

UC RESOURCES LTD.
(An Exploration Stage Company)

Consolidated Financial Statements
June 30, 2008 and 2007

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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 the preparation of 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, Dale Matheson Carr-Hilton Labonte 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, Canada
October 28, 2008

AUDITORS' REPORT

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

We have audited the consolidated balance sheet of UC Resources Ltd. (An Exploration Stage Company) as at June 30, 2008 and the consolidated statements of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at June 30, 2007 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated November 2, 2007.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
Chartered Accountants

Vancouver, Canada
October 24, 2008

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

	2008	2007
Assets		(Restated- Note 13)
Current		
Cash and cash equivalents	\$ 1,913,386	\$ 277,614
Short term investments (note 4)	282,550	1,003,550
Receivables and advances	298,851	462,255
Prepaid expenses	17,171	57,211
Advance to contractor (notes 5 and 10)	216,463	86,964
	2,728,421	1,887,594
Mineral Property Interests (notes 6)	10,015,888	7,595,090
Investment (note 7)	1	1
Plant and Equipment (note 8)	1,888,968	1,050,592
	\$ 14,633,278	\$ 10,533,277
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 258,406	\$ 137,794
Obligation for mineral property interest acquisition (note 6)	-	207,106
	258,406	344,900
Shareholders' Equity		
Capital Stock (note 9)	26,208,864	21,173,315
Contributed Surplus (note 9(d))	3,425,659	2,177,220
Deficit	(15,259,651)	(13,162,158)
	14,374,872	10,188,377
	\$ 14,633,278	\$ 10,533,277

Nature of Operations and Continuance (note 1)
Contingencies (note 14)
Commitments (notes 6)
Subsequent event (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

	2008	2007
Expenses		
Amortization	\$ 24,750	\$ 74,761
Audit and accounting	84,532	46,756
Consulting fees	247,543	187,310
Interest	51,612	2,539
Investor relations	141,231	351,514
Legal	84,428	73,082
Management fees	389,295	224,061
Office and administration	909,954	545,085
Regulatory and transfer agent fees	56,737	64,389
Stock-based compensation (Note 9)	1,030,545	1,921,458
Travel	168,560	245,472
Loss Before Other Items	(3,189,187)	(3,736,427)
Other Items		
Interest income	88,442	31,660
Write-off of other receivables	(80,736)	-
Write-off of mineral property interest (Note 6)	-	(55,529)
Foreign exchange gain	32,770	81,704
Loss on sale of equipment	(13,903)	(6,429)
Loss before Income Taxes	(3,162,614)	(3,685,021)
Income Taxes		
Future Income tax recovery (Note 9 and 11)	1,065,121	-
Net Loss for Year	(2,097,493)	(3,685,021)
Deficit, Beginning of Year	(13,162,158)	(9,477,137)
Deficit, End of Year	\$ (15,259,651)	\$ (13,162,158)
Loss Per Share - Basic	\$ (0.02)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding	100,717,831	76,376,148

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

	2008	2007
Operating Activities		
Net loss	\$ (2,097,493)	\$ (3,685,021)
Items not involving cash		
Amortization	24,750	74,761
Write-off of other receivables	80,736	-
Future income tax recovery	(1,065,121)	-
Write-off of mineral property interest	-	55,529
Consulting and travel expenses	-	87,347
Stock-based compensation	1,030,545	1,921,458
	(2,026,583)	(1,545,926)
Changes in non-cash working capital		
Accounts receivable and advances	82,668	(314,430)
Prepaid expenses	40,040	(47,575)
Advance to contractor	(129,499)	(86,964)
Accounts payable and accrued liabilities	120,612	(218,251)
	113,821	(667,220)
Cash Used in Operating Activities	(1,912,762)	(2,213,146)
Financing Activities		
Repayment of loans payable	-	(50,000)
Capital stock issued for cash, net	6,318,564	4,462,262
Loan receivable	-	100,000
Obligation for mineral property interest acquisition	(207,106)	-
Cash Provided by Financing Activities	6,111,458	4,512,262
Investing Activities		
Expenditures on mineral property interests	(2,420,798)	(1,615,590)
Acquisition of short-term investments	(282,550)	(1,337,050)
Disposition of short-term investments	1,003,550	333,500
Acquisition of plant and equipment	(863,126)	(777,845)
Cash Used in Investing Activities	(2,562,924)	(3,396,985)
Increase (Decrease) in Cash	1,635,772	(1,097,869)
Cash and Cash Equivalents, Beginning of Year	277,614	1,375,483
Cash and Cash Equivalents, End of Year	\$ 1,913,386	\$ 277,614

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) Interest expense of \$1,612 (2007 - \$2,539) and income taxes of \$nil (2007 - \$nil) was paid.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

1. NATURE OF OPERATIONS AND CONTINUANCE

UC Resources Ltd. (the "Company") is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties in Canada and Mexico.

At June 30, 2008, the Company had working capital of \$2,470,015 (2007 - \$1,542,694) and an accumulated deficit of \$15,259,651 (2007 - \$13,162,158). 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 the ability of the Company to raise equity financing in the future to fund further exploration work and to fund continuing operating losses, and ultimately on the attainment of profitable operations to meet the Company's liabilities as they become payable.

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.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and settlement 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. ("Minera 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 highly liquid short-term interest bearing securities with terms at the date of purchase for three months or less.

(c) Short-term investments

Short-term investments are temporary investments with original maturities of greater than three months and less than one year at the time the investment is made. Short-term investments are valued at the lower of cost and market value.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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 annually or when there are significant changes in events or circumstances, 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.

(e) Plant and equipment

Plant and equipment are recorded at cost and are 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. The La Yesca mill, bought in 2006, has not been put in use to date. Upon commencement of commercial mining operations the mill will be amortized over its estimated useful life.

(f) 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.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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, 2008, the Company has determined that it has no material AROs to record in the consolidated financial statements.

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Under the recommendations of the Emerging Issues Committee (EIC 146), future income tax liabilities resulting from the renunciation of qualified mineral expenditures by the Company is recorded as a reduction in share capital. Any corresponding realization of future income tax benefits resulting from the utilization of prior year losses available to the Company not previously recorded, as the Company did not meet the criteria for recognition, will be reflected as part of the Company's operating results as a recovery of future income taxes in the same period of filing the renunciations with the Canada Revenue Agency.

(j) 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.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) 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.

(m) Impairment of Long-lived Assets

The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying value amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds the undiscounted future cash flows.

(n) Risk management

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks and fluctuations in commodity pricing associated with mineral exploration activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified.

The Company's functional currency is the Canadian dollar. 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 exposing it to foreign currency risks. The Company has not entered into foreign exchange derivative contracts.

The Company is not exposed to significant credit concentration and interest rate risks.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

(p) Political and other risks

The Company's mineral properties located in Mexico expose the Company to different considerations and other risks not typically associated with companies in Canada. Such risks are associated with the political, economic and legal environments. The Company's results may be adversely affected by changes in the political and social conditions in Mexico and by changes in government policies with respect to laws and regulations.

The Company has not yet generated significant revenues and as a result is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk. The Company's functional currency is the Canadian dollar. There is currently no significant foreign exchange risk to the Company.

(q) Financial instruments

Fair value

Unless otherwise stated, the carrying values of the Company's financial instruments at June 30, 2008 and 2007 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, and accounts payable and short term investments.

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, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Current Changes in Accounting Policies

Effective July 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Financial Instruments – Recognition and Measurement

Effective July 1, 2007 the Company adopted the new accounting standards issued by the CICA relating to financial instruments. As required by the transitional provisions of these standards, these standards have been adopted on a prospective basis without restatement of prior period financial statements.

This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Unrealized changes in fair value are to be recognized in the statements of loss or comprehensive loss.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Changes to the fair values of certain assets and liabilities as at July 1, 2007, are recognized by adjusting opening deficit or opening accumulated other comprehensive loss.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

Held-to-maturity investments, loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

Net Smelter Royalties ("NSR") are a form of derivative financial instrument. The fair value of the Company's right to purchase the NSR (refer to Note 6) is not determinable at the current stage of the Company's exploration program. No value has been assigned by management. The Company does not engage in any other forms of hedging activity.

Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

3. ADOPTION OF NEW ACCOUNTING POLICIES (continued):

Current Changes in Accounting Policies (continued)

All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise, except for derivative instruments which represent a cash flow hedge, where the gain or loss is recognized in other comprehensive income.

Accounting Changes

Effective July 1, 2007, the Company implemented the new CICA accounting section 1506 (Accounting Changes). Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective. The impact that the adoption of this section will have on the Company's financial statements will depend on the nature of future accounting changes and the required additional disclosure on Recent Accounting Pronouncements.

Comprehensive Income

The Company adopted CICA Section 1530, Comprehensive Income effective July 1, 2007. This section establishes for reporting and presenting comprehensive income or loss, which is defined as the change in equity from transactions and other events from sources other than income or loss, which is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive principles such as unrealized gains or losses on available-for-sale investments. Amounts initially recorded to other comprehensive income or loss is reclassified to earnings when the financial instrument is derecognized or impaired. For the year ended June 30, 2008, the Company did not have any items that affected other comprehensive income or loss, therefore, the comprehensive loss for the year is equal to the net loss for the year.

Future Changes in Accounting Policies

Capital Disclosures – Section 1535

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after July 1, 2008. The Company is currently evaluating the effects of adopting this standard.

Going Concern – Amendments to Section 1400

General Standards of Financial Statement Presentation, CICA 1400, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual periods relating to fiscal years beginning on or after July 1, 2008. The Company is currently evaluating the effects of adopting this standard.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

3. ADOPTION OF NEW ACCOUNTING POLICIES (continued):

Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards will replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk, interest rate risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after July 1, 2008. The Company expects that its disclosures will be expanded to incorporate the additional requirements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2010.

While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. SHORT TERM INVESTMENTS

Short-term investments consist of money market investments that are designated "held-for-trading" and are measured at fair value. The cost of the short-term investments approximates their fair value of \$282,550 at June 30, 2008 (2007 - \$1,003,550).

5. ADVANCE TO CONTRACTOR

Money is advanced to a contractor that the Company has contracted to operate the projects in both Canada and Mexico. The operating costs are recorded as deferred exploration costs when incurred.

UC RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements (Canadian Dollars)
Years Ended June 30, 2008 and 2007

6. MINERAL PROPERTY INTERESTS

At June 30, 2008 and 2007, the Company's deferred exploration and acquisition costs for mineral property interests was comprised of properties located in Canada and Mexico, as follows:

2008	Copalquin	La Yesca	McFauld's	MAR	Le Quebrada	Total
Balance, beginning of year	\$3,267,423	\$4,060,960	\$ 266,706	\$ --	\$ -	\$ 7,595,089
Additions during the year						
Acquisition costs	354,663	-	72,375	107,762	11,149	545,949
Exploration costs	-	-	-	-	-	-
Assays, testing	1,920	-	-	-	-	1,920
Camp and field supplies	189	-	26,763	-	-	26,952
Drilling	75,773	-	557,422	-	-	633,195
Geological and geophysical	83,573	-	996,390	-	-	1,079,963
Travel and accommodation	-	-	27,329	-	-	27,329
Other	-	65,491	40,000	-	-	105,491
	516,118	65,491	1,720,279	107,762	11,149	2,420,799
Balance, end of year	\$3,783,541	\$4,126,451	\$1,986,985	\$107,762	\$ 11,149	\$ 10,015,888

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
	632,357	4,060,960	55,529	266,706	5,015,552
Write-off	-	-	(55,529)	-	(55,529)
	632,357	4,060,960	-	266,706	4,960,023
Balance, end of year	\$ 3,267,423	\$ 4,060,960	\$ -	\$ 266,706	\$ 7,595,090

The Company classified the Mill costs of \$489,964 under mineral properties as deferred preproduction costs in 2007 and they have been reclassified to property, plant and equipment as Mill for 2008 (Refer to notes 8 and 13).

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6. MINERAL PROPERTY INTERESTS (Continued)

(a) Copalquin Property, Mexico

Copalquin is located in the northwest corner of Durango State, and is located in Mexico's Sierra Madre mineralogical belt.

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

As part of an option agreement for the concession, the Company is responsible for the payments due by Minera Planet to the underlying concession title holders and are recorded when paid are 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);
- January 13, 2008, the amount of US \$75,000, plus value added tax (paid); and
- July 13, 2008, the amount of US \$75,000, plus value added tax (paid subsequent to June 30, 2008).

The property is subject to the following encumbrances to the title holders:

- 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.

The Company first became involved in Copalquin in February 2004 by signing an option agreement with Minera Planet to acquire a 50% interest on its Copalquin project, which allowed the Company to earn a 50% interest in Minera Planet's 100% option on 7,005 hectares of historic gold and silver property. The Company followed up this agreement in June 2005 by signing an option to acquire 100% of the issued and outstanding shares of Minera Planet. The sole asset of Minera Planet at the time was an exploration contract which grants Minera Planet the exclusive rights to purchase a 100% interest in the Copalquin property.

At the time of the acquisition of all the outstanding shares of Minera Planet from Planet Exploration, the Company effectively had an exclusive right to acquire a 100% interest in Copalquin and the agreement in June 2005 took precedent over all previous agreements.

This option agreement, first announced on June 23, 2005, was finalized in October 2005. A 2.5% royalty exists and the Company will have the option to purchase up to an equivalent of 1.5% of this royalty at a purchase price of \$1,000,000 USD.

The Company also expanded its land package by staking additional territory, beginning in October 2005 by staking 12,264 hectares. In May of 2006, the Company staked an additional 44,830 hectares. In January 2007, two new concession applications (located to the southwest and southeast of the Company's existing concessions at Copalquin) covering multiple historic mining areas were submitted, increasing the total land position for the Company from 64,000 hectares to 152,000 hectares.

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6. MINERAL INTERESTS (Continued)

(A) COPALQUIN PROPERTY, MEXICO (CONTINUED)

The Company has fulfilled its obligations of the original Copalquin agreement, exclusive of NSR, encompassing some 7,005 hectares including final property payments, exploration spending, and maintaining the properties in good standing. In total the Copalquin land package is 150,053 hectares in size with this contract representing 7,005 hectares, only 4.7% of the entire exploration land package. There is currently a lawsuit filed by the vendor of the property, Sr. Matas, against the Company and Minera Planet. (see Note 14.)

(b) La Yesca

On August 10, 2006, the Company completed the 100% acquisition of Silver Creeck. At the date of acquisition, Silver Creeck'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. The Company acquired Silver Creeck 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 was paid in 12 equal monthly payments of US \$20,000 each, commencing on September 1, 2006. The balance of US \$40,000 was paid during the current year.

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

(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. 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 (completed on January 31, 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.

Acquisition during the current year included the payment of USD \$72,375 in staking costs.

Subsequent to year end the Company spent \$92,487 in staking contiguous claims to the present east block claims in McFaulds Lake.

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6. MINERAL INTERESTS (Continued)

(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; and during the year ended June 30, 2007, the Company decided not to proceed with the La Dura.

(e) MAR, Mexico

The Company has a letter of intent signed by Mr. Felipe Paizanni, the vendor of the MAR property interest, dated March 27, 2006, expressing his and his partners' intention of granting to Silver Creek the right to explore the "Mar" lot and the option to purchase the mining concession that covers such lot. There is an exploration agreement with an Option to Purchase dated November 26, 2007 between Mr. Felipe Paizanni and Silver Creek, for a total consideration of US\$100,000, plus a 2% NSR royalty. Silver Creek has the right to terminate this option at any time.

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

- Upon signing, the amount of US \$25,000, plus value added tax (paid);
- February 26, 2008, the amount of US \$25,000, plus value added tax (paid);
- March 26, 2008, the amount of US \$25,000, plus value added tax (paid); and
- September 26, 2008, the amount of US \$25,000, plus value added tax (partially paid subsequent to June 30, 2008).

There will be an Assignment Agreement between Mr. Paizanni and Silver Creek, which will be signed and ratified before a Notary Public at the time the last installment of US\$25,000 under the Exploration Agreement is paid by Silver Creek to Mr. Paizanni, which is to be paid in 2008. As of September 30, 2008, US\$14,375 is owing to Mr. Paizanni. Through this Assignment Agreement, Silver Creek would become the legal holder of the concession of the "Mar" lot, title 214296, and all payments made under the Exploration Agreement will be applied to the payment of the purchase price of US\$100,000.

(f) La Quebrada, Mexico

The Company staked and was granted by the Mexican Government mining rights to this concession. The main area of the concession is located in the county of Culiacan, Sinola, but the property is partially located in Tamazula, Durango state and Badiraguta in Sinaloa state. The title for the concession is 50 years from February 6, 2008 to February 5, 2028. In total the two titles consist of 55,241 hectares.

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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.

7. 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, carried at a nominal carrying value of \$1, which approximates its current estimated fair value.

8. PLANT AND EQUIPMENT

2008				
	Cost		Accumulated Amortization	Net
Office equipment	\$ 37,133	\$	17,141	\$ 19,992
Computer equipment	26,316		11,101	15,215
Machinery and equipment	952,007		94,567	857,440
Transportation equipment	144,510		42,343	102,167
Mill	894,154		-	894,154
	\$ 2,054,120	\$	165,152	\$ 1,888,968

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
Mill	489,964		-	489,964
	\$ 1,140,840	\$	90,248	\$ 1,050,592

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9. CAPITAL STOCK

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

Issued and outstanding

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	89,725,326	\$ 21,173,315	58,363,759	\$ 13,134,118
Issued during the year				
For cash				
Private placements, net	10,310,030	4,436,772	2,678,568	1,337,050
Exercise of options	900,000	121,300	3,101,500	395,015
Exercise of warrants	5,272,770	1,760,492	19,581,499	2,730,197
	16,482,800	6,318,564	25,361,567	4,462,262
Non-cash				
Reallocation of contributed surplus for options exercised	-	145,542	-	438,698
Future income tax recovery		(1,065,121)		
For broker warrants & options	-	(363,436)	-	(54,620)
For mineral properties	-	-	6,000,000	3,192,857
	16,482,800	5,035,549	31,361,567	8,039,197
Balance, end of year	106,208,126	\$ 26,208,864	89,725,326	\$ 21,173,315

During the year ended June 30, 2008, the Company received \$121,300 and issued 900,000 common shares pursuant to the exercise of stock options. A further \$1,760,492 was received on the issue of 5,272,770 common shares on the exercise of warrants.

In November 2007, the Company completed a private placement and issued 6,810,030 non-flow-through units at \$0.45 per unit and 3,500,000 flow-through units at \$0.50 per unit for aggregate gross proceeds of \$4,814,514 and incurred expenses of \$377,742 in the form of finder's fees and other issuance costs for net proceeds of \$4,436,772. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the purchaser to purchase one additional share at \$0.70 per share for a period of two years. The Company has the right 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. All securities are subject to a hold period, which expires March 17, 2008. An additional 877,778 broker options were issued that entitles the holder to acquire one additional common share and one-half of one common share purchase warrant at \$0.45 per share on or before November 16, 2009. Each whole warrant entitles the broker to purchase one additional share at \$0.70 per share for a period of two years. Management has determined the fair value attributed to the options and warrants to be \$363,436 which is included in capital stock.

The Company renounced flow-through expenditures of \$3,247,320 on December 31, 2007 relating to the above private placement and the private placement completed in March 2007 described below, and recorded a recovery of future income taxes of \$1,065,121 to record the utilization of previously unrecognized tax loss carry forwards to offset the future income tax liability resulting from the tax benefits renounced.

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9. 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 6(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.

(a) Stock options

A summary of the status of the Company's stock options at June 30, 2008 and 2007 and the changes during the years then ended is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Life
Outstanding as at June 30, 2006	4,251,500	\$ 0.130	3.614
Granted	5,050,000	0.431	
Exercised	(3,101,500)	0.127	
Outstanding as at June 30, 2007	6,200,000	0.377	4.400
Granted	4,527,778	0.474	
Exercised	(900,000)	0.135	
Cancelled/Expired	(300,000)	0.500	
Outstanding and exercisable as at June 30, 2008	9,527,778	\$ 0.442	3.748

The following summarizes information about stock options outstanding at June 30, 2008:

Options Outstanding and Exercisable		
Number of Shares	Expiry Date	Exercise Price
150,000	September 14, 2008	\$ 0.57
877,778	November 16, 2009	\$ 0.45
250,000	January 31, 2011	\$ 0.15
2,150,000	September 20, 2011	\$ 0.46
2,600,000	September 13, 2012	\$ 0.40
450,000	October 22, 2012	\$ 0.45
1,200,000	December 20, 2012	\$ 0.45
1,850,000	February 27, 2013	\$ 0.50
9,527,778		

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9. CAPITAL STOCK (Continued)

Stock options (Continued)

All the above options vested at the date of grant with the exception of the 150,000 options granted on September 14, 2007. These options vested 37,500 every three months since the date of grant. The weighted average grant date fair value of options granted during the years ended June 30, 2008 and 2007 was \$0.28, and \$0.38 respectively.

(b) Warrants

As at June 30, 2008, the Company had the following outstanding warrants:

Exercise Price	Expiry Date	Outstanding at June 30, 2007	Issued	Exercised	Expired	Outstanding at June 30, 2008
\$ 0.125	June 23, 2007	50,000	-	50,000	-	-
\$ 0.125	July 17, 2007	100,000	-	100,000	-	-
\$ 0.34	Sept. 30, 2007	5,282,770	-	5,122,770	160,000	-
\$ 1.00	Mar. 13, 2009	1,607,139	-	-	-	1,607,139
\$ 0.50	Nov. 16, 2009	-	5,155,015	-	-	5,155,015
		7,039,909	5,155,015	5,272,770	160,000	6,762,154

Weighted Average exercise price	\$ 0.443	\$ 0.500	\$ 0.336	\$ 0.340	\$ 0.771
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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	-	1,607,139	-	-	1,607,139
		25,084,269	1,607,139	19,581,499	70,000	7,039,909

Weighted Average exercise price	\$ 0.182	\$ 0.800	\$ 0.139	\$ 0.125	\$ 0.443
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The weighted average remaining life of all outstanding warrants is 1.22 years (2007 – 0.58 years).

(c) Stock-based compensation

Stock-based compensation expense of \$1,030,545 (2007 - \$1,921,458) was comprised as follows: consulting \$188,115 (2007 - \$511,881), and management \$842,430 (2007 - \$1,409,577). In addition, \$145,542 (2007 - \$438,698) was transferred from contributed surplus to capital stock on the exercise of stock options.

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9. CAPITAL STOCK (Continued)

Stock-based compensation (continued)

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

	2008	2007
Risk-free interest rate	3.40% - 4.27%	3.96% - 4.74%
Expected dividend yield	-	-
Expected stock price volatility	105% - 106%	101% & 110%
Expected option life in years	1-5	5

Share issue costs of \$363,435 (2007 - \$54,620) was recorded upon the issue of broker options and warrants.

The fair value of broker options and warrants were determined using the Black-Scholes option pricing model based on the following assumptions:

	2008	2007
Risk-free interest rate	4.23%	3.88%
Expected dividend yield	-	-
Expected stock price volatility	105%	107%
Expected option/warrant life in years	2	2

Subsequent to year end, 150,000 options expired without being exercised.

(d) The following summarizes information about contributed surplus:

	2008		2007	
Balance, beginning of year	\$	2,177,220	\$	639,840
Stock-based compensation expense		1,030,545		1,921,458
Broker warrants/options		363,436		54,620
		3,571,201		2,615,918
Transferred to capital stock		(145,542)		(438,698)
Balance, end of year	\$	3,425,659	\$	2,177,220

10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2008, in addition to amounts disclosed elsewhere in these financial statements, the Company paid \$163,000 (2007 - \$216,196) for management fees to officers of the Company. During the year ended June 30, 2008, the following were amounts paid to the former CEO and President: \$40,000 (2007 - \$120,000) in management fees, \$14,000 (2007 - \$42,000) in living expenses, \$nil (2007 - \$56,805) in bonuses and \$120,000 (2007 - \$nil) in severance. In addition, \$nil (2007 - \$26,632) was paid out in the form of a bonus to a former Vice President of the Company and \$nil (2007 - \$10,315) was paid to a company controlled by a director and Vice President of the Company.

The Company has engaged Billiken Management Services Inc. ("Billiken"), a private company, to manage the McFauld's Lake and the Mexican properties. Billiken charges a fee based on a percentage of expenses incurred on behalf of the Company. The fee totaled \$143,450 for the fiscal year ended June 30, 2008 (2007 - \$22,652). At June 30, 2008 there was a balance on deposit with Billiken of \$216,463. The President/CEO of the Company holds a non-controlling interest in Billiken through a private company.

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11. INCOME TAXES

The components of the Company's future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets and liabilities:		
Non-capital losses carried forward	\$ 1,635,261	\$ 1,240,534
Donations carried forward	1,664	1,861
Investment tax credits carried forward	19,737	18,536
Resource pools in excess of book value of Mineral property interests	(203,914)	751,812
Share issue costs	112,511	53,087
Plant and equipment	9,261	8,385
	1,574,520	2,074,215
Valuation allowance:		
Valuation allowance opening	(2,074,214)	(1,961,587)
Change in valuation allowance	499,694	(112,628)
Valuation allowance, ending	(1,574,520)	(2,074,214)
Net future income tax assets	\$ -	\$ -

The Company has Canadian non-capital loss carryforwards of approximately \$4,386,000 (2007 – \$3,478,000) and Mexican net operating loss carryforwards of approximately \$1,790,000 (2007 - \$637,000) which can be applied to reduce future taxable income in Canada and Mexico, respectively and expiring as follows:

	Canada	Mexico
2009	134,000	-
2010	107,000	-
2014	328,000	131,000
2015	349,000	5,000
2016	-	291,000
2017	-	210,000
2018	-	1,153,000
2026	1,059,000	-
2027	1,207,000	-
2028	1,202,000	-
	\$ 4,386,000	\$ 1,790,000

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11. INCOME TAXES (Continued)

The actual income tax provision differs from the expected amounts calculated by applying the combined statutory federal and provincial corporate income tax rate to the Company's loss before income taxes. The components of these differences are as follows.

	2008	2007
Loss before income taxes	\$ (3,162,614)	\$ (3,629,492)
Combined statutory income tax rate	29.96%	31.18%
Expected tax expense (recovery)	(947,528)	(1,131,510)
Increase (decrease) resulting from:		
Decrease in Canadian statutory income tax rate	54,755	202,573
Difference in foreign tax rates	(9,239)	(4,676)
Unrecognized items for tax purposes	353,918	714,919
Expiry of non-capital losses carried forward	76,412	219,881
Share issue costs incurred	(98,213)	(66,359)
Change in future tax asset valuation allowance	(499,694)	120,763
Tax losses acquired	-	(65,126)
Other	4,468	9,535
Future income tax provision (recovery)	\$ (1,065,121)	\$ -

The Company renounced flow-through expenditures of \$3,247,320 on December 31, 2007 and recorded a recovery of future income taxes of \$1,065,121 to record the utilization of current year and previously unrecognized future tax assets to offset the future income tax liability resulting from the tax benefits renounced.

Part XII.6 tax

\$2,139,298 of the flow-through amounts renounced on December 31, 2007 were done under the look back provision whereby the Company is required to incur the amounts by December 31, 2008 and is subject to Part XII.6 tax to the extent flow through expenditures are incurred after February 28, 2008.

The Company incurred flow-through expenditures of \$847,017 in the period from January 1, 2008 to June 30, 2008 and thus is required at June 30, 2008 to incur additional flow-through expenditures of \$1,292,281 by December 31, 2008. The Company accrued \$50,000 in Part XII.6 tax related flow through expenditures incurred from March 1 to June 30, 2008. The Company will incur additional Part XII.6 tax related to flow through expenditures incurred from July 1 to December 31, 2008.

The balance of the flow-through expenditures must be incurred by December 31, 2008 to avoid additional penalties and reversal of the renunciation of any unspent look back amounts renounced under the look back provision.

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The Company operates in one industry segment which is the acquisition and exploration of mineral properties. Geographic information is as follows:

2008	Canada	Mexico	Total
Current assets	\$ 2,296,738	\$ 431,683	\$ 2,728,421
Mineral property interests	1,986,986	8,028,903	10,015,889
Property, plant and equipment	29,964	1,859,004	1,888,968
Total Assets	4,313,688	10,319,590	14,633,278
Interest income	86,115	2,327	88,442
Amortization	8,130	16,620	24,750
Net Loss	\$ (1,066,562)	\$ (1,030,931)	\$ (2,097,493)

2007	Canada	Mexico	Total
Current assets	\$ 1,462,343	\$ 425,251	\$ 1,887,594
Mineral property interests	266,706	7,328,385	7,595,091
Property, plant and equipment	30,883	1,019,709	1,050,592
Total Assets	1,759,932	8,773,345	10,533,277
Interest income	31,660	-	31,660
Amortization	8,330	66,431	74,761
Net Loss	\$ (3,108,587)	(576,434)	\$ (3,685,021)

13. RESTATEMENT OF PRIOR YEAR

In preparing the current year's financial statements, it was noted that the prior years property plant and equipment and the related payable to a concession titleholder were overstated by \$185,326. Accordingly, the comparative financial statements for 2007 have been restated to correct for this accounting error. An adjustment has been made to the 2007 balance sheet decreasing both the carrying value of the La Yesca Mill and accounts payable. The restatement for 2007 had no impact on the 2007 Consolidated Statement of Operations or on the total Shareholders' Equity of the Company.

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14. CONTINGENCY

The Company and Minera Planet has had a legal claim filed against it by Miguel Angel Matas Martinez and Compañía Minera Copalquin, S.A. de C.V., concessionaires of the Copalquin Project, alleging that they have not been able to reach a deal with another company to which they asked for US\$20 per ounce of gold or its equivalent in other metals that they considered as found in the Copalquin Project.

The Company has had an exhaustive resources calculation completed by a qualified Mexican Engineer regarding the resource at the Copalquin Project to determine the purchase price of this project and as a result a cheque for US\$33,154 based on such calculation, will be deposited with the Mexican court in payment of the balance of the purchase price of the Copalquin Project. This is because Mr. Matas and Compañía Minera Copalquin, S.A. de C.V. would not accept payment from the Company. It is management's position that Minera Planet has met all of the payments required under the contract agreement.

The Company considers Mr. Matas's action as frivolous and unsubstantiated. The Company and Minera Planet are vigorously attending to this action and will continue to do so. A defense will be filed stating no further amounts are owing, except for the payment of a NSR royalty. The Company has filed a response to a previous suit.

The outcome of this legal action and the loss, if any, is currently not determinable and no amounts have been accrued in the financial statements at year end relating to this contingency.

15. SUBSEQUENT EVENT

The Company received a US\$350,000 loan facility from the Mexican Mining Development Trust - Fideicomiso de Fomento Minero (FIFOMI), which is a Mexican government agency. Funds from this loan will be used for the completion of the Company's production facility at La Yesca and working capital.