

**UC RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2005**

**(Prepared by Management Without Audit)**

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

	<u>September 30, 2005</u>	<u>June 30, 2005</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	\$ 856,623	\$ 35
Accounts receivable	31,221	11,243
Prepaid expenses	142,875	1,025
Loan Receivable	3,000	3,000
	1,033,719	15,303
<b>Investment</b>	1	1
<b>Mineral Interests</b>	1,248,932	1,246,023
<b>Equipment</b> , net of amortization of \$17,257	23,328	23,840
	\$ 2,305,980	\$ 1,285,167
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 263,718	\$ 410,339
Loans payable	50,000	323,000
Due to related party	-	41,206
	313,718	774,545
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b>	9,723,647	8,053,957
<b>Option Compensation</b>	356,647	213,673
<b>Deficit</b>	(8,088,032)	(7,757,008)
	1,992,262	510,622
	\$ 2,305,980	\$ 1,285,167

**APPROVED BY THE BOARD**

"Eugene Larabie", Director

"Richard Hamelin", Director

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

	<b>For the Three Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Revenue</b>		
Interest income	\$ 377	\$ 153
<b>Expenses</b>		
Stock-based compensation	142,974	-
Consulting and management fees	67,483	-
Investor relations and promotion	51,728	3,250
Legal	17,210	347
Listing and filing fees	14,353	-
Travel	14,046	-
Office and rent	8,311	6,203
Automobile Expense	4,697	2,650
Telephone	3,002	1,677
Accounting and audit	3,000	1,000
Interest and bank charges	1,951	280
Amortization	1,837	-
Transfer agent	809	698
Director fees	-	8,500
Salaries and wages	-	4,700
	331,401	29,305
 <b>Net Loss for Period</b>	 331,024	 29,152
 <b>Deficit, Beginning of Period</b>	 7,757,008	 7,295,603
 <b>Deficit, End of Period</b>	 \$8,088,032	 \$7,324,755

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

	<b>For the Three Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operation Activities</b>		
Net loss for period	\$(331,024)	\$(29,152)
Items not involving cash		
Amortization	1,837	-
Stock-based compensation	142,974	-
<b>Operating Cash Flow</b>	(186,213)	(29,152)
<b>Changes in Non-Cash Working Capital</b>		
Accounts receivable	(19,978)	(15,832)
Prepaid expenses	(141,850)	-
Accounts payable and accrued liabilities	(146,059)	(15,754)
Interest payable	(562)	-
Loan payable	(273,000)	-
Due to related party	(41,206)	-
	(622,655)	(31,586)
<b>Cash Used in Operating Activities</b>	(808,868)	(60,738)
<b>Investing Activities</b>		
Investment in mineral properties and expenditures	(2,909)	(79,254)
Purchase of equipment	(1,325)	-
<b>Cash Used in Investing Activities</b>	(4,234)	(79,254)
<b>Financing Activities</b>		
Capital Stock issued for cash	1,669,690	-
<b>Cash Provided by Financing Activities</b>	1,669,690	-
<b>Increase (Decrease) in Cash</b>	856,588	(139,992)
<b>Cash, Beginning of Period</b>	35	256,893
<b>Cash, End of Period</b>	\$ 856,623	\$ 116,901

**UC RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
**(Prepared by Management Without Audit)**

**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 September 30, 2005 and June 30, 2005 approximates their fair value due to the relatively short-term periods to maturity of these instruments.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**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 is also required to undertake work programs of \$250,000 (incurred) on the first stage, \$500,000 on the second stage, and \$500,000 on the third stage. The property is subject to an underlying 2.5% net smelter return royalty.

Expenditures on mineral properties as follows:

	<b>Copalquin Mexico</b>
Balance, June 30, 2005	\$ 1,246,023
Additions during the year	
Camp and support	2,515
Assay, mapping, reports	394
	2,909
Balance, September 30, 2005	\$ 1,248,932

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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, 2004	17,511,253	\$7,743,996
Issued in year		
- for cash	1,232,000	171,735
- for option compensation	-	58,386
- for mineral properties	491,000	117,840
- for loan bonuses	377,776	62,000
- returned to treasury	<u>(1,000,000)</u>	<u>(100,000)</u>
Balance, June 30, 2005	<u>18,612,029</u>	<u>\$8,053,957</u>
Issued in year		
- for cash	<u>18,095,000</u>	<u>1,669,690</u>
Balance, September 30, 2005	<u>36,707,029</u>	<u>\$9,723,647</u>

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

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
684,000	Nov. 8, 2005	\$.135
1,225,000	Nov. 22, 2006	.11
<u>1,760,000</u>	Aug. 31, 2006	.11
<u>3,669,000</u>		

**Warrants:** Outstanding to purchase a total of 18,095,000 shares at \$.125 per share until February 22, 2007.

**5. RELATED PARTY TRANSACTIONS**

In the period, the Company paid \$4,500 (2004 - \$4,500) for office, rent and administration and \$3,693 (2004 - \$1,572) for vehicle leases to companies controlled by a Director and a Vice-President. During the period, the Company also paid \$52,645 (\$8,500 – 2004) to officers and directors in the period for management and consulting.

**6. SUBSEQUENT EVENTS**

Stock options

The Company received \$124,500 and issued 1,075,000 common shares on the exercise of stock options issued to directors, employees and consultants.