

**UC RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**(Prepared by Management Without Audit)**

**UC RESOURCES LTD.**  
**BALANCE SHEET**  
(Prepared by Management Without Audit)

	<u>December 31, 2004</u>	<u>June 30, 2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term deposits	\$ 52,658	\$ 256,893
Accounts receivable	10,649	50,108
	<u>63,307</u>	<u>307,001</u>
 INVESTMENT	 1	 1
 MINERAL PROPERTY INTERESTS	 1,060,120	 230,358
 EQUIPMENT - NET	 30,716	 13,598
	<u>\$1,154,144</u>	<u>\$ 550,958</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 236,285	\$ 32,574
Loans payable	235,000	-
	<u>471,285</u>	<u>32,574</u>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL	8,033,957	7,743,996
OPTION COMPENSATION	213,673	69,991
DEFICIT	<u>(7,564,771)</u>	<u>(7,295,603)</u>
	<u>682,859</u>	<u>518,384</u>
	<u>\$1,154,144</u>	<u>\$ 550,958</u>

**APPROVED BY THE BOARD**

"Eugene Larabie", Director

"Michael Cartmel", Director

**UC RESOURCES LTD.**  
**STATEMENT OF LOSS AND DEFICIT**  
(Prepared by Management Without Audit)

	<b>For the Three Months Ended December 31,</b>		<b>For the Six Months Ended December 31,</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
REVENUE				
Interest income	\$ 152	\$ 63	\$ 305	\$ 117
ADMINISTRATION COSTS				
Accounting and audit	7,420	2,483	8,420	3,483
Consulting and management fees	3,000	7,000	11,500	21,500
Loan and bank charges	42,958	-	42,958	-
Promotion	15,200	2,000	18,450	7,845
Legal	17	1,124	364	2,116
Listing and filing fees	810	3,686	810	3,786
Office expenses and rent	9,808	14,304	16,291	22,761
Printing & shareholder info	9,881	3,763	9,881	5,095
Property evaluation	-	3,132	-	3,132
Salaries and wages	31,250	10,500	39,950	20,000
Stock based compensation	202,068	-	202,068	-
Telephone	1,214	1,881	2,891	3,939
Transfer agent	1,426	3,758	2,124	4,664
Travel	15,116	5,595	17,766	12,707
	<u>340,168</u>	<u>59,226</u>	<u>369,743</u>	<u>111,028</u>
NET LOSS FOR PERIOD BEFORE FOLLOWING	340,016	59,163	369,168	110,851
Recovery on mineral property	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
NET LOSS FOR PERIOD	<u>\$ 240,016</u>	<u>\$ 59,163</u>	269,168	110,851
DEFICIT, BEGINNING OF YEAR			<u>7,295,603</u>	<u>6,557,850</u>
DEFICIT, END OF PERIOD			<u>\$7,564,771</u>	<u>\$6,668,701</u>

**UC RESOURCES LTD.**  
**STATEMENT OF CASH FLOWS**  
**(Prepared by Management Without Audit)**

	<b>For the Three Months Ended December 31, <u>2004</u>                      <u>2003</u></b>		<b>For the Six Months Ended December 31, <u>2004</u>                      <u>2003</u></b>	
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for period	\$(240,016)	\$(59,163)	\$(269,168)	\$(110,851)
Item not involving cash				
Mineral property (recovery)	(100,000)	-	(100,000)	-
Loan set up fee	42,000	-	42,000	-
Stock based compensation	202,068	-	202,068	-
	<u>(95,948)</u>	<u>(59,163)</u>	<u>(125,100)</u>	<u>(110,851)</u>
Changes in non-cash working capital items				
- Accounts receivable	55,291	36,313	39,459	(14,068)
- Accounts payable	219,465	(6,726)	203,711	(34,660)
- Loans payable	235,000	-	235,000	-
	<u>413,808</u>	<u>(29,576)</u>	<u>353,070</u>	<u>(159,579)</u>
<b>FINANCING ACTIVITIES</b>				
Shares issued for cash	<u>171,736</u>	<u>-</u>	<u>171,736</u>	<u>181,800</u>
<b>INVESTING ACTIVITIES</b>				
Equipment acquisition	(17,118)	-	(17,118)	-
Investment in mineral property	(80,891)	-	(80,891)	(4,500)
Exploration expenditures	(551,778)	-	(631,032)	-
	<u>(649,787)</u>	<u>-</u>	<u>(729,041)</u>	<u>(4,500)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(64,243)	(29,576)	(204,235)	17,721
<b>CASH AT BEGINNING OF PERIOD</b>	<u>116,901</u>	<u>48,276</u>	<u>256,893</u>	<u>979</u>
<b>CASH (OVERDRAFT) AT END OF PERIOD</b>	<u>\$ 52,658</u>	<u>\$ 18,700</u>	<u>\$ 52,658</u>	<u>\$ 18,700</u>

**UC RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**  
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**1. NATURE OF BUSINESS**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Mineral Properties**

Acquisition costs of mineral 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 mineral 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) Equipment**

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

**c) 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.

**d) Financial Instruments**

The carrying value of the Company's current assets and current liabilities at December 31, 2004 and June 30, 2004 approximates their fair value due to the relatively short-term periods to maturity of these instruments.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**e) Stock-Based Compensation**

Effective July 1, 2003, 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, 2003, 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.

**3. MINERAL PROPERTY INVESTMENT**

During 2001, the Company entered into an agreement to combine its Staircase property with a group of seventeen properties in the South Voisey Bay area. The properties are to be developed or sold as a combined group. In the agreement, the Company assigns title to the property in exchange for shares of a private company. The investment was written-down to \$1 in April 2004, when Falconbridge dropped their option to further explore the properties.

**4. MINERAL PROPERTY INTERESTS**

Copalquin Property, Mexico

The Company entered into an agreement to earn a 50% interest in a 7,005 hectare gold/silver property in the Sierra Madre mineralogical belt of Durango, Mexico. The terms require the company to pay \$25,000 US down (paid) and payments in US dollars over 3 years of \$25,000 (paid), \$40,000 (paid), \$100,000 and \$250,000 by July 13, 2006. The Company also paid \$10,000 and issued 491,000 shares at a deemed value of \$117,840 and a finder's fee in respect to the property. The Company is also required to undertake work programs of \$250,000 on the first stage and \$500,000 each on the second and third stage. The property is subject to an underlying 2% net smelter return royalty.

Expenditures on mineral properties as follows:

	<b>Copalquin Mexico</b>
Balance, June 30, 2004	\$ 230,358
Acquisition Costs in Period	198,731
Exploration Costs in Period	
Camp and support	62,472
Consulting and engineering	57,388
Field wages	42,326
Drilling and contractors	331,707
Aircraft and helicopter	121,244
Assay, mapping, reports	4,952
Travel	10,943

Balance, December 31, 2004

<u>631,031</u>
<u>\$1,060,120</u>

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**5. SHARE CAPITAL**

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

<b>Issued</b>	<b>Shares</b>	<b>Amount</b>
Balance, June 30, 2003	11,728,253	\$6,986,824
Issued in year		
- for cash	5,533,000	697,415
- for option compensation	-	27,257
- for mineral properties	250,000	32,500
	<hr/>	<hr/>
Balance, June 30, 2004	17,511,253	7,743,996
Issued in period		
- for cash	1,232,000	171,735
- for option compensation	-	58,386
- for mineral properties	491,000	117,840
- returned to treasury – mineral property	(1,000,000)	(100,000)
Loan fee bonus	200,000	42,000
	<hr/>	<hr/>
Balance, December 31, 2004	<u>18,434,253</u>	<u>\$8,033,957</u>

**Stock Options** - Outstanding and exercisable as follows:

	<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
	377,000	Sept. 9, 2005	\$.105
	100,000	April 16, 2006	.15
	690,000	May 12, 2006	.15
Outstanding June 30, 2004	<hr/> 1,167,000		
Granted in Period	684,000	Nov. 8, 2006	.135
	1,225,000	Nov 22, 2006	.25
Exercised in Period	<hr/> (1,167,000)		<hr/> .105 & .15
Outstanding December 31, 2004	<hr/> 1,909,000		<hr/> .135 & .25

**Warrants:** Outstanding to purchase a total of 1,460,000 shares at \$.21 per share until April 15, 2005.

**6. RELATED PARTY TRANSACTIONS**

In the period, the Company paid \$9,000 for office rent and \$26,800 for geological consulting to a company controlled by the president and paid directors fees of \$11,500.