

UC RESOURCES LTD.
FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

G. Ross McDonald*

Chartered Accountant

*Denotes incorporated professional

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AUDITOR'S REPORT

TO THE DIRECTORS OF UC RESOURCES LTD.

I have audited the balance sheets of UC Resources Ltd. as at June 30, 2004 and the statements of operations and deficit and cash flows for the year 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 audits.

I conducted my audits in accordance with Canadian 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 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended June 30, 2003 were reported on by another auditor without qualification in his report dated November 12, 2003.

"G. Ross McDonald" (Signed)

G. Ross McDonald
Chartered Accountant

Vancouver, British Columbia
November 10, 2004

UC RESOURCES LTD.

BALANCE SHEETS

June 30, 2004

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits	\$ 256,893	\$ 979
Accounts receivable	4,108	2,310
Share subscriptions receivable	43,000	-
Loan receivable (Note 3)	3,000	-
	307,001	3,289
INVESTMENT (Note 5)	1	113,797
MINERAL INTERESTS (Note 4)	230,358	354,450
EQUIPMENT (Note 2)	13,598	4,192
	\$ 505,958	\$ 475,728
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 28,431	\$ 38,649
Due to related party	4,143	8,105
	32,574	46,754
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	7,743,996	6,986,824
OPTION COMPENSATION (Note 2(f) and 6 (c))	69,991	-
DEFICIT	(7,295,603)	(6,557,850)
	518,384	428,974
	\$ 550,958	\$ 475,728

SUBSEQUENT EVENTS (Note 11)

APPROVED BY THE DIRECTORS

"Eugene Larabie" (Signed)

Director - Eugene Larabie

"Michael Cartmel" (Signed)

Director - Michael Cartmel

UC RESOURCES LTD.**STATEMENTS OF OPERATIONS AND DEFICIT**

For the Years Ended June 30

	2004	2003
REVENUE		
Interest income	\$ 370	\$ 94
EXPENSES		
Stock-based compensation	97,248	-
Investor relations and promotion	89,968	5,390
Salaries and wages	35,000	9,500
Office, rent and miscellaneous	18,491	23,956
Printing and shareholder information	13,558	1,699
Travel	13,128	13,072
Automobile	12,613	7,946
Listing and filing fees	12,456	9,836
Legal	11,408	16,472
Directors fees	10,000	3,000
Accounting and audit	9,783	8,500
Telephone	8,613	5,861
Property evaluation	8,428	-
Bad debts	7,500	-
Transfer agent	6,053	4,878
Amortization	2,205	1,044
	356,452	111,154
LOSS BEFORE THE FOLLOWING	(356,082)	(111,060)
Recovery (write down) of oil and gas interests	123,575	(188,612)
Write-down of investment	(113,796)	-
Mineral interests written-off	(391,450)	-
NET LOSS FOR THE YEAR	(737,753)	(299,672)
DEFICIT, BEGINNING OF YEAR	(6,557,850)	(6,258,178)
DEFICIT, END OF YEAR	\$ (7,295,603)	\$ (6,557,850)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.05)	\$ (0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING	14,281,130	9,878,523

UC RESOURCES LTD.**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30

	2004	2003
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	\$ (737,753)	\$ (299,672)
Items not involving cash		
Amortization	2,205	1,044
Write-down of oil and gas interests	-	188,612
Write-down of investment	113,796	
Mineral interests written-off	391,450	-
Stock-based compensation	97,248	-
	(133,054)	(110,016)
Net change in non-cash working capital items		
Accounts receivable	(1,798)	(817)
Accounts payable	(10,218)	40,044
Share subscriptions receivable	(43,000)	-
Loan receivable	(3,000)	-
Due to related party	(3,962)	-
	(195,032)	(70,789)
FINANCING ACTIVITIES		
Share capital issued for cash	697,415	118,000
INVESTING ACTIVITIES		
Mineral property interests	(234,858)	(64,450)
Purchase of equipment	(11,611)	-
	(246,469)	(64,450)
INCREASE (DECREASE) IN CASH	255,914	(17,239)
CASH, BEGINNING OF YEAR	979	18,218
CASH, END OF YEAR	\$ 256,893	\$ 979

Supplemental disclosure with respect of cash flows:

- (a) During the year ended June 30, 2004, the Company issued 250,000 common shares valued at \$32,500 for mineral property interests.
- (b) During the year ended June 30, 2003, the Company issued 2,800,000 common shares valued at \$326,000 for mineral property interests.
- (c) Other cash flow information

	2004	2003
<u>Interest received</u>	<u>\$ 370</u>	<u>\$ 94</u>

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

At June 30, 2004, the Company has working capital of \$274,427 which will be insufficient to achieve the Company's planned corporate and administrative expenses for the coming year. The Company will require additional financing or outside participation, to undertake further exploration and subsequent development of its mineral properties. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

(a) Mineral Properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Although the Company has taken steps to insure the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Equipment

Equipment is recorded at cost and are amortized using the declining-balance method, at an annual rate of 20% for office equipment and 30% for computer equipment.

(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.

(f) 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.

During 2003, the CICA released amendments to Section 3870 which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options, for fiscal years commencing on or after January 1, 2004. The Company has elected for the early adoption of the amendments during the fourth quarter of fiscal 2004. Prior to the adoption, the Company followed the intrinsic method and no compensation expense was recognized when stock options were granted to directors and employees if the exercise price of the stock options granted were at market value.

(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.

UC RESOURCES LTD.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED JUNE 30, 2004 AND 2003****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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. LOAN RECEIVABLE

The Company advanced \$10,000 to a contract employee and received marketable securities as collateral against the loan. The relationship was terminated and the debt has been written down to \$3,000, the estimated recoverable value of the collateral.

4. MINERAL INTERESTS

At June 30, 2004 and 2003, the Company's mineral properties are comprised of properties located in Mexico, Newfoundland and Quebec, Canada. Expenditures incurred on mineral properties are as follows:

	Copalquin Mexico	Gregory River	Botwood Basin	Raglan 1 and 2	Total
Balance, June 30, 2003	\$ -	\$ 90,750	\$ 148,700	\$ 115,000	\$ 354,450
Additions during period					
Acquisition costs	66,762	-	-	37,000	103,762
Exploration costs					
Drilling	9,200	-	-	-	9,200
Geological consulting	34,462	-	-	-	34,462
Camp and support	46,812	-	-	-	46,812
Travel and accommodation	6,450	-	-	-	6,450
Assays	1,897	-	-	-	1,897
Geophysics	9,400	-	-	-	9,400
Aircraft and helicopter	55,375	-	-	-	55,375
Total additions during year	230,358	-	-	37,000	267,358
	230,358	90,750	148,700	152,000	621,808
Written-off	-	(90,750)	(148,700)	(152,000)	(391,450)
Balance, June 30, 2004	\$ 230,358	\$ -	\$ -	\$ -	\$ 230,358

(a) Gregory River Property, Newfoundland

By an agreement dated July 9, 2002, the Company acquired a 100% interest in 24 mineral claims. The Company has abandoned its interest and \$90,750 in acquisition costs has been written-off.

(b) Botwood Basin Property, Newfoundland

The Company held a 100% interest in 166 mineral claims covering approximately 4,150 hectares in an agreement on July 9, 2002. The Company has abandoned its interest and \$148,700 in acquisition costs has been written-off.

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

4. MINERAL INTERESTS (continued)

(c) 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. The Company has abandoned its interest and \$152,000 in acquisition costs has been written-off.

(d) Copalquin Property, Mexico

The Company entered into an agreement to earn a 50% interest in a 7,005-hectare mineral property located in the Sierra Madre mineralogical belt of Durango, Mexico. To earn its interest the Company must incur the following:

(i) Cash Payments

- US \$25,000 on execution of the agreement (paid);
- US \$25,000 on completion of a due diligence review (paid);
- US \$40,000 plus Mexican value added tax on or before July 13, 2004;
- US \$100,000 plus Mexican value added tax on or before July 13, 2005; and
- US \$250,000 plus Mexican value added tax on or before July 13, 2006.

(ii) Exploration Expenditures

- Not less than US \$250,000 to be incurred on or before July 13, 2004 (incurred subsequent to year end);
- An additional US \$500,000 to be incurred on or before July 13, 2005; and
- An additional US \$500,000 to be incurred on or before July 13, 2006.

On exercise of the option, the Company and the optionor will form a joint venture for continued development of the property.

The property is subject to the following encumbrances to the titleholders:

- (i) A payment of US \$1 plus value added tax per ounce of measured recoverable gold and silver equivalent or other mineral based on a feasibility study.
- (ii) A 2.5% net smelter returns royalty of which 1.5% may be purchased for US \$1,000,000.
- (iii) Advance royalty of US \$6,000 every three months subsequent to the assignment of the concessions.

A finder's fee of 491,000 common shares at a deemed value of \$0.24 per share are to be issued in respect of the option agreement on \$117,840 in exploration expenditure being incurred on the property by the Company.

5. INVESTMENT IN MINERAL PROPERTY 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 assigned 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%. The Company has written-down its interest to a nominal amount of \$1.

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

6. SHARE CAPITAL

The authorized share capital consists of 100,000,000 common shares without par value.

Issued and outstanding -

	2004		2003	
	No. of Shares	Amount	No. of Shares	Amount
Balance, beginning of year	11,728,253	\$ 6,986,824	8,028,523	\$ 6,542,824
Issued during the year				
For cash			900,000	118,000
Private placement	3,050,000	446,000	-	-
Exercise of options	1,133,000	116,415	-	-
Exercise of warrants	1,350,000	135,000	-	-
	5,533,000	697,415	900,000	118,000
For option compensation	-	27,257	-	-
For mineral properties	250,000	32,500	2,800,000	326,000
	5,783,000	757,172	3,700,000	444,000
Balance, end of year	17,511,253	\$ 7,743,996	11,728,253	\$ 6,986,824

(a) Stock Options

A summary of the status of the Company's stock options at June 30, 2004 and 2003 and changes during the years then ended is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at June 30, 2003	600,000	\$ 0.10
Granted	1,500,000	\$ 0.15
Exercised	(1,133,000)	\$ 0.10
Expired	-	\$ -
Outstanding as at June 30, 2004	967,000	\$ 0.12
Exercisable as at June 30, 2004	967,000	\$ 0.12

The following summarizes information about stock options outstanding at June 30, 2004:

Options Outstanding			Options Exercisable	
Number of Shares	Expiry Date	Exercise Price	Number of Shares	Exercise Price
377,000	September 4, 2005	\$0.105	377,000	\$0.105
100,000	April 16, 2006	\$0.15	100,000	\$0.15
490,000	May 12, 2006	\$0.15	490,000	\$0.15
967,000			967,000	

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

6. SHARE CAPITAL (continued)

(b) Warrants

As at June 30, 2004, the Company had outstanding warrants to purchase an aggregate of 1,500,000 common shares as follows:

Exercise Price	Expiry Date	Outstanding at June 30, 2003	Issued	Exercised	Expired	Outstanding at June 31, 2004
\$0.21	April 15, 2005	-	1,525,000	-	-	1,525,000

(c) Stock Based Compensation

Pursuant to the CICA standard of accounting for stock-based compensation (Note 2(f)), the fair value of new stock options granted, in the amount of \$97,248, has been recorded as an expense in the year, \$27,257 was transferred to share capital on the exercise of stock options.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	3.20%
Expected dividend yield	-
Expected stock price volatility	77% - 88%
Expected option life in years	2

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

7. RELATED PARTY TRANSACTIONS

During the year, the Company paid \$18,000 (2003 - \$16,500) for rent and administration and \$12,000 (2003 - \$ nil) for geological consulting to a company controlled by the President. During the year, the Company paid other officers and directors a total of \$10,000 (2003 - \$ nil) for fees.

8. INCOME TAXES

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

	2004	2003
	35.62%	37.62%
Future income tax assets		
Tax loss carry forwards	\$ 716,097	\$ 778,303
Temporary differences on assets	1,412,201	1,256,545
Less: valuation allowance	(2,128,298)	(2,034,848)
Net future income tax assets	\$ -	\$ -

UC RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

8. INCOME TAXES (continued)

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 \$2,007,000. The losses expire in the following years:

2005	\$	425,000
2006		-
2007		720,000
2008		293,000
2009		134,000
2010		107,000
2011		328,000
	\$	<u>2,007,000</u>

The future benefits of these losses and deductions have not been recorded in the accounts. A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

	<u>2004</u>	<u>2003</u>
Income tax rate	35.62%	37.62%
Income tax benefit computed at Canadian statutory rates	292,298	118,730
Temporary differences not recognized in the year	(197,396)	(1,481)
Unrecognized tax losses	(94,902)	(117,249)
	-	-

9. SEGMENTED DISCLOSURE

As at June 30, 2004, the Company has one operating segment, resource property exploration and development. All of the Company's assets are located in Canada, except for its mineral property interests that are located in Mexico.

10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

11. SUBSEQUENT EVENTS

(a) Exercise of Stock Options

The Company received \$10,500 and issued 100,000 common shares on the exercise of directors' stock options.

(b) Share Subscriptions

The Company received \$43,000 in payment for outstanding share subscriptions.

(c) Stock Options

The Company granted stock options to directors, officers, employees and consultants to issue up to 684,000 common shares at \$0.135 per share for a period of two years.

(d) Mineral Interests

The Company issued 491,000 common shares at a deemed value of \$0.24 per share in respect of the Copalquin Property (Note 4(d)) option agreement.