

UC RESOURCES LTD.

FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

Mark Aplas

Certified General Accountant

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AUDITOR'S REPORT

To the Shareholders of
UC RESOURCES LTD.

I have audited the balance sheets of UC Resources Ltd. as at June 30, 2003 and 2002 and the statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2003 and 2002 and the results its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

"Mark Aplas"

Certified General Accountant

Vancouver, BC
November 12, 2003

**UC RESOURCES LTD.
BALANCE SHEET
JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits	\$ 979	\$ 18,2
Accounts receivable	2,310	1,4
	3,289	19,7
INVESTMENT (Note 4)	113,797	77,7
RESOURCE PROPERTIES (Note 3)	354,450	188,6
CAPITAL ASSETS (Note 2)	4,192	5,2
	\$ 475,728	\$ 291,3
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 46,754	\$ 6,7
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	6,986,824	6,542,8
DEFICIT	(6,557,850)	(6,258,1
	428,974	284,6
	\$ 475,728	\$ 291,3

APPROVED BY THE BOARD

"Eugene Larabie",
Director

"Michael Cartmel",
Director

**UC RESOURCES LTD.
STATEMENT OF INCOME AND DEFICIT
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
REVENUE		
Interest income	\$ 94	\$ 4,116
ADMINISTRATION COSTS		
Accounting and audit	8,500	8,250
Amortization	1,044	1,044
Directors fees and consulting	3.0	14,000
Legal	16,472	14,456
Listing and filing fees	9,836	10,788
Office and rent	23,956	39,228
Printing and shareholder info.	1,699	3,726
Promotion	5,390	4,279
Salaries and wages	9,500	45,700
Telephone	5,861	6,789
Transfer agent	4,878	4,463
Travel	21,018	34,088
Property evaluation	-	18,306
	<u>111,154</u>	<u>208,012</u>
INCOME (LOSS) BEFORE THE FOLLOWING	(111,060)	(203,896)
Debenture charge reversal	-	68,767
Write down of oil and gas interests	(188,612)	-
NET INCOME (LOSS) FOR THE YEAR	(299,672)	(135,129)
DEFICIT, BEGINNING OF YEAR	<u>(6,258,178)</u>	<u>(6,123,049)</u>
DEFICIT, END OF YEAR	<u>\$(6,557,850)</u>	<u>\$(6,258,178)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (.04)</u>	<u>\$ (.02)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>9,878,523</u>	<u>6,528,523</u>

UC RESOURCES LTD.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss) for period	\$(299,672)	\$(135,129)
Items not involving cash		
Amortization	1,044	1,044
Oil and gas interests written down	188,612	-
	<u>(110,016)</u>	<u>(134,085)</u>
Changes in non-cash working capital items		
Accounts receivable	(817)	4,214
Accounts payable	40,044	(66,922)
Convertible debenture	-	(500,000)
	<u>(70,789)</u>	<u>(696,793)</u>
FINANCING ACTIVITIES		
Share capital issued for cash	<u>118,000</u>	<u>326,000</u>
INVESTING ACTIVITIES		
Oil and gas expenditures	-	(188,612)
Mineral property investment	(64,450)	(1,200)
	<u>(64,450)</u>	<u>(189,812)</u>
INCREASE (DECREASE) IN CASH	(17,239)	(560,605)
CASH AT BEGINNING OF YEAR	<u>18,218</u>	<u>578,823</u>
CASH AT END OF YEAR	<u>\$ 979</u>	<u>\$ 18,218</u>

UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of British Columbia and its principal business activities include the acquisition, exploration and development of resource properties.

The Company is currently in the exploration stage of its resource property investments and has not yet determined whether these properties contain reserves that are economically recoverable. Continued operations of the Company are dependant upon its ability to raise equity and debt financing in order to pay its liabilities and develop its resource property interests.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Resource Properties – Mineral Properties and Oil and Gas Interests

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in accounts. When production is attained, these costs will be amortized over their expected useful life. When a property is abandoned or the net recoverable investing is estimated to be less than cost, the accumulated costs relating to the property are written off or written down. Excess recovery proceeds from mineral property options are posted to income when received. Administration costs are written off to deficit in the year they are incurred.

The amounts shown for resource property and deferred exploration costs represent costs to date or amounts written down to nominal or estimated recoverable value and are not intended to reflect present or future values.

b) Capital Assets

Capital assets are stated at cost. Amortization is provided on furniture and equipment on a straight line basis over ten years.

c) Earnings (Loss) Per Share

Earnings (loss) per share are calculated based on the weighted average number of shares outstanding during the year. The company uses the treasury stock method for calculating diluted earnings per share.

d) Foreign Currency Transactions

The statements are presented in Canadian dollars whereby monetary items are translated at the rate of exchange in effect at the balance sheet date. All non-monetary items comprising equipment, mineral properties, deferred charges and revenue and expense items are translated at historical exchange rates.

e) Financial Instruments

The carrying value of the Company's current assets and current liabilities at June 30, 2003 and 2002 approximates their fair value due to the relatively short-term periods to maturity of these instruments.

UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

f) **Stock-based Compensation**

Effective July 1, 2002, the Company adopted the new accounting standard of the Canadian Institute of Chartered Accountants ("CICA"), Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" for accounting for stock-based compensation expense. Under this standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after July 1, 2002, are accounted for using the fair value based method and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted.

The Company has elected not to follow the fair value based method of accounting for stock option granted to directors and employees. No compensation expense is recognized when stock options are granted if the exercise price of the stock options granted is at market value. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to share capital.

g) **Income Taxes**

The Company uses the assets and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

h) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclose of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures and rate for depletion and amortization. Actual results could differ from those estimates.

3. RESOURCE PROPERTIES

Oil and Gas Projects

Lagarde Project, British Columbia

In September 2001, the Company became a 15% participant in an exploratory gas well in Northern British Columbia. The company expended \$171,662 for their share of drilling and casing costs and paid a finder's fee of \$16,950 to secure the project. The Company wrote off \$188,612 in the year as the well proved unsuccessful.

**UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002**

3. RESOURCE PROPERTIES (Con't)

Ekho Project, Bakersfield, California

In July 1999, the Company entered into an agreement to participate as to a 20% working interest in a deep oil and gas project in the San Joaquin Valley, Kern County, California. An amount of \$2,988,423 was written off to deficit at June 30, 2000 and the final \$302,401 of expenditures was written off in the 2001 year as the project proved unsuccessful.

MINERAL PROPERTY INTERESTS

Gregory River Property, Newfoundland

By an agreement dated July 9, 2002, the Company acquired a 100% interest in 24 mineral claims covering approximately 600 hectares. Acquisition costs were \$20,750 and the issuance of 700,000 shares at a deemed value of \$.10 per share. The vendor holds a 1% net smelter royalty, one-half which can be purchased for \$1,000,000. \$90,756

Botwood Basin Property, Newfoundland

The Company acquired a 100% interest in 166 mineral claims covering approximately 4,150 hectares in an agreement on July 9, 2002. Acquisition costs were \$28,500 and the issuance of 800,000 shares of the company at a deemed price of \$.15 per share. The vendor holds a 2% NSR, one-half of which can be purchased for \$1,000,000. \$148,500

Raglan 1 and Raglan 2 Claim Groups, Quebec

By two separate agreements dated March 24, 2003, the Company acquired the right to purchase a 100% interest in a 16 claim group and a 172 claim group covering over 18,000 acres in total. Acquisition costs in each agreement call for the issuance of 500,000 shares each at a deemed value of \$.10 (issued), cash payments of \$25,000 each (not paid) and finders fee payments of \$7,500 each (paid). The vendor in each agreement holds a 1% NSR, one-half of each, which can be purchased for \$1,000,000. \$115,000

Expenditures on resource properties as follows:

	Mineral Properties	Oil and Gas
Balance, June 30, 2002	\$ -	\$188,612
Additions in year		
Acquisition costs	354,250	-
Licence and fees	200	-

Less: Amounts written off to deficit	<u>-</u>	<u>(188,612)</u>
Balance, June 30, 2003	<u>\$354,456</u>	<u>\$ -</u>

**UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002**

4. INVESTMENT IN MINERAL PROPERTY SYNDICATE

SVB Nickel Syndicate

The Company acquired a 100% interest in 18 claims called the Staircase claims in Labrador in 1995.

During the 2001 year, the Company entered into an agreement to combine its Staircase property with a group of seventeen properties in the South Voisey Bay area. In the agreement, the Company assigns title to the property in exchange for shares of a private company. The Company received 153,194 common shares in SVB Nickel Company Ltd., at a deemed price of \$76,597, representing 1.2% of the issued shares in this mineral property syndicate. In the year, the company acquired an additional 535,935 shares in SVB Nickel Co. Ltd. by issuing 300,000 common shares at a deemed value of \$.12 per share bringing its holding to 5.4%.

5. CONVERTIBLE DEBENTURE

On September 14, 1999, the Company raised \$1.75 million in a convertible debenture financing which carried interest at 10% and was due two years from the date of the note. The debenture was convertible into a share and a share purchase warrant. During 2001, the Company received approval to reduce the conversion and warrant exercise prices to \$0.125 per share. Parties representing \$1,250,000 of the debenture agreed to the reduced conversion price and converted their debt in 2001 with the issuance of ten million shares and ten million warrants exercisable at \$0.125 per share (pre consolidated). The remaining \$500,000 of the debenture was not converted and was paid at maturity on September 13, 2001.

6. SHARE CAPITAL

Authorized - 100,000,000 common shares without par value.

Issued	Shares	Amount
Balance, June 30, 2001	\$25,141,265	\$6,216,824
Issued in year		
- for cash (part flow through)	15,000,000	326,000
Balance before rollback	40,141,265	6,542,824
Consolidation 1 for 5 October 2001	-	-
Balance, June 30, 2002	8,028,523	\$6,542,824
Issued in year		
- for cash	900,000	118,000
- for mineral properties	2,800,000	326,000
Balance, June 30, 2003	\$11,728,253	\$6,986,824

Flow Through Shares – \$252,000 was raised by flow through shares with the total being

renounced at December 31, 2001. To date, only \$171,662 has been expended on qualifying expenditures.

**UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
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6. SHARE CAPITAL (Con't)

Stock Options – Issued and outstanding as follows:

	<u>Number of Shares</u>	<u>Exercise Price</u>
Outstanding, June 30, 2001 and 2002	800,000	\$0.165
Amended option in year	800,000	0.10
Exercised	(600,000)	0.10
Granted	400,000	0.10
Outstanding, June 30, 2003	<u>600,000</u>	<u>0.10</u>

Outstanding options at June 30, 2003 were for 200,000 shares exercisable at \$0.10 per share until March 6, 2004 and 400,000 shares exercisable at \$0.10 per share until December 31, 2004.

Warrants – Outstanding at June 30, 2003 for the purchase of 1,350,000 shares at \$0.10 per share and 1,350,000 shares at \$0.15 per share until August 14, 2003 (See Note 9 – Subsequent Events).

Escrow Shares – None.

7. RELATED PARTY TRANSACTIONS

During the year, the Company paid \$16,500 (\$13,500 - 2002) for rent and administration and consulting to a company controlled by the President. During the year, the Company paid other officers and directors a total of \$ nil (\$14,000 – 2002) for salaries, wages and fees.

8. INCOME TAXES

The components of the future income tax assets at statutory rates to the reported income tax provision are as follows:

	<u>2003</u>	<u>2002</u>
	37.62%	39.62%
Future income tax assets		
Tax loss carry forwards	\$ 2,322,102	\$2,422,062
Less: valuation allowance	(2,322,102)	(2,422,062)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

UC RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
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8. INCOME TAXES (Con't)

The valuation allowance reflects the company's estimate that the tax assets more likely than not, will not be realized. The company has accumulated non-capital losses for income tax purposes of approximately \$2,517,000. The losses expire in the following years:

2004	\$
2005	
2006	
2008	
2009	
2010	
2011	
	\$2

9. SUBSEQUENT EVENTS

The Company entered into an agreement for an option to earn a 50% interest in 335 claims in the Raglan Mine area, Quebec. Terms of the option require the company to expend \$1,500,000 on exploration and issue a total of 1,000,000 common shares over three years. In September 2003, a total of 250,000 shares were issued at a deemed value of \$0.13 per share.

Subsequent to the year end, 1,350,000 warrants were exercised for cash proceeds of \$135,000 and 468,000 stock options were exercised for cash proceeds of \$46,800.

10. SEGMENTED DISCLOSURE

As at June 30, 2003, the Company has one operating segment, resource property exploration and development. All of the Company's assets are located in Canada.