our continued operations and the recoverability of the carrying value of our assets is ultimately dependent upon our ability to achieve profitable operations. To date we have completed private placements and exercised stock options for net proceeds of \$24,805,196 from the issuance of shares of the our common stock.

Material Commitments

On February 1, 2007, we entered into a financial consulting agreement for a 12 month term. Under the terms of the agreement, the consultant will: (i) disseminate the Company's news releases, investor packages, research reports and corporate and industry sector materials; (ii) promote investor awareness and manage financial public relations to the investment community; and (iii) arrange meetings with industry sector analysts, stock brokers and portfolio managers. We will pay the consultant \$6,500 and 2,500 restricted common shares per month.

On March 29, 2007, we entered into a six month consulting services agreement valued at approximately 300,178 (\$411,694 US). The consultant will provide advice on public and investor relations related matters and will arrange to generate a substantial interest for the Company in major European equity markets, specifically in Germany and Switzerland as well as provide introductions to the consultant's investor's network, potential private investors and investment advisors and various journalists of leading press agencies in Germany. Under the terms of the agreement we paid a retainer of approximately 209,000 (\$286,644 US) and will pay a final installment of approximately 91,178 (\$125,050 US) which was due 90 days from the date of the agreement.

On April 6, 2007, we entered into a twelve month consulting services agreement at \$10,000 per month. The consultant will provide representation before the executive and legislative branches of the federal government and state governments in addition to providing consulting services on political matters.

We are currently leasing office premises in New Mexico, Texas and Wyoming with total monthly payments of \$9,444, with all agreements having a maximum term of no more than three years.

We are also committed to pay our key executives a total of approximately \$305,500 per year. See "Item 10. Executive Compensation" and "Item. 13. Certain Relationships and Related Transaction and Director Independence."

Purchase of Significant Equipment

Effective May 29, 2007, we committed to spend approximately \$140,000 to acquire a PFN assay tool and \$120,000 to build a second logging truck which is currently under construction. As of the date of this Annual Report a total of \$65,000 has been paid towards these commitments and has been included with vehicles.

Off-Balance Sheet Arrangements

As of the date of this Annual Report we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies

Our consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Mineral Property Costs

We are primarily engaged in the acquisition, exploration and development of mineral properties.

Mineral property acquisition costs are initially capitalized when incurred in accordance with EITF 04-2, "Whether Mineral Rights are Tangible or Intangible Assets". At the end of each fiscal quarter end, the Company assesses the carrying costs for impairment under SFAS 144, "Accounting for Impairment or Disposal of Long Lived Assets". If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of July 31, 2007, we have not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

Restoration and remediation costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require us to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining. In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs.

In March 2005, the FASB issued Interpretation 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations"--an interpretation of FASB No. 143. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates would be determined by our engineering studies calculating the cost of future of surface and groundwater activities.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

Financial Instruments

The fair values of cash and cash equivalents, restricted cash, other current monetary assets, accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Our operations and financing activities are conducted primarily in United States dollars, and as a result we are not subject to significant exposure to market risks from changes in foreign currency rates. Management has determined that we are not exposed to significant credit risk.

Stock-Based Compensation

On January 1, 2006, the we adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and, accordingly, prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of our 2006 fiscal year. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, we measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. We applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of our employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

Recent Accounting Pronouncements

In July 2006 the FASB issued Interpretation No. 48, "Accounting for Uncertain Tax Positions". This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS Statement No. 109, "Accounting for Income Taxes". This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have adopted this Interpretation on January 1, 2007. There is no impact to our financial position as a result of this adoption.

In December 2006 the FASB issued FSP EITF 00-19-02, "Accounting for Registration Payment Arrangements" ("FSP 00-19-2") which addresses accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, "Accounting for Contingencies". FSP 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. We have adopted this Interpretation on January 1, 2007. The impact to our financial position and results of operations as a result of this adoption is disclosed in the Notes to our July 31, 2007 Financial Statements.

In February 2007 the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

ITEM 7. FINANCIAL STATEMENTS

URANIUM ENERGY CORP.
(An Exploration Stage Company)

FINANCIAL STATEMENTS

JULY 31, 2007

Report of independent registered public accounting firms

Balance sheets

Statements of operations

Statements of stockholders' equity

Statements of cash flows

Notes to financial statements

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

To the Stockholders of
Uranium Energy Corp.
(an exploration stage enterprise)

We have audited the accompanying balance sheet of Uranium Energy Corp. (the "Company"), an exploration stage enterprise as of July 31, 2007, and the related statements of operations, stockholders' equity, and cash flows for the period then ended, and for the period May 16, 2003 (inception) through July 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2006, and for the period May 16, 2003 (inception) through December 31, 2006, were audited by other auditors whose report dated February 26, 2007 expressed an unqualified opinion on those statements. The financial statements for the period May 16, 2003 (inception) through December 31, 2006 include total net loss of \$16,969,779. Our opinion on the statements of operations, stockholders' equity, and cash flows for the period May 16, 2003 (inception) through July 31, 2007, insofar as it relates to amounts for prior periods through December 31, 2006, is based solely on the report of other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company, at July 31, 2007, and the results of its operations and its cash flows for the period then ended and the period from May 16, 2003 (inception) through July 31, 2007, in conformity with U.S. generally accepted accounting principles.

The financial statements for the year ended December 31, 2006, prior to the reclassifications for the items as described in Note 14, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 26, 2007. We have audited the reclassifications to the 2006 financial statements (as set out in Note 14) and in our opinion, such reclassifications, in all material respects, are appropriate and have been properly applied.

Vancouver, Canada,
September 28, 2007 (except for Note 14,

which is as of February 5, 2008)

Chartered Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Uranium Energy Corp.:

We have audited the balance sheets of Uranium Energy Corp., an exploration stage company, as at December 31, 2006 and 2005 and the statement of operations, stockholders' equity and cash flows for the years ended December 31, 2006 and 2005 and for the period May 16, 2003 (inception) to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows and the changes in stockholders' equity for the years then ended, and for the period May 16, 2003 (inception) to December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTSFebruary 26, 2007
Vancouver, Canada

 URANIUM ENERGY CORP.
(An Exploration Stage Company)

BALANCE SHEETS

	<u>July 31, 2007</u>	<u>December 31, 2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$9,083,453	\$13,581,377
Restricted cash (Note 3)	4,500	136,458
Available-for-sale securities (Note 4)	717,198	235,040
Accounts and interest receivable	4,415	20,020
Prepaid expenses and deposits	<u>163,240</u>	<u>19,796</u>
	9,972,806	13,992,691
PROPERTY AND EQUIPMENT		
(Notes 5 and 6)	<u>553,530</u>	<u>205,004</u>
	<u>\$10,526,336</u>	<u>\$14,197,695</u>

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$379,156	\$306,462
Due to related parties (Note 7)	_____ -	<u>225,581</u>
	<u>379,156</u>	<u>532,043</u>

STOCKHOLDERS' EQUITY

Capital stock (Note 8)		
Common stock \$0.001 par value: 750,000,000 shares authorized		
37,612,088 shares issued and outstanding		
(December 31, 2006 - 34,371,088)	37,612	34,371
Additional paid-in capital	42,950,985	30,597,518
Common share and warrant proceeds	34,750	250,000
Deferred compensation	-	(246,458)
Deficit accumulated during the exploration stage	(33,163,154)	(16,969,779)
Accumulated other comprehensive income	<u>286,987</u>	_____ -
	<u>10,147,180</u>	<u>13,665,652</u>
	<u>\$10,526,336</u>	<u>\$14,197,695</u>

COMMITMENTS

(Notes 5, 6 and 10)

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

URANIUM ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF OPERATIONS

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31,</u> <u>2006</u>	For the Period from May 16, 2003 (inception) to <u>July 31, 2007</u>
EXPENSES			
Consulting fees	\$253,026	\$708,555	\$961,581
Consulting fees - stock based (Note 8)	704,058	4,665,967	6,054,033
Depreciation	49,562	19,737	69,299
General and administrative	2,246,054	2,496,900	4,893,227
Impairment loss on mineral properties (Note 5)	8,267,100	3,022,311	11,934,236
Interest and finance charges (Note 8)	116,396	-	116,396
Management fees	302,697	647,248	1,123,406
Management fees - stock based (Note 8)	1,774,500	923,253	2,697,753
Mineral property expenditures (Note 5)	2,453,001	1,693,912	4,535,767
Professional fees	317,225	315,564	742,829
Wages and benefits - stock based (Note 8)	<u>236,213</u>	<u>431,078</u>	<u>667,291</u>
	<u>16,719,832</u>	<u>14,924,525</u>	<u>33,795,818</u>
LOSS BEFORE OTHER ITEMS	<u>(16,719,832)</u>	<u>(14,924,525)</u>	<u>(33,795,818)</u>
OTHER ITEMS			
Interest income	319,824	76,494	396,318
Other income	<u>11,462</u>	<u>29,713</u>	<u>41,175</u>
	<u>331,286</u>	<u>106,207</u>	<u>437,493</u>
LOSS BEFORE INCOME TAXES	(16,388,546)	(14,818,318)	(33,358,325)
INCOME TAXES			

Deferred income tax benefit	<u>195,171</u>	—	<u>195,171</u>
NET LOSS FOR THE PERIOD	(16,193,375)	(14,818,318)	(33,163,154)
OTHER COMPREHENSIVE INCOME			
(NET OF INCOME TAXES)	<u>286,987</u>	—	<u>286,987</u>
TOTAL COMPREHENSIVE LOSS			
FOR THE PERIOD	<u>\$(15,906,388)</u>	<u>\$(14,818,318)</u>	<u>\$(32,876,167)</u>
BASIC AND DILUTED NET			
LOSS PER SHARE	<u>\$(0.45)</u>	<u>\$(0.56)</u>	
WEIGHTED AVERAGE NUMBER OF			
SHARES OUTSTANDING, BASIC AND DILUTED	<u>36,389,384</u>	<u>26,342,512</u>	

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

URANIUM ENERGY, CORP.
(An Exploration Stage Company)

STATEMENT OF STOCKHOLDERS

' EQUITY

From may 16, 2003 (inception) to july 31, 2007

	Common Stock		Additional	Subscriptions	Deferred	Accumulated	Accumulated
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Received</u>	<u>Compensation</u>	<u>Deficit</u>	<u>Other Comprehens Income</u>
Balance, May 16, 2003	-	-	-	-	-	-	-
Net loss for the period	—	—	—	—	—	<u>(24,486)</u>	—

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

	=	=	=	=	=	=	=
Balance, December 31, 2003	-	-	-	-	-	-	(24,486)
Common stock							
Issued for cash at \$0.0013 per share	11,550,000	7,700	7,700	-	-	-	-
Issued for cash at \$0.20 per share	2,413,936	1,610	481,186	-	-	-	-
Issued on the conversion of debenture							
at \$0.0013 per share	2,250,000	1,500	1,500	-	-	-	-
Issued on the conversion of debenture							
at \$0.20 per share	35,000	23	6,977	-	-	-	-
Issued on settlement of debts	79,647	53	15,876	-	-	-	-
Net loss for the year	=	=	=	=	=	=	<u>(128,170)</u> =
Balance, December 31, 2004	16,328,583	10,886	513,239	-	-	-	(152,656)
Common stock							

Issued for cash at \$0.333 per share	1,357,500	905	451,595	-	-	-
Issued pursuant to mineral property expenditures	825,000	550	274,450	-	-	-
Issued pursuant to service agreements	1,950,000	1,300	648,700	-	(650,000)	-
Stock based compensation	-	-	684,008	-	-	-
Reclassification for stock split	-	6,820	(6,820)	-	-	-
Net loss for the year	=	=	=	=	=	<u>(1,998,805)</u> =
Balance, December 31, 2005	<u>20,461,083</u>	<u>\$20,461</u>	<u>\$2,565,172</u>	=	<u>\$(650,000)</u>	<u>\$(2,151,461)</u> =

URANIUM ENERGY, CORP.
(An Exploration Stage Company)

STATEMENT OF STOCKHOLDERS

' EQUITY

From may 16, 2003 (inception) to july 31, 2007

	Common Stock	Additional	Subscriptions	Deferred	Accumulated	Accumul Other Comprehe	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Received</u>	<u>Compensation</u>	<u>Deficit</u>	<u>Incom</u>

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

Capital

Balance, December 31, 2005	20,461,083	\$20,461	\$2,565,172	-	\$	\$(650,000)	\$(2,151,461)	-
Common stock								
Issued for cash at \$1.00 per share	300,000	300	299,700	-	-	-	-	-
Issued for cash at \$2.00 per share	2,525,000	2,525	5,047,475	-	-	-	-	-
Issued for cash at \$2.50 per share	5,200,000	5,200	12,994,800	250,000	-	-	-	-
Issued on the exercise of options	3,137,505	3,137	1,622,563	-	-	-	-	-
Issued pursuant to mineral property expenditures	1,518,750	1,519	2,592,231	-	-	-	-	-
Issued pursuant to service agreements								
- consulting services	1,172,500	1,173	1,156,327	-	(246,458)	-	-	-
- property expenditures	56,250	56	138,694	-	-	-	-	-
Share issuance	-	-	(329,700)	-	-	-	-	-

costs

Stock based
compensation

- options issued for consulting services	-	-	2,130,149	-	-	-
- options issued for management fees	-	-	273,253	-	-	-
- options issued for property expenditures	-	-	57,250	-	-	-
- options issued for wages and benefits	-	-	431,078	-	-	-
- warrants issued for consulting services	-	-	1,618,526	-	-	-
Amortization of deferred compensation	-	-	-	-	650,000	-
Net loss for the year	=	=	=	=	=	<u>(14,818,318)</u> =
Balance, December 31, 2006	<u>34,371,088</u>	<u>\$34,371</u>	<u>\$30,597,518</u>	<u>\$250,000</u>	<u>\$(246,458)</u>	<u>\$(16,969,779)</u> =

URANIUM ENERGY, CORP.
(An Exploration Stage Company)

STATEMENT OF STOCKHOLDERS

' EQUITY

From may 16, 2003 (inception) to july 31, 2007

	Common Stock		Additional	Subscriptions	Deferred	Accumulated	Accumu Other Compreh
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Received</u>	<u>Compensation</u>	<u>Deficit</u>	<u>Incor</u>
Balance, December 31, 2006	34,371,088	\$34,371	\$30,597,518	\$250,000	\$(246,458)	\$(16,969,779)	-
Common stock							
Issued for cash at \$2.50 per share	200,000	200	499,800	(250,000)	-	-	-
Issued on the exercise of options	995,000	995	744,004	-	-	-	-
Issued on the exercise of warrants	1,283,500	1,284	2,907,467	34,750	-	-	-
Issued pursuant to mineral property							
acquisitions	750,000	750	5,369,250	-	-	-	-
Issued pursuant to consulting service							
agreements	12,500	12	74,713	-	-	-	-

Stock based
compensation

- options issued for consulting services	-	-	382,875	-	-	-
- options issued for management fees	-	-	1,774,500	-	-	-
- options issued for property expenditures	-	-	248,250	-	-	-
- options issued wages and benefits	-	-	236,212	-	-	-

Warrants issued
as penalties
pursuant

to private placement agreements	-	-	116,396	-	-	-
---------------------------------	---	---	---------	---	---	---

Amortization of
deferred
compensation

	-	-	-	-	246,458	-
--	---	---	---	---	---------	---

Net loss for the
period

	-	-	-	-	-	(16,193,375)
--	---	---	---	---	---	--------------

Unrealized gain
on
available-for-sale
securities

=	=	=	=	=	=	=
---	---	---	---	---	---	---

Balance, July 31,
2007

	<u>37,612,088</u>	<u>\$37,612</u>	<u>\$42,950,985</u>	<u>\$34,750</u>	<u>—</u>	<u>\$ (33,163,154)</u>
--	-------------------	-----------------	---------------------	-----------------	----------	------------------------

All share amounts have been restated to reflect the 2:1 reverse share consolidation in January 2005 and the 1.5:1 forward share split as of the date of record, February 28, 2006.

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

URANIUM ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31,</u> <u>2006</u>	For the Period From May 16, 2003 (inception) to <u>July 31, 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	\$(16,193,375)	\$(14,818,318)	\$(33,163,154)
Adjustments to reconcile net loss to net cash from operating activities:			
Stock based compensation	2,714,771	6,020,298	9,419,077
Impairment loss on mineral properties	8,267,100	3,022,311	11,934,236
Non-cash interest and finance charges	116,396	-	116,396
Non-cash reduction of mineral property expenditures	-	(235,040)	(235,040)
Depreciation	49,562	19,736	69,298
Deferred income tax benefit	(195,171)	-	(195,171)
Changes in operating assets and liabilities:			
Accounts and interest receivable	15,605	(20,020)	(4,415)
Prepaid expenses and deposits	(143,444)	(19,496)	(142,713)
Accounts payable and accrued liabilities	<u>72,693</u>	<u>192,006</u>	<u>367,628</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(5,295,863)</u>	<u>(5,838,523)</u>	<u>(11,833,858)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of shares for cash	3,938,500	20,225,700	25,114,896
Convertible debenture proceeds	-	-	20,000
Share issuance costs	-	(329,700)	(329,700)
Advances from related parties	-	16,749	225,581
Repayments to related parties	<u>(225,581)</u>	<u>-</u>	<u>(225,581)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>3,712,919</u>	<u>19,912,749</u>	<u>24,805,196</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of mineral properties	(2,648,850)	(238,811)	(3,260,557)
Purchase of property and equipment	(398,088)	(224,740)	(622,828)
Restricted cash	<u>131,958</u>	<u>(136,458)</u>	<u>(4,500)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(2,914,980)</u>	<u>(600,009)</u>	<u>(3,887,885)</u>

(DECREASE) INCREASE IN CASH

AND CASH EQUIVALENTS	(4,497,924)	13,474,217	9,083,453
-----------------------------	-------------	------------	-----------

CASH AND CASH EQUIVALENTS,

BEGINNING OF PERIOD	<u>13,581,377</u>	<u>107,160</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$9,083,453</u>	<u>\$13,581,377</u>	<u>\$9,083,453</u>

CASH AND CASH EQUIVALENTS CONSIST OF:

Cash in bank	\$90,564	\$579,535	\$90,564
Term deposits	<u>8,992,889</u>	<u>13,001,842</u>	<u>8,992,889</u>
	<u>\$9,083,453</u>	<u>\$13,581,377</u>	<u>\$9,083,453</u>

SUPPLEMENTAL CASH FLOW INFORMATION AND

NONCASH INVESTING AND FINANCING ACTIVITIES (Note 11)

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

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

NOTE 1: NATURE OF OPERATIONS

Uranium Energy Corp. (the "Company") was incorporated on May 16, 2003 in the State of Nevada. Since November 1, 2004, the Company has acquired mineral leases and entered into joint venture agreements, directly and under options, for the purposes of exploring for economic deposits of uranium in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming. To July 31, 2007, interests in approximately 47,693 net acres of mineral properties have been staked or leased by the Company, including 3,291 net acres (6,717 gross acres) leased by Cibola Resources LLC of which the Company holds a 49% interest.

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The Company commenced operations on May 16, 2003 and has not realized any significant revenues since inception. As at July 31, 2007, the Company has working capital of \$9,593,650 and an accumulated deficit of \$33,163,154. Although existing cash resources are currently expected to provide sufficient funds through the upcoming year, the capital expenditures required to achieve planned principal operations may be substantial. The continuation of the Company as a going concern for a period of longer than the upcoming year is dependent upon the ability of the Company to obtain necessary financing to continue operations. The Company is in the exploration stage of its mineral property development and to date has not yet established any proven mineral reserves on its existing properties. The continued operations of the Company and the recoverability of the carrying value of its assets is ultimately dependent upon the ability of the Company to achieve profitable operations. To date, the Company has completed private placements and received funding through the exercise of stock options and share purchase warrants for net proceeds of \$24,805,196 from the issuance of shares of the Company's common stock.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Company was incorporated on May 16, 2003 in the State of Nevada.

Basis of Presentation

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

Cash and Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Significant areas requiring management's estimates and assumptions are determining the fair value of transactions involving common stock, valuation and impairment losses on mineral property acquisitions, valuation of stock-based compensation, and valuation of available-for-sale securities. Other areas requiring estimates include allocations of expenditures to resource property interests and depreciation of property and equipment. Actual results could differ from those estimates.

Mineral Property Costs

The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

July 31, 2007

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. At the end of each fiscal quarter end, the Company assesses the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of the date of these financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

Restoration and Remediation Costs (Asset Retirement Obligations)

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining. In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs.

In March 2005, the FASB issued Interpretation 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations"--an interpretation of FASB No. 143. FIN 47 clarifies that the term "conditional asset retirement

obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at each project. Such estimates would be determined by the Company's engineering studies calculating the cost of future surface and groundwater activities.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

Financial Instruments

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

Loss per Common Share

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

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

Foreign Currency Translation

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

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at July 31, 2007 the Company had net operating loss carry forwards; however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the potential deferred tax assets resulting from these losses carry forwards.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123. On a quarterly basis, the Company estimates expected forfeitures and updates the valuation accordingly.

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

Property and Equipment

Property and equipment are recorded at cost and are amortized using the straight-line method over their estimated useful lives at the following rates:

Computer Equipment	3 years
Exploration Equipment	5 years
Furniture and Fixtures	5 years

Leasehold Improvements	term of lease
Vehicles	5 years

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertain Tax Positions". This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS Statement No. 109, "Accounting for Income Taxes". This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has adopted this Interpretation on January 1, 2007. There is no impact to the Company's financial position as a result of this adoption.

In December 2006, the FASB issued FSP EITF 00-19-02, "Accounting for Registration Payment Arrangements" ("FSP 00-19-2") which addresses accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, "Accounting for Contingencies". FSP 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. The Company has adopted this Interpretation on January 1, 2007. The impact to the Company's financial position and results of operations as a result of this adoption is disclosed in Note 8.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

NOTE 3: RESTRICTED CASH

Restricted cash included certificates of deposit issued to the Wyoming Department of Environmental Quality, Land Quality Division, in lieu of a surety bond. The certificates of deposit accrue interest at 3.5% per annum, are automatically renewable and are protected by federal insurance up to \$100,000. In December 2006 the Company ceased exploration on the applicable property and applied for the release of the certificates of deposit and on May 8, 2007, the reclamation bond requirement was reduced to \$4,500.

NOTE 4: AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities consist of shares in a publicly traded company listed on the NYSE Arca and Toronto Stock Exchanges. As of July 31, 2007 the Company reported the available-for-sale securities at market value and accordingly, recorded a \$482,158 unrealized gain which has been reported as other comprehensive income, net of income taxes.

NOTE 5: MINERAL EXPLORATION PROPERTIES

Uranium Exploration

Since November 1, 2004, the Company has been acquiring mineral leases for the purpose of exploring for economic deposits of uranium in the states of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

As of July 31, 2007, a total of 54,996 gross acres (47,693 net mineral acres) of mineral properties have been staked or leased pursuant to option agreements by the Company in the States of Arizona, Colorado, New Mexico, Texas, Utah, and Wyoming for the purposes of uranium exploration for a total cost of \$2,648,850, excluding the fair value of non-cash compensation. The totals include 3,291 net acres (6,717 gross acres leased by Cibola Resources LLC of which the Company holds a 49% interest). These leases are subject to varying royalty interests, some of which are indexed to the sale price of uranium. As of July 31, 2007, total yearly recurring maintenance payments of \$224,020 are required to maintain existing mineral leases.

Weesatche Property

On October 11, 2005, the Company entered into a mineral asset option agreement (the "Moore Option") granting the Company the option to acquire certain mineral property leases in the State of Texas for total consideration of \$200,000 and 3,000,000 post-split restricted common shares at a fair value of \$0.33 per share. In consideration for the Moore Option and its partial exercise over the option term, the Company has made cash payments totaling \$200,000 and issued 3,000,000 post-split shares of restricted common stock, of which the final 750,000 post-split shares of restricted common stock were issued on April 11, 2007 (refer to Note 8). Upon completion of the terms of the Moore Option title to the leases were transferred to the Company.

Holley Option

On March 28, 2007 the Company entered into a letter option agreement (the "Holley Option") granting the Company the option to acquire certain mineral property leases, which are located in the States of Colorado, New Mexico, and Utah, together with certain historical database records for total consideration of \$1,594,690. Under the terms of the Holley Option, and in order to maintain its option to acquire the assets, the Company is required to make the following option payments totaling \$1,500,000 to the order and direction of the Holley Option holders in the following manner:

- (a) an initial payment of \$25,000 on the execution date (paid);

- (b) a payment of \$100,000 on March 28, 2007 (paid);
- (c) a payment of \$475,000 on or before April 27, 2007 (paid);
- (d) a further payment of \$500,000 on or before April 27, 2008; and
- (e) a final payment of \$400,000 on or before April 27, 2009.

Upon execution of the Holley Option the Company also reimbursed the Holley Option holders with approximately \$95,000 in prior regulatory fees and property payments. In addition, the Company will be required to pay a royalty of 2% or 3% of the gross proceeds received from the sale of any uranium or vanadium produced in relation to any mineral claim covered under the Holley Option and, at any time during the option period or thereafter, the Company may elect to purchase the royalty interest at a base cost of \$300,000 for each 1% interest it wishes to acquire.

Cibola Resources LLC

On April 27, 2007, with a reference date of April 26, 2007, the Company entered into a joint venture with Neutron Energy Inc. ("NEI"), a Wyoming corporation, in connection with the exploration of a property covering 6,717 acres located in Cibola County, New Mexico (the "Property") for uranium resources. In connection with the joint venture, Cibola Resources LLC ("Cibola"), a limited liability company under the laws of the State of Delaware, was formed to undertake the exploration activities as contemplated by the parties.

NEI acquired a ten year mining lease (the "Lease") to the Property from La Merced del Pueblo de Cebolleta ("Cebolleta"), a private entity that has the authority over the natural resources of the Property, pursuant to a Mining Lease and Agreement between Cebolleta and NEI effective April 6, 2007 (the "Mining Lease Agreement"), and has contributed the Lease to Cibola. Terms of the Lease provide for:

- (a) initial payments of \$3,000,000 (paid by NEI);
- (b) an additional cash payment of \$2,000,000 six months from the effective date of the Lease (due October 14, 2007) (\$980,000, being the Company's portion was paid subsequently);
- (c) every year after April 6, 2007 until uranium production begins, an advance royalty of \$500,000 (to be deducted from any royalties paid in that same year);

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

- (d) a recoverable reserve payment of \$1 per pound of recoverable uranium reserves upon the completion of a feasibility study by an independent mining engineering firm, which will be reduced by all prior payments as described in clause (a) through (c) above;
- (e) a production royalty of between 4.50% and 8.0% depending upon the sale price of uranium; and
- (f) the funding of a \$30,000 per year scholarship program.

The Company has reimbursed an aggregate of \$1,470,000 to NEI (49%) of the capital invested to date. As a result, NEI and the Company hold a 51% and 49% interest, respectively, in Cibola and the Company is obligated to pay 49% of all future commitments under the terms of the Lease. Additionally, the Company has paid \$117,729 in exploration costs on behalf of Cibola for a cumulative contribution of \$1,578,729. As an exploration stage company, Cibola has no assets or liabilities as of July 31, 2007 and accordingly, \$1,506,750 in acquisition costs were capitalized while other contributions of exploration costs have been charged to mineral property expenditures.

In December 2003, FASB issued FIN 46(R) "Consolidation of Variable Interest Entities" which requires investors to consolidate the financial information of investees in which they are the primary beneficiary. The Company is not the primary beneficiary in Cibola and accordingly, no consolidated financial information is required.

Historical Mining Databases

On November 28, 2006 the Company entered into an option agreement to purchase a database covering prospects primarily in Wyoming and New Mexico. The agreement called for a \$25,000 payment at the date of execution (paid) and an additional \$25,000 prior to the end of the six month option period (paid). Additionally, the Company issued 50,000 stock options with an estimated fair value of \$114,500, of which 25,000 options vested upon execution and the remaining 25,000 options vested at the end of the six month term. The agreement also calls for a 1% royalty on any mined substance produced on any mineral interest or claim covered by the database. The \$101,750 fair value of the remaining options vesting on May 28, 2007 was recorded as mineral property acquisition costs during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.24%, a dividend yield of 0%, and an expected volatility of 95%.

On January 2, 2007 the Company entered into an agreement to purchase a database consisting of drilling, mapping and logging reports covering uranium and associated metals prospects located primarily in New Mexico. Consideration for the asset purchase was a one time cash payment of \$20,000 (paid) and 50,000 stock options vesting as to 25,000 option shares upon the effective date of the agreement and the final 25,000 option shares vesting six months from the effective date of the agreement. Should the Company or any party related to the Company acquire any mineral property interest within the prospects covered by the database, the Company will be obligated to pay an overriding royalty of 1% or 2% on lands with and without an underlying royalty interest respectively. The \$146,500 fair value of the options at the date of grant was recorded as mineral property acquisition costs during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.22%, a dividend yield of 0%, and an expected volatility of 113%.

Mineral property acquisition costs on a regional basis are as follows:

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31,</u> <u>2006</u>	For the Period From May 16, 2006 (inception) to <u>July 31, 2007</u>
Capitalized Acquisition Costs			
Arizona	\$ -	\$ -	\$18,667
Colorado	162,445	-	170,151

Nevada	-	-	4,250
New Mexico	2,269,784	111,077	2,380,861
Texas	5,563,056	2,663,904	8,784,372
Utah	64,562	-	90,204
Wyoming	<u>207,253</u>	<u>247,330</u>	<u>485,731</u>
	8,267,100	3,022,311	11,934,236
Write Down for Loss on Impairment	<u>(8,267,100)</u>	<u>(3,022,311)</u>	<u>(11,934,236)</u>
	\$ -	\$ -	\$ -

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

Mineral property exploration costs on a regional basis are as follows:

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31,</u> <u>2006</u>	For the Period From May 16, 2006 (inception) to <u>July 31, 2007</u>
Exploration Costs			
Arizona	\$ -	\$13,528	\$76,940
Colorado	13,504	6,500	51,025
Nevada	-	-	963
New Mexico	182,089	53,261	235,350
Texas	2,113,050	1,364,643	3,611,959
Utah	-	-	7,357

Wyoming	<u>144,358</u>	<u>255,980</u>	<u>552,173</u>
	<u>\$2,453,001</u>	<u>\$1,693,912</u>	<u>\$4,535,767</u>

NOTE 6: PROPERTY AND EQUIPMENT

	<u>July 31, 2007</u>	<u>December 31, 2006</u>
Computer Equipment	\$98,897	\$35,963
Exploration Equipment	126,951	60,690
Furniture and Fixtures	43,723	14,373
Leasehold Improvements	8,728	-
Vehicles	<u>344,529</u>	<u>113,714</u>
	622,828	224,740
Less: accumulated depreciation	<u>(69,298)</u>	<u>(19,736)</u>
	<u>\$553,530</u>	<u>\$205,004</u>

Effective May 29, 2007, the Company committed to spend approximately \$140,000 to acquire a PFN assay tool, and \$120,000 to build a second logging truck which is currently under construction. As of July 31, 2007, a total of \$65,000 has been paid towards these commitments and has been included with vehicles.

NOTE 7: DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

During the seven months ended July 31, 2007, the Company had transactions with certain officers and directors of the Company as follows:

- (a) incurred \$302,697 in management fees and recorded an additional \$1,774,500 in stock based compensation expense (refer to Note 8);
- (b) incurred \$20,745 in consulting fees paid to a company controlled by a direct family member of a current director;

(c) incurred \$11,980 in media and website development fees paid to a company controlled by a direct family member of a current officer;

(d) paid management bonuses of \$225,581 accrued in the prior fiscal year.

All related party transactions involving provision of services or tangible assets were recorded at the exchange amount, which is the value established and agreed to by the related parties reflecting arms length consideration payable for similar services or transfers.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

NOTE 8: CAPITAL STOCK

Share Capital

The Company's capital stock as at July 31, 2007 was 750,000,000 authorized common shares with a par value of \$0.001 per share. On January 9, 2006, a majority of shareholders voted to amend the Company's Articles of Incorporation to increase the authorized capital from 75,000,000 shares of common stock to 750,000,000 shares of common stock. The increase in authorized capital was effective on February 1, 2006.

On February 14, 2006, the Company's Board of Directors, pursuant to minutes of written consent in lieu of a special meeting, authorized and approved a forward stock split on a 1.5 new for one old basis of the Company's total issued and outstanding shares of common stock (the "Forward Stock Split"). The Forward Stock Split was effectuated with a record date of February 28, 2006, upon filing the appropriate documentation with the NASD. The Forward Stock Split increased the Company's issued and outstanding shares of common stock from 14,968,222 to approximately 22,452,338 shares of common stock. The common stock continued to have a \$0.001 par value after the Forward Stock Split.

2007 Share Transactions

On January 3, 2007 the Company completed a private placement in the amount of 200,000 Units at a subscription price of \$2.50 for gross proceeds to the Company of \$500,000, of which \$250,000 was received in the prior fiscal year. Each Unit is comprised of one common share and one-half warrant of one non-transferable share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share of the Company until the later of 18 months from the date of issuance of the Units or nine months from the effective date of the Company's proposed registration statement and are exercisable at \$3.00 per share during this period.

In February 2007 the Company filed a Form SB-2 Registration Statement under the Securities Act to register an aggregate of 8,100,000 shares, including the 5,400,000 common shares issued in the respective private placement offerings and the 2,700,000 common shares underlying the respective warrants. Each of the 5,400,000 Units at a subscription price of \$2.50 per Unit is comprised of one common share and one-half warrant of one non-transferable share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share of the Company until the later of 18 months from the date of issuance of the Units or nine months from the effective date of the Company's proposed registration statement and are exercisable at \$3.00 per share during this

period. The Registration Statement was declared effective on June 15, 2007.

On April 3, 2007 the Company issued 7,500 restricted common shares pursuant to a financial consulting agreement (refer to Note 10). At the time of issuance, the shares had a value of \$7.35 per share and \$55,125 was recorded as stock-based consulting fees.

On April 11, 2007 the Company issued the final 750,000 post-split restricted common shares pursuant to the Moore Option (refer to Note 5). At the time of issuance, the shares had a value of \$7.16 per share and \$5,370,000 was recorded in mineral property acquisition costs.

On June 14, 2007 the Company issued 5,000 restricted common shares pursuant to a financial consulting agreement (refer to Note 10). At the time of issuance, the shares had a value of \$3.92 per share and \$19,600 was recorded as stock-based consulting fees.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

Share Purchase Warrants

On June 15, 2007 the Company issued to certain investors an aggregate of 59,998 non-transferable common share purchase warrants to acquire an equivalent number of common shares of the Company pursuant to the investors' respective December 22, 2006 private placement subscription agreements with the Company. These warrants were issued as liquidated damages resulting from the Company's delay in not having a registration statement respecting the investors' securities within the Company declared effective by the SEC within four months from the original date of issuance by the Company of the securities underlying the original subscription agreements. This additional warrant issuance was provided for under the terms of the original subscription agreements whereby 1/100 of an additional warrant was issuable to each such investor for each \$1.00 in aggregate subscription price funds paid by the investor to the Company under the private placement and in respect of each 30 day period (or partial period thereof) of delay of the aforementioned registration statement effectiveness. Each resulting warrant now entitles the holder thereof to purchase an additional share of the Company's restricted common stock under the same terms as the original warrants issued at the closing of the private placement in December of 2006. Under the terms of the subscription agreements, the Company shall use its reasonable best efforts to maintain the effectiveness of the registration statement for a period of not less than nine months from the June 15, 2007 effective date. If the Company fails to maintain the effectiveness of the registration statement for a period of eight months from the initial deadline of April 22, 2007, additional warrants may be issuable. As of July 31, 2007 the maximum number of warrants issuable as liquidated damages through the eight month period expiring December 22, 2007 would be 300,000. The \$116,396 fair value of the common share purchase warrants was recorded as interest and finance charges during the period. The fair value of these warrants was estimated using the Black-Scholes option pricing model with an expected life of 1 year, a risk free interest rate of 5.25%, a dividend yield of 0%, and an expected volatility of 98%.

During the seven months ended July 31, 2007, 1,283,500 common share purchase warrants were exercised for total aggregate proceeds of \$2,908,750. Additional proceeds of \$34,750 were received prior to July 31, 2007 and have been disclosed on the Balance Sheets as Common share and warrant proceeds.

A summary of the Company's common share purchase warrants as of July 31, 2007 and changes during the period is presented below:

	Number of <u>warrants</u>	Weighted average <u>exercise price</u>	Weighted average Remaining <u>life (years)</u>
Balance, December 31, 2005	-	\$ -	-
Issued	5,133,500	2.55	1.76
Exercised	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2006	5,133,500	2.55	1.76
Issued	159,998	3.00	1.00
Exercised	<u>(1,283,500)</u>	<u>(2.27)</u>	<u>(0.09)</u>
Balance, July 31, 2007	<u>4,009,998</u>	<u>\$2.66</u>	<u>1.70</u>

The aggregate intrinsic value ("AIV") under the provisions of SFAS No. 123R of the 500,000 compensation warrants previously issued to consultants as at July 31, 2007 was estimated at \$1,225,000.

Stock Options

On December 19, 2005 the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 5,250,000 shares at \$0.333 per share. On April 10, 2006 the Company amended its 2005 Stock Option Plan whereby, subject to adjustment from time to time as provided in Article 11.1, whereby the number of common shares available for issuance under the Plan was increased from 3,500,000 shares to 7,500,000 shares. On October 10, 2006 the Company ratified the 2006 Stock Incentive Plan whereby, subject to adjustment from time to time as provided in Article 18.1, the number of common shares available for issuance under the Plan was increased to 10,000,000 shares.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

On January 2, 2007, a total of 565,000 stock options were granted to employees, consultants, and officers at an exercise price of \$3.30 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,548,100 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.22%, a dividend yield of 0%, and an expected volatility of 113% and has been recorded as stock based consulting fees, management fees, and wages and benefits in the period. All of the options vested completely at the date of grant.

On January 2, 2007 the Company entered into an agreement to purchase a database consisting of drilling, mapping and logging reports covering uranium and associated metals prospects located primarily in New Mexico. Consideration for the asset purchase was a one time cash payment of \$20,000 (paid) and 50,000 stock options vesting as to 25,000 option shares upon the effective date of the agreement and the final 25,000 option shares vesting six months from the effective date of the agreement. The stock options have an exercise price of \$3.30 and are exercisable for a period of two years from the date of grant. Should the Company or any party related to the Company acquire any mineral property interest within the prospects covered by the database, the Company will be obligated to pay an overriding royalty of 1% or 2% on lands with and without an underlying royalty interest respectively. The fair value of these options at the date of grant of \$146,500 has been recorded as mineral property acquisition costs in the period and was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.22%, a dividend yield of 0%, and an expected volatility of 113%.

On March 30, 2007, a total of 415,000 stock options were granted to employees, consultants, and officers at an exercise price of \$5.70 per share. The term of these options is ten years. The fair value of these options at the date of grant of \$1,962,950 was estimated using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 5.26%, a dividend yield of 0%, and an expected volatility of 116%. The vested portion of the value of these options, being \$845,488, has been recorded as stock based consulting fees, management fees, and wages and benefits in the period.

During the seven months ended July 31, 2007, 995,000 stock options were exercised for cumulative net proceeds of \$745,000.

A summary of the Company's stock options as of July 31, 2007 and changes during the period is presented below:

	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Weighted average Remaining life (years)</u>
Balance, December 31, 2005	4,725,000	\$0.33	9.23
Issued	2,485,000	0.72	10.00
Exercised	<u>(3,137,500)</u>	<u>(0.52)</u>	<u>(9.81)</u>
Balance, December 31, 2006	4,072,500	0.61	9.17
Issued	1,030,000	4.27	9.61
Exercised	(995,000)	(0.75)	(8.93)
Cancelled	<u>(275,000)</u>	<u>(0.64)</u>	<u>(9.05)</u>
Balance, July 31, 2007	<u>3,832,500</u>	<u>\$1.44</u>	<u>8.82</u>

The AIV under the provisions of SFAS No. 123R of all outstanding options at July 31, 2007 was estimated at \$8,403,708. Additionally, the AIV of options exercised during the seven months ended July 31, 2007 was estimated at \$4,676,250.

Deferred Compensation

On February 1, 2006, the Company issued 772,500 restricted common shares at a price of \$0.3333 per share for a value of \$257,500 to a consultant in connection with a one year corporate finance consulting services agreement of the same date. The consultant provided among other things, assistance in the initiation, coordination, implementation and management of all aspects of any program or project in connection with the corporate finance development and maintenance of the Company's various business interests. The \$257,500 charge was recorded as deferred compensation and expensed over a one year term. Accordingly, the remaining \$21,458 at December 31, 2006 has been expensed as stock based consulting fees during the period.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

On April 1, 2006 the Company entered into a twelve month consulting agreement to provide services including financial and investor public relations and related matters in the Federal Republic of Germany. The Company paid approximately \$370,000 (290,000 EUR) in cash for current contract expenditures and issued 400,000 restricted common shares of the Company at a price of \$2.25 per share for a value of \$900,000. The \$900,000 charge was recorded as deferred compensation and expensed over a one year period. Accordingly, the unamortized balance of \$225,000 at December 31, 2006 has been expensed as stock based consulting fees during the period.

Stock Based Compensation

A summary of stock based compensation expense as of July 31, 2007:

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31,</u> <u>2006</u>	For the Period From May 16, 2003 (inception) to <u>July 31, 2007</u>
Stock Based Consulting			
Amortization of deferred compensation	\$246,458	\$911,042	\$1,157,500
Common stock issued for consulting services	74,725	6,250	80,975
Options issued to consultants	382,875	2,130,149	3,197,032
Warrants issued for consulting services	—	<u>1,618,526</u>	<u>1,618,526</u>

	<u>704,058</u>	<u>4,665,967</u>	<u>6,054,033</u>
Stock Based Management Fees			
Amortization of deferred compensation	-	650,000	650,000
Options issued to management	<u>1,774,500</u>	<u>273,253</u>	<u>2,047,753</u>
	<u>1,774,500</u>	<u>923,253</u>	<u>2,697,753</u>
Stock Based Wages and Benefits			
Options issued to employees	<u>236,213</u>	<u>431,078</u>	<u>667,291</u>
	<u>\$2,714,771</u>	<u>\$6,020,298</u>	<u>\$9,419,077</u>

NOTE 9: INCOME TAXES

The Company has adopted FASB No. 109 for reporting purposes. As of July 31, 2007, the Company had net operating loss carry forwards of approximately \$21,533,269 that may be available to reduce future years' taxable income. These carry forwards will begin to expire, if not utilized, commencing in 2023. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry forwards.

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

A reconciliation of income tax computed at the federal and state statutory tax rates and the Company's effective tax rate is as follows:

	Seven Months Ended <u>July 31, 2007</u>	Year Ended <u>December 31, 2006</u>
Federal income tax provision at statutory rate	(35.00)%	(35.00)%
States income tax provision at statutory rates, net of federal income tax effect	<u>(5.48)%</u>	<u>(5.48)%</u>
Total income tax provision	<u>(40.48)%</u>	<u>(40.48)%</u>

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

The actual income tax provisions differ from the expected amounts calculated by applying the combined federal and state corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	Seven Months Ended	Year Ended
	<u>July 31, 2007</u>	<u>December 31, 2006</u>
Loss before income taxes	\$(16,388,546)	\$(14,818,318)
Corporate tax rate	<u>40.48%</u>	<u>40.48%</u>
Expected tax expense (recovery)	(6,634,083)	(5,998,455)
Increase (decrease) resulting from:		
Permanent differences	715,623	264,757
True-up adjustment	103,653	-
Non-qualified stock options	(1,359,095)	(2,444,959)
Change in valuation allowance	<u>6,978,731</u>	<u>8,178,657</u>
From Operations	(195,171)	-
Unrecognized gain, other comprehensive income	<u>195,171</u>	<u>-</u>
Future income tax provision (recovery)	<u>\$ -</u>	<u>\$ -</u>

The Company's deferred tax assets are as follows:

Year Ended

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

	Seven Months Ended	
	<u>July 31, 2007</u>	<u>December 31, 2006</u>
Deferred tax assets		
Mineral property acquisitions	\$4,782,209	\$1,551,376
Exploration costs	1,398,264	747,711
Permitting fees and expenditures	87,655	-
Stock option expense	1,195,355	1,205,561
Depreciable property	7,230	1,784
Charitable donations	7,475	3,022
Loss carry forwards	<u>8,716,371</u>	<u>5,511,203</u>
	16,194,559	9,020,657
Valuation allowance	<u>(15,999,388)</u>	<u>(9,020,657)</u>
Net Deferred Tax Assets	195,171	-
Deferred tax liability, other comprehensive income	<u>(195,171)</u>	<u> -</u>
Net Deferred Income Tax Assets	<u>\$ -</u>	<u>\$ -</u>

As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior year.

The Company's net operating loss carryforwards expire as follows:

July 31, 2023	\$24,132
July 31, 2024	74,499
July 31, 2025	403,227
July 31, 2026	13,113,235

July 31, 2007

7,918,175\$21,533,269

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

For U.S. federal income tax purposes a change in ownership under IRC Section 382 may have occurred in a prior year. If an ownership change has occurred, the utilization of these losses against future income would be subject to an annual limitation. The annual limitation would be equal to the value of the Company immediately prior to the change in ownership multiplied by the IRC Section 382 rate in effect during the month of the change.

NOTE 10: COMMITMENTS

On February 1, 2007 the Company entered into a financial consulting agreement for a 12 month term. The Consultant will: i) disseminate the Company's news releases, investor packages, research reports and corporate and industry sector materials; ii) promote investor awareness and manage financial public relations to the investment community; and iii) arrange meetings with industry sector analysts, stock brokers and portfolio managers. The Company will pay the Consultant \$6,500 and 2,500 restricted common shares per month. As of July 31, 2007 share issuances of 2,500 for February through June have been issued, and accordingly, a total expense of \$74,725 has been included in stock-based consulting fees based on the fair value of the 12,500 shares issued.

On March 29, 2007 the Company entered into a six month consulting services agreement valued at approximately 300,178 (\$411,694 US). The Consultant will provide advice on public and investor relations related matters. Under the terms of the agreement, the Company paid a retainer of approximately 209,000 (\$286,644 US), and will pay a final installment of approximately 91,178 (\$125,050 US) which was due 90 days from the date of the agreement.

On April 6, 2007 the Company entered into a twelve month consulting services agreement at \$10,000 per month. The consultant will provide representation before the executive and legislative branches of the federal government and state governments in addition to providing consulting services on political matters.

The Company is committed to pay its key executives a total of approximately \$457,000 per year for management services.

The Company is currently leasing office premises in New Mexico, Texas, and Wyoming with total monthly payments of \$9,444, with all agreements having a maximum term of no more than three years.

The aggregate minimum payments over the next five years are as follows:

July 31, 2008	\$706,585
July 31, 2009	<u>150,431</u>
	<u>\$857,016</u>

NOTE 11: SUPPLEMENTAL CASH FLOW INFORMATION AND
NONCASH INVESTING AND FINANCING ACTIVITIES

During the seven month period ended July 31, 2007, the Company received the 333,333 High Plains Uranium ("HPU") shares pursuant to the July 27, 2006 option agreement to sell its Cadena historical mining database. The HPU shares had a recorded value of \$235,040 based on the fair value on the date of the agreement, and were reported as an agreement receivable as of December 31, 2006. On January 19, 2007 HPU completed a business combination agreement with Energy Metals Corp. ("EMC"), a Canadian based public company listed on the NYSE Arca and Toronto Stock Exchanges. As a result, the 333,333 shares of HPU were exchanged on a 1:6.2 basis and the Company received 53,763 shares of EMC. (Refer to Note 12)

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
July 31, 2007

Seven Months Ended	Year Ended
<u>July 31, 2007</u>	<u>December 31, 2006</u>

Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

NOTE 12: CHANGE IN FISCAL YEAR

Comparative figures for seven months ended July 31, 2006 are outlined as follows:

Seven Months Ended
<u>July 31, 2006</u>

Revenue	\$ -
Gross Profit	-
Income Taxes	-
Loss from Continuing Operations	<u>(7,991,544)</u>
Net Loss	<u>\$(7,991,544)</u>
Basic and Diluted Loss per Share	<u>\$(0.33)</u>
Weighted Average Number of Shares Outstanding, Basic and Diluted	<u>24,501,731</u>

NOTE 13: SUBSEQUENT EVENTS

(a) On August 10, 2007 Uranium One Inc. ("UOI"), a Canadian based public company listed on the Toronto Stock Exchange, completed an acquisition of all of the issued and outstanding shares of Energy Metals Corporation ("EMC"). As a result, 53,763 shares of EMC were exchanged on a 1.15:1 basis and the Company received 61,827 shares of UOI.

(b) On September 15, 2007 the Company entered into a three month consulting services agreement valued at approximately 84,000 (\$116,633 US). The Consultant will provide advice on public and investor relations related matters. Under the terms of the agreement, the Company paid a retainer of approximately 55,000 (\$76,367 US), and will pay two additional installments of approximately 10,000 (\$13,885 US) each 30 and 60 days from the date of the agreement respectively. Additionally, the Company will pay a service fee of approximately 3,000 (\$4,165 US) per month during the three month term.

(c) On September 25, 2007 the Company entered into an agreement to purchase a database consisting of drilling, mapping and logging reports covering uranium and associated metals prospects located primarily in New Mexico and Wyoming. Consideration for the asset purchase was \$100,000, consisting of (i) a \$50,000 cash payment upon acceptance (paid); and a final \$50,000 installment prior to January 11, 2008.

URANIUM ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

July 31, 2007

NOTE 14: PRIOR YEAR FIGURES

The following table outlines the impact of the reclassification of prior year figures:

	Year Ended December 31, 2006	Year Ended December 31, 2006
	<u>(As Filed)</u>	<u>(As Reclassified)</u>
Statements of Operations		
Impairment loss on mineral properties	\$ -	\$3,022,311
Mineral property expenditures	<u>4,716,223</u>	<u>1,693,912</u>
	<u>\$4,716,223</u>	<u>\$4,716,223</u>
Statements of Cash Flows		
Impairment loss on mineral properties	\$ -	\$3,022,311
Non-cash mineral property expenditures	2,783,500	-
Acquisition of mineral properties	<u>_____</u>	<u>(238,811)</u>
	<u>\$2,783,500</u>	<u>\$2,783,500</u>

Mineral property acquisition costs of \$3,022,311 for the fiscal year ended December 31, 2006, which were included in mineral property expenditures in the year ended December 31, 2006, were reclassified as an impairment loss on mineral properties in the Company's audited financial statements for the period ended July 31, 2007 and, accordingly, the prior year figures have been reclassified to conform with the current period presentation. The reclassification has no impact on the reported loss for the period.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Our principal independent accountant is Ernst & Young LLP, Chartered Accountants, of 700 West Georgia Street, P.O. Box 10101, Vancouver, British Columbia, Canada, V7Y 1C7. We engaged Ernst & Young LLP as our principal independent registered public accounting firm effective June 12, 2007. Concurrent with this appointment, we terminated the client-auditor relationship with Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants ("DMCL") effective June 12, 2007. The decision to change our principal independent registered public accounting firm was approved by our Company's Board of Directors.

The reports of DMCL on the our consolidated financial statements for each of the fiscal years ended December 31, 2005 and 2006 did not contain an adverse opinion or disclaimer of opinion, nor were they modified as to uncertainty, audit scope, or accounting principles, other than to state, in the report for the fiscal year ended December 31, 2005, that there is substantial doubt as to our ability to continue as a going concern. During our fiscal year ended December 31, 2006 and the subsequent period through to the date of DMCL's dismissal, there were no disagreements between DMCL and us, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of DMCL, would have caused DMCL to make reference thereto in their reports on our audited consolidated financial statements.

In connection with our reaching the decision of appointing Ernst & Young LLP as our principal registered accounting firm at this time, we did not consult with Ernst & Young LLP on any matter relating to the application of accounting principles to a specific transaction, either completed or contemplated, or the type of audit opinion that might be rendered on our financial statements.

ITEM 8A. CONTROLS AND PROCEDURES

Financial Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of our management, including Amir Adnani, our President and Chief Executive Officer ("CEO") and Pat Obara, our Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2007. Based on that evaluation, Messrs. Adnani and Obara concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the seven months ended July 31, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Audit Committee Report

Our Board of Directors has established an audit committee. The members of the audit committee are Messrs. Erik Essiger, Ivan Obolensky and Vincent Della Volpe. All of the members of the audit committee are "independent" within the meaning of Rule 10A-3 under the Exchange Act and are financial experts. The audit committee operates under a written charter adopted by the Board of Directors.

The audit committee has reviewed and discussed with management our audited financial statements as of and for seven months ended July 31, 2007. The audit committee has also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by

Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with Ernst & Young LLP their independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the audited financial statements referred to above be included in our Annual Report on Form 10-KSB for seven months ended July 31, 2007 filed with the SEC.

ITEM 8B. OTHER INFORMATION

Not applicable.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Identification of Directors and Executive Officers

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal. Our directors and executive officers and their respective ages as of the date of this Annual Report are as follows:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Amir Adnani	29	President, Chief Executive Officer, Principal Executive Officer and a director
Alan P. Lindsay	57	Chairman and a director
Harry Anthony	60	Chief Exploration Officer and a director
Pat Obara	51	Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer
Erik Essiger	42	Director
Ivan Obolensky	82	Director
Vincent Della Volpe	65	Director

Biographies

The following describes the business experience of each of our directors and executive officers, including other directorships held in reporting companies:

Amir Adnani

Mr. Amir Adnani is a founder of the Company and has been our President, Chief Executive Officer, Principal Executive Officer and a director since January 24, 2005. Mr. Adnani is an entrepreneur with an extensive background in business development and marketing. He founded Blender Media Inc., a Vancouver based company that provides strategic marketing and financial communications services to public companies and investors in the mineral exploration, mining, and energy sectors. Mr. Adnani holds a Bachelor of Science degree from the University of British Columbia. Mr. Adnani is not a director or officer of any other U.S. reporting company.

Alan P. Lindsay

Mr. Alan P. Lindsay is a founder of the Company and has been our Chairman and a director since May 16, 2003. Mr. Lindsay has extensive experience and expertise in the mining and biomedical fields. From 2000 to the present, he has been the Chairman, President and CEO of MIV Therapeutics, Inc., a publicly-listed biomedical company focused on biocompatible coating technology for stents and medical devices. Mr. Lindsay was the founder of AZCO Mining Inc. and served as Chairman, President and CEO of AZCO from 1992 to 2000. During his term, AZCO obtained listings on both the Toronto and American Stock Exchanges. AZCO developed the Sanchez copper deposit and Piedras Verdes copper deposits. Mr. Lindsay negotiated a business transaction with Phelps Dodge Corporation that led to the sale of the Sanchez deposit for \$55 million and a joint venture on the Piedras Verdes deposit. Mr. Lindsay is also a director of TapImmune Inc., a US reporting company, and a director of Hana Mining Ltd., a TSX Venture Exchange reporting company.

Harry L. Anthony IV P.E.

Mr. Harry L. Anthony has been our Chief Operating Officer and a director since February 2006. Mr. Anthony has 38 years of experience in hydrometallurgical processing of which, 32 years have been in the ISR uranium mining industry. From approximately 1997 to early 2006, Mr. Anthony had been a consultant through Anthony Engineering Services to several major uranium companies and international agencies, which duties generally include project evaluation, operations "trouble shooter" and technical and financial expert. From approximately 1990 through 1997, Mr. Anthony was a Senior Vice President of Uranium Resources, Inc., where he managed all facets of operations and technical support to achieve production goals, drilling, ion exchange, reverse osmosis, software development and equipment design. His duties also included oversight of construction, technical aspects, and daily operations of plants and wellfields, budget planning and forecasting, property evaluations and reserve estimations. Mr. Anthony also previously served as the vice-president of engineering/engineering manager and director of Uranium Resources, Inc., and a project superintendent and project engineer for Union Carbide Corp. Mr. Anthony was on the board of directors of Uranium Resources, Inc. from 1984 through 1994. He is the author of several publications and the recipient of the awards "Distinguished Member of the South Texas Mineral Section of AIME -1987" and "1999 Outstanding Citizen of the Year - Kingsville Chamber of Commerce". Mr. Anthony received an M.S. in Engineering Mechanics in 1973 and a B.S. in Engineering Mechanics in 1969 from Pennsylvania State University. Mr. Anthony is not a director or officer of any other US reporting company.

Pat Obara

Mr. Obara became our Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer on August 23, 2006. During the past five years Mr. Obara has worked as a consultant to several private and publicly listed companies providing various consulting services in the areas of corporate finance and administration. From March of 2003 to present Mr. Obara has provided various administrative consulting services to private companies involved in business activities in Asia and North America. Prior to April of 2004 Mr. Obara served as the Chief Financial Officer and a director of two public companies listed on the TSX Venture Exchange. Mr. Obara was involved in the restructuring, organizing and management of these development stage companies which were involved in the resource and technology sectors. Mr. Obara is not a director or officer of any other US reporting company.

Erik Essiger

Mr. Essiger became one of our directors and a member of our Audit Committee on August 23, 2006. During the past five years Mr. Essiger has been: the Managing Director and the founder of SWISS Capital Partners AG (previously Precisetech GmbH), a corporate finance advisory company focused on international M&A transactions (from October 2004 to present); a member of the Supervisory Board of Corix Capital AG (from December 2003 to December 2006); the Senior Manager, Transaction Services Strategy Group, with PricewaterhouseCoopers AG, heading up the commercial and due diligence practice of that group in Germany which provided services mainly to private equity clients of the firm (from April 2003 to September 2004); and a member of the Executive Board (Vorstand) of MultiMedia Technologies AG, a producer of set-top-boxes and a company operating in the fields of interactive digital television and the streaming media market (from July 2000 to July 2002). Mr. Essiger also has extensive international experience in corporate restructuring; especially in Germany, Russia, Hong Kong and Switzerland; and he was a member of the German-Russian co-operation council. Mr. Essiger is not a director or officer of any other US reporting company.

Ivan Obolensky

Mr. Obolensky has 40 years experience in the investment banking business as a financial analyst, with specific expertise in the areas of defense aerospace, oil and gas, nuclear power, metals and mining, publishing and high technology industries. He has been an executive of several investment banks, including Sterling Grace & Co., Jesup, Josephthal & Co., Dominick and Dominick, Inc., Middendorf Colgate, and CB Richard Ellis Mosley Hallgarten. Currently, Mr. Obolensky is a Senior Vice President of Shields & Company, an Investment Bank and Member of the New York Stock Exchange. Ivan Obolensky is a Registered Investment Advisor, Supervisory Financial Analyst and a member of the New York Society of Security Analysts. He has made frequent appearances as a guest on CNBC, CNNfn, and Bloomberg TV. Mr. Obolensky is also a member of various foundations and philanthropic organizations, and serves as Chairman and CEO of the Soldiers' Sailors' Marines' Coast Guard and Airmen's Club in New York and as a Director and President Emeritus of the Children's Cancer and Blood Foundation at New York Presbyterian Hospital; President and Director of Masonic Toys For Tots Foundation . He is a graduate of Yale University and a retired Lieutenant (Junior Grade) in the U.S. Naval Air Corps. Mr. Obolensky is a director of Gold Canyon Resources, Inc., a junior natural resources company incorporated in British Columbia, Canada that, is listed on the TSX Venture Exchange.

Vincent Della Volpe

Mr. Della Volpe has served as a professional money manager for over 35 years, including as a senior portfolio manager of pension funds for Honeywell Corporation and senior vice president of the YMCA Retirement fund in New York. Throughout his career Mr. Della Volpe has particularly focused on the management of energy and utility equity portfolios, and he also has experience managing venture capital investments. Mr. Della Volpe holds a Bachelor of Arts in Accounting and an MBA in finance, both from Seton Hall University. Since September 2006, Mr. Della Volpe has served as a director of Gold Canyon Resources, Inc., a junior natural resources company incorporated in British Columbia, Canada, that is listed on the TSX Venture Exchange.

Family Relationships

Alan P. Lindsay is the father-in-law of Amir Adnani.

Involvement in Certain Legal Proceedings

None of our directors, executive officers or control persons have been involved in any of the following events during the past five years: (i) any bankruptcy petition filed by or against any business of which such person was a general

partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or (iv) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Committees of the Board of Directors

Audit Committee

As of the date of this Annual Report Messrs. Essiger, Obolensky and Della Volpe have been appointed as members to our audit committee. All of the three members are "independent" within the meaning of Rule 10A-3 under the Exchange Act and are financial experts. The audit committee operates under a written charter adopted by the Board of Directors.

The audit committee's primary function is to provide advice with respect to our financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, and legal compliance. The audit committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor our financial reporting process and internal control system; (ii) review and appraise the audit efforts of our independent accountants; (iii) evaluate our quarterly financial performance as well as our compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management and the Board of Directors.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors and officers, and the persons who beneficially own more than 10% of our common stock, to file reports of ownership and changes in ownership with the SEC. Copies of all filed reports are required to be furnished to us pursuant to Rule 16a-3 promulgated under the Exchange Act. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the seven months ended July 31, 2007.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid to our Chief Executive Officer and those executive officers that earned in excess of \$100,000 during the seven month period ended July 31, 2007 (collectively, the "Named Executive Officers"):

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Total (\$)</u>
	2007	88,750 ⁽¹⁾	-	-	616,500 ⁽²⁾	705,250 ⁽³⁾

Amir Adnani, President
and Chief Executive Officer

Harry L. Anthony, Chief
Operating Officer

2007 93,750⁽¹⁾ - - 616,500⁽²⁾ 710,250

Pat Obara, Secretary,
Treasurer
and Chief Financial Officer

2007 51,707⁽¹⁾ - - 68,500⁽²⁾ 120,207

(1)

These amounts represent fees paid by us to the Named Executive Officers during the past year pursuant to various employment and consulting services agreements, as between us and the Named Executive Officers, which are more particularly described in this Annual Report. See "Item 10. Executive Compensation - Employment and Consulting Agreements.

(2)

These amounts represent the fair value of these options at the date of grant which was estimated using the Black-Scholes option pricing model.

(3)

The Company did not record any non-equity incentive compensation plan expense, non-qualified deferred compensation expense or other compensation expense for the Named Executive Officers.

Stock Options/SAW Grants in Seven Months Ended July 31, 2007

The following table sets forth information as at July 31, 2007, relating to options that have been granted to the Named Executive Officers:

Option Awards

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	(1)	Equity Incentive Plan Awards:	
				Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)
					Option Expiration Date
Amir Adnani, President and CEO	202,500	-	-	0.33	12/20/15
	225,000	-	-	3.30	01/01/17
Harry L. Anthony, Chief Operating Officer	202,500	-	-	0.33	12/20/15
	172,500	-	-	0.33	02/01/16
	225,000	-	-	3.30	01/01/17

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

Pat Obara,	200,000	-	-	1.30	10/10/16
Chief Financial Officer	25,000	-	-	3.30	01/01/17

(1)

There are no outstanding stock awards for the Named Executive Officers.

Directors Compensation Table

The following table sets forth information relating to compensation paid to our directors in 2007:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Total (\$) (3)
Alan P. Lindsay, Chairman	9,540 ⁽¹⁾	-	-	9,540
Amir Adnani	88,750	-	616,500	705,250
Harry L. Anthony	93,750	-	616,500	710,250
Erik Essiger	-	-	-	-
Ivan Obolensky	-	-	473,000 ⁽²⁾	473,000-
Vincent Della Volpe	-	-	-	-

(1)

Alan Lindsay received \$3,000 per month through March 31, 2007, for the provision of various management consulting services provided by Mr. Lindsay to us on a monthly basis and from time to time.

(2)

This amount represents the fair value of these options at the date of grant which was estimated using the Black-Scholes option pricing model.

(3)

The Company did not record any non-equity incentive compensation plan expense, non-qualified deferred compensation expense or other compensation expense for the Directors.

Employment and Consulting Agreement

Anthony Employment Agreement

On February 15, 2006, our Board of Directors authorized and approved the execution of an employment agreement between us and Harry L. Anthony (the "Anthony Employment Agreement"). On July 1, 2006, our Board of Directors approved an amendment to the Anthony Employment Agreement extending the initial term thereunder to July 1, 2008. Pursuant to the terms and provisions of the Anthony Employment Agreement, as amended: (i) Mr. Anthony shall provide duties to us commensurate with his executive position as our Chief Operating Officer and he will also become

a member of our Board of Directors; (ii) we shall pay to Mr. Anthony a monthly fee of \$10,000 to October 1, 2006 when the monthly fee paid to Mr. Anthony increased to \$12,500 through February 28, 2007, when an additional increase to \$13,750 is currently being paid; (iii) we granted an aggregate of 250,000 pre-forward split stock options to Mr. Anthony to purchase shares of our restricted common stock at \$0.50 per share for a ten-year term; and (iv) the Anthony Employment Agreement may be terminated without cause by either of us by providing prior written notice of the intention to terminate at least 90 days (in the case of our company after the initial term) or 30 days (in the case of Mr. Anthony) prior to the effective date of such termination.

During the seven months ended July 31, 2007, an aggregate of \$93,750 was incurred by us to Mr. Anthony under the terms and provisions of the Anthony Employment Agreement. As of the date of this Annual Report no balance remains due and owing to Mr. Anthony as compensation under the Anthony Employment Agreement.

Adnani Executive Services Agreement

On July 1, 2006, our Board of Directors authorized and approved an executive services agreement between us and Amir Adnani, as amended by letter agreement dated July 1, 2007 (the "Adnani Executive Services Agreement"). The current initial term of the agreement is two years expiring on July 1, 2009. Pursuant to the terms and provisions of the Adnani Executive Services Agreement: (i) Mr. Adnani shall continue to provide duties to us commensurate with his current executive positions as our President and Chief Executive Officer; (ii) we shall pay to Mr. Adnani a monthly fee of \$10,000.00 to December 31, 2006, when the monthly fee paid to Mr. Adnani increased to \$12,500 through June 30, 2007, when an additional increase to \$13,750 is currently being paid; (iii) we confirmed the previous granting of his existing pre-forward split stock options; and (iv) the Adnani Executive Services Agreement may be terminated without cause by either of us by providing prior written notice of the intention to terminate at least 90 days (in the case of our company after the initial term) or 30 days (in the case of Mr. Adnani) prior to the effective date of such termination.

During the seven months ended July 31, 2007, an aggregate of \$88,750 was incurred by us to Mr. Adnani under the terms and provisions of the Adnani Executive Services Agreement. As of the date of this Annual Report no balance remains due and owing to Mr. Adnani as compensation under the Adnani Executive Services Agreement.

Obara Builders Ltd. Consulting Services Agreement

On August 15, 2007, with an effective date of July 1, 2007, our Board of Directors authorized and approved the "Obara Builders Consulting Services Agreement". The initial term of the agreement is two years expiring on July 1, 2009. Pursuant to the terms and provisions of the Obara Builders Consulting Services Agreement: (i) Mr. Obara shall continue to provide duties to us commensurate with his current executive positions as our Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer; (ii) we shall pay to Obara Builders Ltd., a private company controlled by Pat Obara, a monthly fee of CAD \$10,000; (iii) we approved the granting of stock options from time to time at such fair market exercise price or prices per Option Share as may be determined by our Board of Directors; and (iv) the Obara Builders Ltd. Consulting Services Agreement may be terminated without cause by either of us by providing prior written notice of the intention to terminate at least 90 days (in the case of our company after the initial term) or 30 days (in the case of Mr. Obara) prior to the effective date of such termination. See "Item 9. Directors, Executive Officers, Promoters, Control Person and Corporate Governance; Compliance with Section 16(a) of the Exchange Act", "Item 10. Executive Compensation" and "Item 12 Certain Relationships and Related Transactions and Director Independence."

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

As of the date of this Annual Report the following table sets forth certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated. As of the date of this Annual Report there are 37,612,088 shares of common stock issued and outstanding.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Beneficial Ownership</u>
(1)	(1)	
Directors and Officers:		
Amir Adnani 320 - 1111 West Hastings Street Vancouver, B. C., Canada, V6E 2J3	2,160,701 ⁽²⁾	5.74%
Alan P. Lindsay 2701 - 1500 Hornby Street Vancouver, B. C., Canada, V6Z 2R1	2,881,287 ⁽³⁾	7.66%
Harry L. Anthony P.O. Box 1328 Kingsville, TX, U.S.A., 78364	1,372,500 ⁽⁴⁾	3.65%

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Beneficial Ownership</u>
(1)	(1)	
Pat Obara 2791 West 35 th Avenue Vancouver, B. C., Canada, V6N 2M1	225,000 ⁽⁵⁾	*
Erik Essiger P.O. Box 37491, Dubai, UAE	100,000 ⁽⁶⁾	*
Ivan Obolensky 425 East 79 th Street New York, NY, U.S.A., 10021	116,000 ⁽⁷⁾	*
Vincent Della Volpe 32 Evergreen Drive	<u>Nil</u>	<u>*</u>

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

Lincoln Park, NJ, U.S.A., 07035	(8)	
All executive officers and directors as a group (7 persons)		<u>6,855,488</u>
	(9)	<u>18.23%</u>

Major Shareholders:

Isaiah Capital Trust 28 - 30 The Parade St. Heller, Jersey, Channel Islands, JE4 8XY	2,735,000 ⁽¹⁰⁾	7.27%
Morgan Stanley & Co. fbo Passport Global Master Fund SPC Ltd. And Passport Materials Master Fund, LP 402 Jackson Street San Francisco, CA, U.S.A., 94111	4,200,000 ⁽¹¹⁾	11.17%
Westcliff Capital Management, LLC 200 - 7 th Avenue, Suite 105 Santa Cruz, CA, U.S.A., 95062	3,660,000 ⁽¹²⁾	9.73%

* Less than one percent.

(1)

Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding as of the date of this Annual Report. As of the date of this Annual Report, there were 37,612,088 shares issued and outstanding. Beneficial ownership amounts reflect the forward stock split effective February 28, 2006.

(2)

This figure includes (i) 1,730,201 shares of common stock, (ii) 3,000 shares of common stock held of record by Amir Adnani's wife, (iii) stock options to purchase 202,500 shares of our common stock at an exercise price of \$0.33 per share expiring on December 20, 2015, and (iv) stock options to purchase 225,000 shares of our common stock at \$3.30 per share expiring on January 2, 2017.

(3)

This figure includes (i) 2,093,787 shares of common stock, (ii) 187,500 shares of common stock held of record by Alan P. Lindsay's wife, and (iii) stock options to purchase 600,000 shares of our common stock at an exercise price of \$0.33 per share expiring on December 20, 2015. Mr. Lindsay is the father-in-law of Amir Adnani.

(4)

This figure includes (i) 772,500 shares of common stock, (ii) stock options to purchase 202,500 shares of our common stock at an exercise price of \$0.33 per share expiring on December 20, 2015, (iii) stock options to purchase 172,500 shares of our common stock at \$0.33 per share expiring on February 14, 2016, and (iii) stock options to purchase 225,000 shares of our common stock at \$3.30 per share expiring on January 3, 2017.

(5)

This figure includes (i) stock options to purchase 200,000 shares of our common stock at \$1.30 per share expiring on October 10, 2016; and (ii) stock options to purchase 25,000 shares of our common stock at \$3.30 per share expiring on January 2, 2017.

(6)

This figure includes stock options to purchase 100,000 shares of our common stock at \$1.30 per share expiring on October 10, 2016.

(7)

This figure includes (i) 16,000 shares of common stock, and (ii) stock options to purchase 100,000 shares of our common stock at an exercise price of \$5.70 per share expiring on March 30, 2017.

(8)

This individual became a director of the Company on July 23, 2007.

(9)

This figure includes (i) 4,802,988 shares of common stock and (ii) stock options to purchase 2,052,500 shares of our common stock at exercise prices ranging from \$0.33 to \$5.70 per share.

(10)

Isaiah Capital Trust is a trust organized under the laws of Jersey, Channel Islands. The trustee of Isaiah Capital Trust is Equity Trust (Jersey) Limited.

(11)

This figure includes (i) 2,800,000 shares of common stock and (ii) warrants to purchase 1,400,000 shares of our common stock at a price of \$3.00 per share. We are not aware who presently exercises dispositive and voting power with respect to the shares of common stock owned by Passport Global Master Fund SPC Ltd. & Passport Materials Master Fund, LP; and these shareholders have no known relationship with our company. We are also informed that Passport Management, LLC acquired our securities as a portfolio manager in the ordinary course of business for their own account without any view or intention to distribute their securities and that, at the time of purchase, they had no agreements or understandings, directly or indirectly, with the Company or with any other party to distribute the securities.

(12)

This figure includes (i) 2,400,000 shares of common stock and (ii) warrants to purchase 1,260,000 shares of our common stock at a price of \$3.00 per share. We are not aware who presently exercises dispositive and voting power with respect to the shares of common stock owned by Westcliff Capital Management, LLC; and this shareholder has no known relationship with our company. We are also informed that Westcliff Capital Management, LLC acquired our securities as a portfolio manager in the ordinary course of business for their own account without any view or intention to distribute their securities and that, at the time of purchase, they had no agreements or understandings, directly or indirectly, with the Company or with any other party to distribute the securities.

Changes in Control

We are unaware of any contract, or other arrangement or provision, the operation of which may at a subsequent date result in a change of control of our company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Except for the transactions described below, none of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing, have any interest, direct or indirect, in any transaction or in any proposed transactions, which has materially affected or will materially affect us during seven months ended July 31, 2007.

Employment and Consulting Agreements

During the seven months ended July 31, 2007, we had transactions with certain of our officers and directors as follows: (i) we incurred an aggregate of \$302,697 in management and/or consulting fees to Amir Adnani, Alan P. Lindsay, Harry L. Anthony, Pat Obara, and Randall Reneau in the amounts of \$88,750, \$9,540, \$93,750, \$51,707 and \$58,950, respectively; and (ii) we recorded an additional aggregate \$1,774,500 in stock-based compensation expense.

During the seven months ended July 31, 2007, we paid \$20,745 for consulting services to a private company controller by a direct family member of our Chairman.

During the seven months ended July 31, 2007, we paid \$11,980 for marketing, media and web hosting and maintenance services to a private company controller by a direct family member of our President.

Amounts owing to related parties are unsecured, non-interest bearing and without specific terms of repayment.

ITEM 13. EXHIBITS

The following exhibits are filed with this Annual Report on Form 10-KSB:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Articles of Incorporation, as amended ⁽¹⁾
3.1.1	Certificate of Amendment to Articles of Incorporation ⁽²⁾
3.2	Bylaws ⁽¹⁾
3.3	Audit Committee Charter ⁽¹⁾
3.4	Ethics Charter ⁽¹⁾
4.1	Consulting Agreement between Uranium Energy Corp. and Randall Reneau ⁽³⁾
4.2	Mineral Asset Option Agreement ⁽³⁾

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

- 4.3 Agreement and Addendum between Harry A. Moore Trust and Uranium Energy Corp.⁽⁴⁾
- 4.4 Financial Consulting Services Agreement between Uranium Energy Corp. and International Market Trend AG⁽⁵⁾
- 4.5 Harry A. Moore Trust Agreement⁽⁵⁾
- 4.6 Amending Agreement to Employment Agreement between Uranium Energy Corp. and Harry Anthony⁽⁶⁾
- 4.7 Consulting Services and Right of First Refusal Agreement between Uranium Energy Corp. and Jim Knupke⁽⁵⁾
- 4.8 Corporate Relations Consulting Services Agreement between Uranium Energy Corp. and Michael Baybak and Corp. Inc.⁽⁵⁾
- 4.9 Corporate Finance Consulting Services Agreement between Uranium Energy Corp. and Eurotrade Management Group Ltd.⁽⁵⁾
- 4.10 Executive Services Agreement between Uranium Energy Corp. and Amir Adnani⁽⁶⁾ as amended by letter agreement⁽¹⁴⁾
- 4.11 Reneau Services Agreement between Uranium Energy Corp. and Randall Reneau⁽⁶⁾
- 4.12 Uranium Mining Lease among Uranium Energy Corp., John G. Jebsen and John Triantis⁽⁷⁾
- 4.13 Mineral Assets Letter Option Agreement between Uranium Energy Corp., Fred Holley, Marty Holley and Betty Holley⁽⁸⁾
- 4.14 Cibola Resources LLC Members and Operating Agreements between Uranium Energy Corp. and Neutron Energy, Inc.⁽⁹⁾
- 4.15 Obara Builders Executive Services Agreement between Uranium Energy Corp. and Obara Builders Ltd.⁽¹⁰⁾
- 10.1 2005 Stock Option Plan of Uranium Energy Corp.⁽¹¹⁾
- 10.2 Amended 2005 Stock Option Plan ⁽¹²⁾
- 10.3 2006 Stock Incentive Plan of Uranium Energy Corp.⁽¹³⁾
- 31.1 CEO Certification Pursuant to Rule 13a-14(a)/15d-14(a)
- 31.2 CFO Certification Pursuant to Rule 13a-14(a)/15d-14(a)
- 32.1 CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

(1)

Incorporated by reference to our Registration Statement on Form SB-2 filed with the SEC on August 4, 2005.

(2)

Incorporated by reference to our Current Report on Form 8-K filed with the SEC on February 9, 2006.

(3)

Incorporated by reference to the amendment to our Registration Statement on Form SB-2 filed with the SEC on November 9, 2005.

(4)

Incorporated by reference to our Current Report on Form 8-K as filed with the SEC on December 21, 2005.

(5)

Incorporated by reference to our Annual Report on Form 10-KSB for the year ended December 31, 2005 filed with the SEC on April 13, 2006.

(6)

Incorporated by reference to our Registration Statement on Form SB-2 filed with the SEC on October 4, 2006.

(7)

Incorporated by reference to our Quarterly Report on Form 10-QSB filed with the SEC on August 21, 2006.

(8)

Incorporated by reference to our Current Report on Form 8-K as filed with the SEC on April 12, 2007.

(9)

Incorporated by reference to our Current Report on Form 8-K as filed with the SEC on May 4, 2006.

(10)

Incorporated by reference to our Current Report on Form 8-K filed with the SEC on October 6, 2007.

(11)

Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 21, 2005.

(12)

Incorporated by reference to our Quarterly Report on Form 10-QSB filed with the SEC on May 15, 2006.

(13)

Edgar Filing: BAXTER INTERNATIONAL INC - Form 10-K

Incorporated by reference to our Quarterly Report on Form 10-QSB filed with the SEC on November 20, 2006.

(14)

Filed herewith.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

During the seven months ended July 31, 2007, we incurred approximately \$98,500 in fees to our principal independent accountants for professional services rendered in connection with the audit of our financial statements for the seven months ended July 31, 2007, and for the review of our financial statements for the quarters ended March 31, 2007 and June 30, 2006.

During fiscal year ended December 31, 2006, we incurred approximately \$70,000 in fees to our principal independent accountant for professional services rendered in connection with the audit of our financial statements for fiscal year ended December 31, 2006, and for the review of our financial statements for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006.

During fiscal year ended December 31, 2006, we did not incur any other fees for professional services rendered by our principal independent accountant for all other non-audit services which may include, but is not limited to, tax-related services, actuarial services or valuation services.

SIGNATURES

In accordance with Section 13 and 15 (d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U R A N I U M
ENERGY CORP.

By: /s/ Amir
Adnani

Amir
Adnani
President,
Chief Executive
Officer and a
director

Date:
February 28, 2008.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Amir
Adnani

Amir
Adnani
President,
Chief Executive
Officer and a
director

Date:
February 28, 2008.

By: /s/ Pat
Obara

Pat Obara
Secretary,
Treasurer and Chief
Financial Officer

Date:
February 28, 2008.

By: /s/ Alan P.
Lindsay

Alan P.
Lindsay
Chairman
and a director

Date:
February 28, 2008.

By: /s/ Harry L.
Anthony

Harry L.
Anthony
Chief
Operating Officer
and a director

Date:
February 28, 2008.

By: /s/ Ivan
Obolensky

Ivan
Obolensky
A director

Date:
February 28, 2008.

By: /s/ Erik
Essiger

Erik Essiger
A director

Date:
February 28, 2008.

By: /s/ Vincent
Della
Volpe

Vincent
Della Volpe
A director
Date:
February 28, 2008.
