

UC RESOURCES LTD.
(An Exploration Stage Company)

Consolidated Financial Statements
June 30, 2007 and 2006

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of UC Resources Ltd. (An Exploration Stage Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Gregg Roberts"

Gregg Roberts, Director

"Brian Gusko"

Brian Gusko, Chief Financial Officer

Vancouver, British Columbia
November 2, 2007

AUDITORS' REPORT

TO THE SHAREHOLDERS OF UC RESOURCES LTD. (An Exploration Stage Company)

We have audited the consolidated balance sheets of UC Resources Ltd. (An Exploration Stage Company) as at June 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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 Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
November 2, 2007

UC RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets (Canadian Dollars)
June 30

	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 1,281,164	\$ 1,375,483
Accounts receivable and advances	462,255	190,907
Prepaid expenses	57,211	9,636
Advance to contractor	86,964	-
Due from related party (note 11)	-	44,265
Loan receivable (note 4)	-	100,000
	1,887,594	1,720,291
Mineral Property Interests (notes 5 and 10)	8,270,381	2,635,066
Investment (note 6)	1	1
Equipment (note 7)	560,628	192,802
	\$ 10,718,604	\$ 4,548,160
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 323,121	\$ 201,339
Loans payable (note 9)	-	50,000
Obligation for mineral property interest acquisition (note 10)	207,106	-
	530,227	251,339
Shareholders' Equity		
Capital Stock (note 8)	21,173,315	13,134,118
Contributed Surplus (note 8(d))	2,177,220	639,840
Deficit	(13,162,158)	(9,477,137)
	10,188,377	4,296,821
	\$ 10,718,604	\$ 4,548,160

Nature of Operations and Continuance (note 1)
Subsequent Events (note 15)

Approved by the Board:

"Gary Monaghan"
..... Director
Gary Monaghan

"Gregg Roberts"
..... Director
Gregg Roberts

UC RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit (Canadian Dollars)
Years Ended June 30

	2007	2006
		(note 14)
Expenses		
Audit and accounting	\$ 46,756	\$ 45,203
Consulting fees	187,310	78,991
Interest	2,539	(670)
Investor relations	351,514	391,306
Legal	73,082	64,457
Management fees	224,061	304,981
Mine	21,346	-
Office and administration	523,739	107,790
Regulatory and transfer agent fees	64,389	64,974
Stock-based compensation	1,921,458	575,036
Travel	245,472	90,499
Amortization	74,761	10,280
Loss Before Other Items	(3,736,427)	(1,732,847)
Other Items		
Interest income	31,660	15,718
Write-off of mineral property interest	(55,529)	-
Write-down of loan receivable	-	(3,000)
Foreign exchange gain	81,704	-
Loss on sale of equipment	(6,429)	-
Net Loss for Year	(3,685,021)	(1,720,129)
Deficit, Beginning of Year	(9,477,137)	(7,757,008)
Deficit, End of Year	\$ (13,162,158)	\$ (9,477,137)
Loss Per Share	\$ (0.05)	\$ (0.04)
Weighted Average Number of Common Shares Outstanding	76,376,148	40,893,848

UC RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows (Canadian Dollars)
Years Ended June 30

	2007	2006
Operating Activities		
Net loss	\$ (3,685,021)	\$ (1,720,129)
Items not involving cash		
Amortization	74,761	10,280
Write-down of loan receivable	-	3,000
Write-off of mineral property interest	55,529	-
Consulting and travel expenses	87,347	-
Stock-based compensation	1,921,458	575,036
	<u>(1,545,926)</u>	<u>(1,131,813)</u>
Changes in non-cash working capital		
Accounts receivable and advances	(314,430)	(179,664)
Prepaid expenses	(47,575)	(8,611)
Advance to contractor	(86,964)	-
Accounts payable and accrued liabilities	(32,924)	(209,000)
	<u>(481,893)</u>	<u>(397,275)</u>
Cash Used in Operating Activities	<u>(2,027,819)</u>	<u>(1,529,088)</u>
Financing Activities		
Repayment of loans payable	(50,000)	(63,000)
Capital stock issued for cash, net	4,462,262	4,721,293
Loan receivable	100,000	(100,000)
Related party advance	-	(85,471)
Cash Provided by Financing Activities	<u>4,512,262</u>	<u>4,472,822</u>
Investing Activities		
Expenditures on mineral property interests	(2,290,881)	(1,389,043)
Purchase of equipment	(287,881)	(179,243)
Cash Used in Investing Activities	<u>(2,578,762)</u>	<u>(1,568,286)</u>
Increase (Decrease) in Cash	<u>(94,319)</u>	<u>1,375,448</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,375,483</u>	<u>35</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,281,164</u>	<u>\$ 1,375,483</u>

Supplemental disclosure with respect of cash flows:

- (a) During the year ended June 30, 2007, the Company issued 6,000,000 common shares valued at \$3,192,857 for mineral property interests.
- (b) During the year ended June 30, 2006, the Company issued 2,100,000 common shares valued at \$210,000 for debt settlement.
- (c) Interest expense of \$2,539 (2006 - \$nil) and income taxes of \$nil (2006 - \$nil) was paid.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

1. NATURE OF OPERATIONS AND CONTINUANCE

UC Resources Ltd. is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

At June 30, 2007, the Company had working capital of \$1,357,367 (2006 - \$1,468,952) and an accumulated deficit of \$13,162,158 (2006 - \$9,477,137). The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral property interests. 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 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 for 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) Principles of consolidation

These financial statements include the accounts of UC Resources Ltd. and its wholly-owned integrated subsidiaries, Minera Planet Exploration, S.A. de C.V. ("Planet") and Minera Silver Creeck S.A. de C.V. ("Silver Creeck"), companies incorporated under the laws of Mexico, hereinafter collectively referred to as the "Company". All significant inter-company balances and transactions have been eliminated.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and term deposits with maturities of one year or less from the date of acquisition.

(c) Mineral property interests

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.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Mineral property interests (Continued)

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.

(d) Equipment

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

(e) Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Diluted loss per share has not been presented as the outstanding options and warrants are anti-dilutive for each of the years presented.

(f) Foreign currency translation

These consolidated financial 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 are translated at historical exchange rates. Income and expense items are translated at the exchange rates approximating those in effect at the time of the transactions. Translation gains and losses are included in the results of operations for the period.

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the exchange rates approximating those in effect at the time of the transactions. Translation gains and losses are included in the results of operations for the period.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at June 30, 2007, the Company has determined that it has no material AROs to record in the consolidated financial statements.

(h) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes, allowing the expenditures to be deducted for income tax purposes by investors who purchased the shares. A future income tax liability arises at the time of the renunciation of mineral exploration costs to investors of flow-through shares.

(i) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(j) Income taxes

The Company uses the asset 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 more likely than not to be realized.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 include the determination of environmental obligations, the determination of the valuation allowance for future income tax assets, the assumptions used in the determination of stock-based compensation, impairment of mineral claims and deferred exploration expenditures, and rate for amortization. While management believes the estimates are reasonable, actual results could differ from those estimates and would impact future results of operations and cash flows.

3. FINANCIAL INSTRUMENTS

(a) Fair value

Unless otherwise stated, the carrying values of the Company's financial instruments at June 30, 2007 and 2006 approximate their fair values due to the relatively short-term periods to maturity of these instruments. The Company's financial instruments consist of cash and cash equivalents, accounts receivable and advances, advance to contractor, loan receivable, amount due from related party, accounts payable and accrued liabilities, loans payable and obligation for mineral property interest acquisition.

(b) Interest rate risk

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's loans receivable and loan payable are at fixed interest rates and, therefore, the Company is exposed to interest rate price risk.

(c) Credit risk

The Company is exposed to credit risk with respect to its accounts receivable and advances; however, this is minimized because the amounts are due from government agencies. The Company holds security against the loan receivable, which approximates the amount due.

(d) Derivatives – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral interests to which they relate are not sufficiently developed to reasonably determine value.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

3. FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk

The Company translates the results of its foreign operations, carried out in US currency, into Canadian currency using rates approximating the average exchange rate on a monthly basis. The exchange rate may vary from time to time. The Company has not entered into foreign exchange derivative contracts.

4. LOAN RECEIVABLE

In November 2003, the Company advanced \$10,500 to a contract employee and received marketable securities as collateral against the loan. During the year ended June 30, 2004, the relationship was terminated and the debt was written down to \$3,000, the estimated recoverable value of the collateral. During the year ended June 30 2006, the recoverable value of the collateral became questionable and as a result the Company wrote-down the remaining \$3,000 of the loan receivable to \$nil.

During the year ended June 30, 2006, a demand loan was made to an officer of the Company in the amount of \$100,000 bearing interest at 5% per annum, calculated annually for a term of up to four years. The Company held 250,000 common shares of the Company as collateral against the loan. The loan including accrued interest was repaid in November 2006.

5. MINERAL PROPERTY INTERESTS

At June 30, 2007 and 2006, the Company's deferred exploration and acquisition costs for mineral property interests was comprised of properties located in Canada and Mexico, as follows:

2007	Copalquin	La Yesca	La Dura	McFauld's	Total
Balance, beginning of year	\$ 2,635,066	\$ -	\$ -	\$ -	\$ 2,635,066
Additions during the year					
Acquisition costs	118,713	4,060,960	55,529	-	4,235,202
Exploration costs					
Assays, testing	11,387	-	-	-	11,387
Camp and field supplies	156,303	-	-	15,202	171,505
Drilling	194,206	-	-	155,956	350,162
Geological and geophysical	142,542	-	-	72,916	215,458
Travel and accommodation	9,206	-	-	22,632	31,838
Deferred pre-production costs	-	675,292	-	-	675,292
Write-off	632,357	4,736,252	55,529	266,706	5,690,844
	-	-	(55,529)	-	(55,529)
	632,357	4,736,252	-	266,706	5,635,315
Balance, end of year	\$ 3,267,423	\$ 4,736,252	\$ -	\$ 266,706	\$ 8,270,381

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

5. MINERAL PROPERTY INTERESTS (Continued)

2006	Copalquin	La Yesca	La Dura	McFauld's	Total
Balance, beginning of year	\$ 1,246,023	\$ -	\$ -	\$ -	\$ 1,246,023
Additions during the year					
Acquisition costs	794,652	-	-	-	794,652
Exploration costs					
Assays, testing	48,873	-	-	-	48,873
Camp and field supplies	316,879	-	-	-	316,879
Drilling	61,711	-	-	-	61,711
Geological and geophysical	138,850	-	-	-	138,850
Travel and accommodation	28,078	-	-	-	28,078
	1,389,043	-	-	-	1,389,043
Balance, end of year	\$ 2,635,066	\$ -	\$ -	\$ -	\$ 2,635,066

(a) Copalquin Property, Mexico

The Company acquired 100% of the shares of Planet by paying the optionors US \$50,000 on July 8, 2005 and US \$500,000 on October 8, 2005.

The Company is responsible for the payments due by Planet to the underlying concession titleholders as follows on or before:

- July 13, 2005, the amount of US \$50,000, plus value added tax (paid);
- July 13, 2006, the amount of US \$50,000, plus value added tax (paid);
- January 13, 2007, the amount of US \$50,000, plus value added tax (paid);
- July 13, 2007, the amount of US \$50,000, plus value added tax (paid subsequent to June 30, 2007);
- January 13, 2008, the amount of US \$75,000, plus value added tax; and
- July 13, 2008, the amount of US \$75,000, plus value added tax.

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

- 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;
- A 2.5% net smelter returns royalty of which 1.5% may be purchased for US \$1,000,000; and
- Advance royalty of US \$6,000 every three months subsequent to the assignment of the concessions.

(b) La Yesca

On August 10, 2006, the Company completed the 100% acquisition of Silver Creek. At the date of acquisition, Silver Creek's only asset was the La Yesca mining project located near the town of La Yesca, in the state of Nayarit, Mexico, approximately 100 kilometres northwest of Guadalajara City and the only liability was the obligation described below and in note 10. The Company acquired Silver Creek by issuing 6,000,000 common shares of the Company and agreeing to pay US \$490,000, of which US \$250,000 was paid on closing. The remaining US \$240,000 is to be paid in 12 equal monthly payments of US \$20,000 each, commencing on September 1, 2006. The balance of US \$40,000 was paid subsequent to June 30, 2007 (note 10).

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

5. MINERAL INTERESTS (Continued)

(b) La Yesca (Continued)

The Company is responsible for the payments due by Silver Creeck to the underlying concession titleholders as follows on or before:

- September 30, 2006, the amount of US \$50,000, plus value added tax (paid);
- March 30, 2007, the amount of US \$50,000, plus value added tax (paid);
- September 30, 2007, the amount of US \$75,000, plus value added tax; and
- March 30, 2008, the amount of US \$75,000, plus value added tax.

The balance of payments owing to the vendor (US \$40,000) and the concession titleholders (US \$150,000) are recorded as obligation for mineral property interest acquisition for a total of \$207,106.

(c) McFauld's Lake

On March 6, 2007, the Company entered into a binding letter of intent ("LOI") to acquire mineral claims located in the McFauld's Lake area of James Bay Lowlands of northern Ontario. This binding LOI provided the Company an option to earn up to a 55% undivided interest in the mineral claims from two companies of which one has a director in common. To earn its interest, the Company must give notice of intent to continue or incur exploration expenditures on the mineral claim as follows:

- 10% interest by incurring \$1,000,000 in exploration expenditures on or before March 6, 2008;
- An additional 15% interest by incurring an additional \$1,000,000 in exploration expenditures on or before March 6, 2009;
- An additional 15% interest by incurring an additional \$1,250,000 in exploration expenditures on or before March 6, 2010; and
- A final 15% interest by incurring an additional \$1,250,000 in exploration expenditures on or before March 6, 2011.

(d) La Dura, Mexico

The Company signed a LOI dated August 22, 2006 to acquire 90% of the outstanding shares of Minera El Alizal S.A. de C.V. ("El Alizal"), a Mexican company. The principal asset of El Alizal is the La Dura mining project located in the Copalquin mining district in the state of Durango. The purchase price was US \$2,550,000 and the assumption of debt estimated to be approximately 9,700,000 Mexican pesos (Cdn \$925,000). The purchase price was represented by US \$1,000,000 payable over five years, of which US \$50,000 has been paid, and the issue of 3,000,000 common shares of the Company valued at US \$0.52 per share. The Company also committed to spend US \$2,000,000 in exploration on the La Dura project over an unspecified time period. As the permitted time pursuant to the LOI lapsed, the Company wrote-off \$55,529; however, it is performing additional due diligence to assess whether negotiations will be entered into for the acquisition of the La Dura mining project.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

5. MINERAL INTERESTS (Continued)

(e) Mineral interests

The recovery of the Company's investment in mineral property interests 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.

Although the Company has taken steps to ensure 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.

(f) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

6. INVESTMENT – MINERAL PROPERTY SYNDICATE

The Company holds a 5.4% interest, represented by 153,194 shares of SVB Nickel Co. Ltd., in a mineral property syndicate holding mineral claims in the South Voisey Bay area of Newfoundland. The interest has been written down in prior years to a nominal carrying value of \$1, which approximates its current estimated fair value.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

7. EQUIPMENT

2007					
	Cost		Accumulated Amortization		Net
Office equipment	\$	25,199	\$	14,576	\$ 10,623
Computer equipment		21,355		5,004	16,351
Machinery and equipment		419,978		42,286	377,692
Transportation equipment		184,344		28,382	155,962
	\$	650,876	\$	90,248	\$ 560,628

2006					
	Cost		Accumulated Amortization		Net
Office equipment	\$	18,376	\$	12,075	\$ 6,301
Computer equipment		8,984		890	8,094
Machinery and equipment		156,169		8,284	147,885
Transportation equipment		34,882		4,360	30,522
	\$	218,411	\$	25,609	\$ 192,802

8. CAPITAL STOCK

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

Issued and outstanding

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	58,363,759	\$ 13,134,118	18,612,029	\$ 8,053,957
Issued during the year				
For cash				
Private placements, net	2,678,568	1,337,050	29,544,230	3,721,105
Exercise of options	3,101,500	395,015	1,300,000	149,250
Exercise of warrants	19,581,499	2,730,197	6,807,500	850,938
	25,361,567	4,462,262	37,651,730	4,721,293
Non-cash				
Reallocation of contributed surplus for options exercised	-	438,698	-	148,868
For debt settlement	-	-	2,100,000	210,000
For broker warrants	-	(54,620)	-	-
For mineral properties	6,000,000	3,192,857	-	-
	31,361,567	8,039,197	39,751,730	5,080,161
Balance, end of year	89,725,326	\$ 21,173,315	58,363,759	\$ 13,134,118

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2007 and 2006

8. CAPITAL STOCK (Continued)

During the year ended June 30, 2007, the Company received \$395,015 and issued 3,101,500 common shares on the exercise of stock options. A further \$2,730,197 was received on the issue of 19,581,499 common shares on the exercise of warrants. In August 2006, the Company issued 6,000,000 common shares valued at \$3,192,857 for mineral property interests (note 5(b)).

In March 2007, the Company completed a private placement and issued 2,678,568 flow-through units for gross proceeds of \$1,500,000 and incurred expenses of \$162,950 in the form of finder's fees for net proceeds of \$1,337,050. An additional share issue cost of \$54,620 was recorded as the fair value of broker warrants. Each unit consists of one flow-through common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one non-flow-through common share at an exercise price of \$0.80 per common share on or before March 13, 2008, and \$1.00 per common share on or before March 13, 2009. An additional 267,857 broker warrants were issued that entitles the holder to acquire one additional common share at \$0.80 per share, on or before March 13, 2008 and \$1.00 per share, on or before March 13, 2009.

During the year ended June 30, 2006, the Company received \$149,250 and issued 1,300,000 common shares on the exercise of stock options. A further \$850,938 was received on the issue of 6,807,500 common shares on the exercise of warrants.

In March 2006, the Company completed a private placement and issued 6,349,230 units for gross proceeds of \$1,650,800 and incurred expenses of \$70,885 in the form of finder's fees for net proceeds of \$1,579,915. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.34 per share, on or before September 30, 2007. An additional 247,539 agent warrants were issued to acquire one additional common share at \$0.34 per share, on or before September 30, 2007.

In January 2006, the Company completed a private placement and issued 4,000,000 units for gross proceeds of \$400,000 and incurred expenses of \$7,000 in the form of finder's fees for net proceeds of \$393,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.125 per share, on or before July 17, 2007.

In December 2005, the Company completed a private placement and issued 3,200,000 units for gross proceeds of \$320,000 and incurred expenses of \$31,500 in the form of finder's fees for net proceeds of \$288,500. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.125 per share, on or before June 23, 2007.

In August 2005, the Company completed a private placement and issued 15,995,000 units for gross proceeds of \$1,599,500 and incurred expenses of \$139,810 in the form of finder's fees for net proceeds of \$1,459,690. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.125 per share, on or before February 22, 2007. In addition, a debt of \$210,000 was settled with the issue of 2,100,000 units (note 9) with the same terms as the private placement.

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8. CAPITAL STOCK (Continued)

(a) Stock options

A summary of the status of the Company's stock options at June 30, 2007 and 2006 and the changes during the years then ended is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at June 30, 2005	1,909,000	\$ 0.209
Granted	3,642,500	\$ 0.131
Exercised	(1,300,000)	\$ 0.115
Outstanding as at June 30, 2006	4,251,500	\$ 0.130
Granted	5,050,000	\$ 0.431
Exercised	(3,101,500)	\$ 0.127
Outstanding and exercisable as at June 30, 2007	6,200,000	\$ 0.377

During the year ended June 30, 2006, stock options to acquire 1,225,000 shares at \$0.25 per share, expiring November 22, 2006, were re-priced to \$0.11 per share.

The following summarizes information about stock options outstanding at June 30, 2007:

Options Outstanding and Exercisable		
Number of Shares	Expiry Date	Exercise Price
342,500	August 31, 2010	\$ 0.110
807,500	January 31, 2011	\$ 0.150
2,150,000	September 20, 2011	\$ 0.460
300,000	November 7, 2011	\$ 0.500
2,600,000	September 13, 2012	\$ 0.400
6,200,000		

(b) Warrants

As at June 30, 2007, the Company had the following outstanding warrants:

Exercise Price	Expiry Date	Outstanding at June 30, 2006	Issued	Exercised	Expired	Outstanding at June 30, 2007
\$ 0.125	Feb. 22, 2007	13,137,500	-	13,067,500	70,000	-
\$ 0.125	June 23, 2007	2,450,000	-	2,400,000	50,000	-
\$ 0.125	July 17, 2007	2,900,000	-	2,800,000	-	100,000
\$ 0.340	Sept. 30, 2007	6,596,769	-	1,313,999	-	5,282,770
\$0.800/ \$1.00	Mar. 13, 2008/ 2009	-	1,607,141	-	-	1,607,141
		25,084,269	1,607,141	19,581,499	120,000	6,989,911

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8. CAPITAL STOCK (Continued)

(b) Warrants (Continued)

Subsequent to June 30, 2007, all of the warrants expiring on July 17, 2007 were exercised, 5,066,770 of the warrants expiring on September 30, 2007 were exercised and 216,000 expired.

(c) Stock-based compensation

Stock-based compensation expense of \$1,921,458 (2006 - \$575,036) would be allocated: consulting \$511,881 (2006 - \$61,958), management \$1,409,577 (2006 - \$476,579) and investor relations \$nil (2006 - \$36,499). In addition, \$438,698 (2006 - \$148,869) was transferred from contributed surplus to capital stock on the exercise of stock options and warrants.

The fair value of stock options was determined using the Black-Scholes option pricing model based on the following assumptions:

	2007	2006
Risk-free interest rate	3.96% - 4.74%	3.35% - 4.03%
Expected dividend yield	-	-
Expected stock price volatility	101% & 110%	120% & 127%
Expected option life in years	5	5

The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions:

	2007	2006
Risk-free interest rate	3.88%	-%
Expected dividend yield	-	-
Expected stock price volatility	107%	-%
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.

(d) The following summarizes information about contributed surplus:

	2007		2006	
Balance, beginning of year	\$	639,840	\$	213,672
Stock-based compensation expense		1,921,458		575,036
Broker warrant expense		54,620		-
		2,615,918		788,708
Transfer to capital stock		(438,698)		(148,868)
Balance, end of year	\$	2,177,220	\$	639,840

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9. LOANS PAYABLE

During the year ended June 30, 2005, the Company received \$310,000 in operating funds in the form of loans from three lenders, including \$50,000 from a company related by a common director. The term of the loans was one year with interest at 8% per annum. In consideration of the loans, the Company issued 377,776 common shares as a bonus at a deemed value of \$62,000, which has been charged to interest expense. An additional \$13,000 was loaned to the Company by way of direct payment of expenses on behalf of the Company. In August 2005, the Company retired \$273,000 of the outstanding principal through cash payments of \$63,000 and conversion of principal of \$210,000 to common shares (note 8). The balance of \$50,000 in loans payable was repaid during the year ended June 30, 2007.

10. OBLIGATION FOR MINERAL PROPERTY INTEREST ACQUISITION

On August 10, 2006, the Company acquired Silver Creeck (note 5(b)). At June 30, 2007, there were two payments of US \$20,000 each due, for a balance of US \$40,000 (paid subsequent to June 30, 2007) and two additional payments of US \$75,000 each due to the underlying concession titleholder. The amounts are without interest.

11. RELATED PARTY TRANSACTIONS

During the year, in addition to amounts disclosed elsewhere in these financial statements, the Company paid \$nil (2006 - \$7,200) for rent and administration, \$216,196 (2006 - \$288,981) for management fees, and \$nil (2006 - \$4,330) for vehicle leases to officers and directors of the Company. During the year ended June 30, 2006, \$41,206 has been repaid to companies controlled by the former President. As of June 30, 2006, \$44,265 had been advanced to a Vice President of the Company. During the year ended June 30, 2007, the following were amounts paid to the former CEO and President: \$120,000 in management fees, \$42,000 in living expenses and \$56,805 in bonuses. In addition, \$26,632 was paid out in the form of a bonus to a former Vice President of the Company and \$10,315 was paid to a company controlled by a director and Vice President of the company.

12. INCOME TAXES

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

	2007	2006
Income tax rate	34.12%	34.12%
Future income tax assets		
Tax loss carry-forwards	\$ 1,191,109	\$ 1,020,870
Temporary differences on assets	1,414,309	1,321,484
Valuation allowance	(2,605,418)	(2,342,354)
Net future income tax assets	\$ -	\$ -

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12. 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 \$3,491,000. The losses expire as follows:

2008	\$	294,000
2009		134,000
2010		107,000
2014		328,000
2015		349,000
2026		1,059,000
2027		1,220,000
	\$	3,491,000

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:

	2007	2006
Income tax rate	34.12%	34.12%
Income tax benefit computed at Canadian statutory rates	\$ 1,277,906	\$ 564,497
Temporary differences not recognized in the year	12,005	(2,020)
Permanent differences	(659,175)	(200,914)
Unrecognized tax losses	(630,736)	(361,563)
	\$ -	\$ -

13. SEGMENTED DISCLOSURE

As at June 30, 2007, the Company has two operating segments, mineral exploration and development, located in Mexico and Canada as follows:

	2007	2006
Canada	\$ 1,759,932	\$ 1,324,051
Mexico	8,958,672	3,224,109
	\$ 10,718,604	\$ 4,548,160

14. COMPARATIVE FIGURES

Certain of the 2006 comparative figures have been reclassified to conform to the current year's presentation.

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15. SUBSEQUENT EVENTS

(a) Capital stock

The Company received \$15,000 and issued 100,000 common shares on the exercise of stock options. A further \$1,735,202 was received on the issue of 5,166,770 common shares on the exercise of warrants.

(b) Stock options

The Company granted stock options to issue up to 450,000 common shares at \$0.45 per share for a period of five years.

(c) Management changes

As announced on October 23, 2007, Richard Hamelin has resigned as President/CEO and from the Board of Directors.

(d) Private placement

Subject to regulatory approval, the Company entered into an agreement on October 18, 2007 with PowerOne Capital Markets Limited ("PowerOne") in which PowerOne has agreed to offer on a private placement basis (the "Offering") up to 5,777,778 units of the Company at \$0.45 per unit and up to 3,000,000 flow-through units at \$0.50 per unit for aggregate gross proceeds of a maximum of \$4,100,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable for one common share of the Company at a price of \$0.70 for a period of 24 months after the closing of the Offering subject to the right of the Company to accelerate the expiry date of the warrants, on not less than 30 days' prior written notice, if the closing price of the common shares of the Company is at least \$1.50 per share for any period not less than 30 consecutive trading days. The Company also completed a private placement of 500,000 flow-through units and 1,037,809 non-flow-through units, each unit as described above.

PowerOne will receive a commission equal to 8% of the gross proceeds from the sale of the Offering, payable in cash or units of the Offering, at the election of PowerOne. PowerOne will also be granted broker units (the "Broker Units") equal in number to 10% of the number of units and flow-through units sold under the Offering at \$0.45 per Broker Unit. Each Broker Unit will have the same characteristics as the units in the Offering.

(e) Agreements

The Company entered into an agreement on September 14, 2007, with a consulting firm to provide investor relation services for a twelve-month period. Under the terms of this agreement, the Company will pay a \$2,000 monthly retainer and issue stock options for 250,000 shares.