



UEX CORPORATION

ANNUAL REPORT 2003



Message to Shareholders

UEx Corporation continued to make significant progress in its exploration objectives in 2003. Uranium market conditions improved considerably in the latter part of the year, which greatly increased shareholder value and allowed UEX the opportunity to seek additional exploration financing. UEX management looks forward to the exploration and development of its properties and the future growth of the Company.

"signed"

*Stephen H. Sorensen
President & CEO*

May 17, 2004

Management Discussion & Analysis

This management discussion and analysis will provide investors with an informed discussion of UEX Corporation's business activities. It incorporates new requirements from the Canadian Securities Administration and reflects guidelines from the Canadian Institute of Chartered Accountants (CICA). UEX Corporation ("UEx") prepares its Financial Statements in accordance with Canadian Generally Accepted Accounting Principles. Additional information concerning UEX is available at www.sedar.com.

Overview

Goals

UEx's goal is to become the dominant uranium explorer in the uranium-rich Athabasca Basin and, through its efforts, eventually join the elite ranks of Canada's uranium producers.

Strategy

Our business is the exploration and development of uranium resources in the Athabasca Basin. Sustainable growth is realized by the acquisition and partnering of prospective uranium projects at various stages of exploration and development, located in different but prospective geological domains in the Athabasca Basin.

UEx believes that diversification of projects, project locations and project partners is key to successful discoveries. UEx holds a diversified portfolio of uranium projects, located in several prospective geological domains in the Athabasca Basin and has strong affiliations with nuclear industry leaders. Since going public in July of 2002, UEx has aggressively pursued this strategy and has produced a growing capital appreciation for its shareholders.

About UEX

UEx is a Canadian based exploration company initially formed under an agreement between Pioneer Metals Corporation and Cameco Corporation. Its business is the exploration and development of uranium resources in the Athabasca Basin of northern Saskatchewan, the richest uranium belt in the world. UEx began trading on the Toronto Stock Exchange in July 2002 and currently has 12 uranium projects either 100% owned, joint ventured or under option totaling approximately 230,000 hectares (575,000 acres) located in the eastern, western and northern areas of the Athabasca Basin.

Cameco Corporation ("Cameco"), the world's largest supplier of uranium, holds approximately 28% of the common shares of UEX and has one representative on UEX's Board of Directors. UEX and Cameco have an

exploration service agreement in place, under which Cameco manages exploration programs on the 100% UEX-owned and operated Hidden Bay Project. The service agreement can be cancelled by either party prior to any calendar year end. The Hidden Bay Project is located in the eastern Athabasca Basin, and surrounds on three sides Cameco's producing Rabbit Lake project.

UEX also operates its 100% owned Riou Lake Uranium Project, the Black Lake Uranium Project, a joint venture with COGEMA Resources Inc. ("COGEMA"), and the Serendipity Lakes Project, a property under option from D.F. Exploration Uranium Ltd. All three of these projects are located in the northeastern Athabasca Basin.

In March 2004, UEX signed an agreement with COGEMA to acquire a 49% interest in eight uranium projects 100% owned by COGEMA. The eight projects include Shea Creek (containing the Anne and Collette deposits), Douglas, Erica, Alexandra, Laurie, Mirror and the recently staked Nikita and Uchrich projects. Under the terms of the agreement with COGEMA, UEX has an option to spend \$30 million (CDN) over the next 11 years to earn its 49% interest. COGEMA will be operator. COGEMA is part of the AREVA group, the world's largest nuclear energy company (*see Events Subsequent to December 31, 2003*).

Growth Strategy

UEX's vision is to be the dominant uranium explorer in the Athabasca Basin and a future uranium producer.

The main strategies of UEX are:

- To improve the geological model and complete the additional drilling required to develop an economic resource at the Shea Creek (Anne and Collette) uranium deposits;
- To maintain and aggressively explore and advance to discovery its other uranium projects;
- To continue the negotiation and acquisition of new uranium projects in the Athabasca Basin that can be readily financed in current market conditions;
- To provide for a diversification of project stages (early exploration through development), project locations and project partners.
- To leverage its strong relationships with the world's two largest uranium companies, Cameco and COGEMA.

Uranium Industry Trends

A number of trends in the nuclear industry have the potential to affect UEX's business environment.

Current trends are encouraging for explorers and producers of uranium. The uranium spot price has appreciated approximately 250% since January 2001. The nuclear industry has seen increased capacity at existing nuclear plants, extensions of plant licenses, and new plant construction. Public opinion in many countries has moved in favour of nuclear power, and rising natural gas and oil prices have made nuclear energy the lowest cost option in some countries. In the U.S, other than hydro, nuclear energy is the cheapest source of electricity. Global warming concerns support increased interest in nuclear power

Uranium Supply and Demand

Uranium supply sources include primary mine production and secondary sources. Principal primary producers of uranium include Cameco (20% of global mine production in 2003) and COGEMA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2003, worldwide demand totaled 180 million pounds U_3O_8 (an oxide of uranium) while world production was approximately 92 million pounds. The resulting shortfall has been covered by several secondary sources including excess inventories held by utilities, producers, other fuel cycle participants, reprocessed uranium and plutonium derived from used reactor fuel, and uranium derived from the dismantling of Russian nuclear weapons. These secondary sources will decline in importance as excess inventories and recycled uranium from nuclear weapons are progressively consumed over the next decade, resulting in the need for further primary mine supply.

Demand for uranium is directly linked to the level of electricity generated by nuclear power plants. Nuclear electricity generation worldwide is growing, since world nuclear generating capacity continues to expand as more reactors are built than are closed, and existing reactors are being operated at higher capacity. Reactors in the United States, for example, increased operational capacity from an average of 58% in 1980 to 90% in 2000. Nuclear energy supplies approximately 16% of the world's electricity.

Long Term Outlook

In 2000, uranium spot prices reached 26 year lows of less than \$7.00 U. S. per pound U₃O₈ due to the increased availability of secondary supplies, short term lower demand, and increased inventory sales. The spot price has since increased to almost \$18 U.S. per pound U₃O₈ as of the date of this report, and the long term uranium market outlook remains positive with increased consumption, and the continuing draw down of secondary uranium sources. Given the lead time necessary to find and develop new mines, the projected gaps in both supply and future depletion of existing high grade uranium deposits means that exploration needs to take place in the shorter term.

The recent resurgence of concern over energy security and supply, and the corresponding interest in nuclear power as a reliable and clean source of energy has heightened the awareness that new uranium supplies will be needed in the long term. The new uranium production is likely to come from deposits in Canada, Australia, the United States and Kazakhstan. Most deposits generally have much lower grades than the high grade deposits in the Athabasca Basin, and consequently it is anticipated that the new supply will come at higher cost, which is expected to put further upward pressure on the uranium price over the next ten years, and increase both the need to find and exploit additional high grade deposits. UEX believes it is well positioned to capitalize on these potential future trends.

Selected Financial Information

The following is selected financial data from the audited financial statements of UEX for the last two complete fiscal years, which are UEX's first two fiscal years of operation. The data should be read in conjunction with the audited financial statements for the year ending December 31, 2003 and the notes thereto.

For the Years Ended December 31

	2003	2002	2001
(CDN\$)			
Revenue	\$30,167	\$20,136	n/a
Net Loss (Before Income Taxes)	(\$492,260)	(\$256,396)	n/a
Loss Per Share (Before Income Taxes)	(\$0.01)	(\$0.01)	n/a
Total Assets	\$16,677,563	\$13,870,959	n/a

The following quarterly financial data is derived from the interim, unaudited financial statements of UEX as at (and for) the three month periods ended on the dates indicated below. The data should be read in conjunction with UEX's interim, unaudited financial statements and the notes thereto.

For the Quarters Ended

	Dec. 2003	Sept. 2003	Jun. 2003	Mar. 2003	Dec. 2002	Sept. 2002
(CDN\$)						
Revenue	\$10,097	\$8,038	\$2,843	\$9,189	\$17,027	\$3,109
Net Loss (Before Income Taxes)	(\$178,338)	(\$112,013)	(\$94,095)	(\$77,647)	(\$69,787)	(\$72,505)
Loss Per Share (Before Income Taxes)	(\$0.002)	(\$0.001)	(\$0.001)	(\$0.001)	(\$0.001)	(\$0.001)
Total Assets	\$16,677,653	\$14,669,680	\$14,482,657	\$13,790,503	\$13,870,959	\$9,696,913 ⁽¹⁾

Note (1): The change in net assets from the period ending September 30, 2002 to the period ending December 31, 2002 is primarily due to the recognition of a future income tax liability related to the acquisition of the Hidden Bay property, which has been added to the cost of that property in accordance with generally accepted accounting principles.

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 127,116,401 common shares were issued and outstanding as of May 14, 2004, and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 shares, none of which are issued and outstanding.

At May 14, 2004, a total of 6,681,917 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

Number of shares	Exercise price	Expiry date
453,917	\$ 0.25	July 17, 2004
3,000,000	0.15	June 6, 2005
800,000	0.10	June 6, 2005
200,000	0.10	July 11, 2005
2,000,000	0.30	December 18, 2005
228,000	0.25	December 18, 2005

At December 31, 2003, the Company had reserved a total of 4,950,000 common shares related to the director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2003
\$ 0.08	2,700,000
0.10	166,000
0.12	1,584,000
0.16	500,000
	4,950,000

Results of Operations

The Corporation incurred a net loss for the year ending December 31, 2003 of \$462,093 before future income tax recovery, compared to a net loss of \$256,396 for the year ending December 31, 2002. The future income tax recovery is due to amendments to the Canadian Income Tax Act introduced by the federal government during the year ended December 31, 2003, which provide for a reduction in the corporate tax rate on income from resource activities. The cumulative effect of the change in income tax legislation on the Company's future income tax liability was a gain of \$657,109, which has been recognized as a future income tax recovery in the year ending 2003.

Revenue, consisting of investment income, was \$30,167 for the 2003 year, compared to \$20,136 in 2002, an increase of \$10,031. The increase was generated by larger amounts of cash held by the Corporation than were held in the previous year.

During the year ending December 31, 2003, UEX carried out exploration programs on the Hidden Bay and Riou Lake uranium projects in northern Saskatchewan and incurred exploration expenses on those properties of \$583,390 and \$338,316, respectively, for total exploration expenses of \$921,706, compared to \$1,384,813 at Hidden Bay and \$406,164 at Riou Lake for the year ending 2002, a difference of \$869,271. The lesser amount of exploration spending in 2003 was mainly due to: (1) wet weather conditions in mid-2003 that prevented mobilization of a proposed drilling program at the Riou Lake project, which resulted in funds allocated for that program being re-allocated for winter 2004 exploration, and (2) lower than expected diamond drilling costs at Hidden Bay.

General and administrative expenses for the year ending December 31, 2003 were \$492,260 compared to \$276,532 for the 2002 fiscal year, a difference of \$215,728. The main reason for the higher general and administrative expenses for the year 2003 was the adoption of a different method of accounting for stock-based compensation. Effective January 1, 2003, the Corporation elected to apply the fair value method of

accounting for stock options granted to directors, officers and employees on a prospective basis in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Accordingly, the fair value of all stock options granted on or after January 1, 2003 are recorded as a charge to operations and a credit to equity over the vesting period of the options. Any consideration paid on exercise of stock options is credited to share capital. Previously, no compensation expense was recorded at the time options were granted to directors, officers and employees. The adoption of this method of accounting for stock options resulted in an expense of \$141,349 for the year ending 2003.

Salaries and benefits totaled \$198,880 in 2003, an increase of \$13,936 over 2002. Legal and accounting expenses for 2003 were \$49,893, higher than the 2002 cost of \$17,455; however, the 2003 figure reflects a full fiscal year of legal and accounting costs for the Corporation as compared to the 2002 fiscal year in which the majority of legal costs were accounted for as a pre-acquisition cost related to the completion of the Corporation's Plan of Arrangement and thus were not recorded in the same manner. Filing fees and stock exchange fees rose in 2003 to \$31,976, an increase of \$10,353 over 2002, in which those expenses were \$21,623.

The Corporation raised a total of \$3,250,000 in equity financings completed in 2003, realizing a net amount of \$3,093,000 after underwriter's costs, compared to a net amount raised in 2002 of \$3,475,208 after legal, accounting and stock exchange listing costs. The Corporation realized \$212,000 from the exercise of stock options in 2003, compared to the \$19,920 received from stock options exercised in 2002.

The Corporation did allow certain non-core exploration properties from the group of properties acquired in 2002 under the Plan of Arrangement to lapse. Two properties from the Serendipity Lakes property under option from D.F. Exploration Uranium Ltd. were also allowed to lapse by the owner. No write-downs were associated with the lapsing of those properties.

Exploration Activities

Hidden Bay Project: Winter 2003

During the winter 2003 program at Hidden Bay, a total of 20 diamond drill holes with a combined length of 4431 metres were completed in five principal target areas, and several reconnaissance sites. The following results were obtained:

Three holes were completed in the West Bear target area. This area has the potential to host several near-surface uranium deposits that include the existing West Bear resource. Holes WBE-027, 028 and 029 tested the lateral and vertical extent of nickel-cobalt-arsenic mineralization intersected in 2002 hole WBE-019, located immediately east of the West Bear deposit. All three holes intersected further mineralization and intense alteration, with local concentrations of up to 3.1% nickel, 2.54% cobalt and 3.6 % arsenic (hole WBE-029, 57.55 - 57.9 m) in pegmatite and graphitic gneiss, with anomalous uranium concentrations. The style of alteration and geochemistry is typical of proximal alteration to many uranium deposits in the region, such as Key Lake. Further drilling will be necessary to evaluate this mineralization, which is open, both down dip and laterally, for spatially associated uranium mineralization. UEX management is encouraged by the results of the winter 2003 program in the West Bear Area. The company believes that the West Bear area has the potential to host several shallow new uranium deposits amenable to open-pit mining that could be rapidly discovered and delineated with future exploration programs.

At the Pebble Hill target, located 0.5 km southwest of West Bear, four holes tested the lateral and up dip extent of mineralization reported in 2002 hole WBE-016 (1.926% U_3O_8 over 2.25 m). Holes WBE-023 to WBE-026 all intersected strong hydrothermal alteration, but no significant uranium mineralization. However, collars of historical 1978-1979 drill holes in the Pebble hill area were relocated, and with confirmation of their location, cross section interpretation indicates that the Pebble Hill mineralization occurs in a southwesterly plunging zone that is open down dip and to the southwest. Follow up drilling is planned.

In the Telephone Lake and Shamus target areas, five holes tested the extent of low grade mineralization, alteration and anomalous geochemistry identified by previous drilling. While no significant mineralization was intersected, alteration with anomalous radioactivity remains open in both areas, particularly down dip, where potential for basement hosted Eagle Point or Sue C style mineralization exists. The Telephone Lake area remains an important target for future drilling due to its proximity to the Sue uranium deposits and widespread alteration and anomalous geochemistry.

One hole targeted the source of a 2002 uranium in soil (MMI) anomaly, but did not intersect a potential anomaly source. The anomaly lies up ice of a significant uraniferous boulder-in-till anomaly at Vixen Lake where uranium-bearing cobbles were located by previous operators. Expansion of the MMI grid was carried out later in 2003 to trace the anomaly back to its potential deposit source, which may lie along the economically important Rabbit Lake fault to the northeast.

Other holes tested various geophysical targets, or followed up exploration results in several areas on the property. Apart from an intersection of low-grade uranium mineralization on the northern margins of the Raven-Horseshoe deposit (0.35% U₃O₈ over 1.1 m in hole HS-101), no mineralization was intersected.

Hidden Bay: Summer 2003

Three diamond drill holes were completed in the Kewen Lake area and an extensive geochemical sampling survey was undertaken in the vicinity of, and up-ice from, the Vixen Lake Radioactive Boulder Train. In its capacity of exploration manager for Hidden Bay, Cameco Corporation ("Cameco"), of Saskatoon, SK, provided UEX with the exploration results and their interpretation.

MMI Geochemical Survey

During the Fall 2003 exploration program, UEX initiated a Mobile Metal Ion ("MMI") soil survey in the Vixen Lake area. A total of 822 samples at 25-50 metre spacings were collected from a 4 kilometre by 2.5 kilometre grid on lines approximately 200 metres apart. Analysis was performed by XRAL Laboratories of Toronto, Ontario. The survey was designed to seek areas of uranium enrichment in glacially transported soil in an attempt to trace and locate the potential extent and source of the Vixen Lake Radioactive Boulder Train. Discovered in the 1970's by Gulf Minerals Canada Limited, the Vixen Lake Radioactive Boulder Train is a cluster of glacially transported, radioactive uranium and nickel mineralized boulders, the source of which has never been explained.

The 2003 MMI survey successfully detected a uranium ± nickel ± cobalt ± arsenic soil anomaly over the Vixen Lake Radioactive Boulder Train. Three highly prospective MMI soil anomalies were defined by UEX's survey, and are located 3 to 4 kilometres up-ice of the Vixen Lake Radioactive Boulder Train and within 2.5 to 4 kilometres southwest of the past-producing Rabbit Lake deposit and present milling facility. Two parallel 1 kilometre-long MMI uranium anomalies were found in the area south of Scoop Lake and east of Skip Lake, and are collectively known as the Scoop Lake MMI anomalies. A third MMI uranium anomaly is found along the south shore of Skip Lake and trends into the lake (to access a map of UEX's MMI survey results, visit UEX's website at www.uxex-corporation.com).

Investigation of radioactive boulder trains is a widely successful technique for discovering uranium deposits in the Athabasca Basin. Boulders from a mineral deposit can be dispersed over several kilometres by the action of glaciers. Glaciers scour the underlying bedrock as they flow over the land, causing boulders to be broken off the bedrock. When the glacier melts, the boulders are left on or below surface, forming part of the overburden. If a glacier scours an exposed mineral deposit, mineralized boulders can be broken off and deposited in the down-ice direction. These boulders are not dropped in one spot, rather they are deposited along the entire length of down-ice distance covered by the glacier beyond the source area (the mineral deposit). These boulders form a roughly linear trend that starts at the mineral deposit. By finding mineralized boulders in the down-ice direction, prospectors can use their knowledge of the local glacial advance to locate additional boulders in the up-ice direction and trace the boulders back towards the source, the original mineral deposit.

This exploration technique was used in the discovery of the Rabbit Lake, Collins Bay "A" Zone, Key Lake, Midwest, Fond du Lac and Cluff Lake deposits. In the case of the Vixen Lake Radioactive Boulder Train, it appears that this radioactive boulder train is covered by glacial till, which inhibits the traditional style of surface radiometric prospecting. UEX's 2003 MMI survey was carried out to detect the extent of this buried radioactive boulder train and trace it to its source.

The MMI process is designed to detect metal ions released from buried mineralization. The method was first developed in Western Australia where mineral deposits are commonly buried under thick overburden. The inventors of the MMI technique propose that certain metal ions, such as uranium, nickel, cobalt and arsenic, rise vertically from their source and become loosely-bound to soil particles at surface. In the laboratory, a partial leaching process extracts ions from collected soil particles, thus analyzing only the ions and not the soil itself. Conventional soil geochemical surveys often outline traces of mineralization that, over time, have moved laterally from source by natural erosion or glacial action. MMI technique detects ions that have only

recently arrived to surface, thus allowing explorationists to target more precisely an anomalous source. MMI has been credited with assisting in several important mineral discoveries worldwide and UEX believes that when integrated with geological mapping and geophysical surveys, the technique will become a powerful exploration tool in the Athabasca Basin.

UEX's newly-discovered MMI anomalies were not tested by previous diamond drilling programs and were considered by the Company to be high priority drill targets for the 2004 winter exploration program.

Some of the key observations made by Cameco's project team during the MMI survey and site visits include:

- The Vixen Lake Radioactive Boulder Train contains uranium mineralized boulders mixed with pegmatite and pelitic boulders that have been subjected to hydrothermal alteration of the style commonly observed in Athabasca Basin uranium deposits;
- The altered and mineralized boulders of the Vixen Lake Radioactive Boulder Train originated from basement rocks of the Wollaston Group. The till sheet hosting the boulder train is also comprised of dominantly basement-derived material;
- Basement rocks are only exposed over an area 2 to 3.5 kilometres north and northeast of the Vixen Lake Radioactive Boulder Train. North of this exposure, the basement rocks are covered by Athabasca Group sandstone. This area cannot represent the source of the radioactive basement boulders. The angular nature of the basement boulders and the lack of sandstone boulders in the till sheet of the Vixen Lake Radioactive Boulder Train indicate that the source area of the radioactive boulders is most likely on-property;
- The three 2003 MMI anomalies are located directly up-ice of the Vixen Lake Radioactive Boulder Train, and are coincident with known radioactive boulders and a radioactive, hematitic outcrop discovered during the 2003 survey. The anomalies overlie areas of basement rock exposures and terminate at the margin of the Athabasca Group sandstone, consistent with the nature of the boulders found in the Vixen Lake Radioactive Boulder Train;
- The MMI anomalies are elongated in the same direction as the glacial ice direction;
- Historical drilling programs along the prospective Rabbit Lake Fault focused on the traditional Athabasca-style, unconformity-type uranium deposit model, often found to be coincident with graphitic conductors. The MMI anomalies cover areas prospective for uranium deposits such as Rabbit Lake, which was not directly associated with graphitic conductors, as well as traditional unconformity uranium deposits;
- Radioactive boulder tracing programs have led to the discovery of at least two past-producing uranium deposits on Cameco's adjacent Rabbit Lake Property – the Rabbit Lake deposit and the Collins Bay "A" Zone deposit.

Based on the results of the soil survey and observations made in the field, Cameco's exploration team believes there is a high probability that the source of the Vixen Lake Radioactive Boulder train is located on UEX's Hidden Bay property.

The location of MMI soil anomalies up-ice of the Vixen Lake Radioactive Boulder Train overlying basement rocks supports Cameco's on-property hypothesis. The MMI survey generated high priority exploration targets that were included in drilling plans for the 2004 winter program.

Diamond Drilling Results

Three diamond drill holes totaling 731 metres were drilled to test a 600 metre long section of the Kewen Lake Fault Zone. In 2002, a UEX review of previous diamond drilling in the Kewen Lake area determined that anomalous alteration and radioactivity was present along portions of the fault that were untested in basement rocks below the unconformity. No significant alteration or radioactivity was encountered in the three holes. Future exploration work in the immediate Kewen Lake area is not recommended at this time.

The information in this document has been compiled by Roger Lemaitre, P. Geo., a qualified person as defined by National Instrument 43-101.

Riou Lake Project: Winter 2003

The Riou Lake Project consists of three contiguous properties: Riou Lake, Black Lake and Serendipity Lakes. UEX's 2003 winter exploration program was concentrated on the Black Lake property. The property is subject to an agreement in principle to form a joint venture between UEX and COGEMA Resources Inc.

(COGEMA) under which each party will hold a 50% interest in the Black Lake property. Under the agreement in principle (see News Release, January 7, 2003), Cameco agreed to transfer its 50% indirect interest in the property to UEX. COGEMA will review the results of the 2003 Black Lake program before making a decision to contribute its share of costs, or have its interest in Black Lake diluted.

Exploration at Black Lake consisted of 2085 m of diamond drilling in five holes. These include:

Two holes (BL-05, BL-08) were drilled to follow up 2001 hole BL-03, which intersected significant alteration and faulting in the sandstone column along a probable splay of the Platt Creek fault system. The 2003 holes confirmed both the presence, and significant size of the fault-related alteration zone, which here extends for up to 300 m above the basal Athabasca unconformity and is associated with widespread bleaching and abundant dravite (magnesium-tourmaline) veinlets. Dravite is common in alteration zones developed above, and lateral to, uranium deposits such as McArthur River. In the Black Lake holes, dravite concentrations observed exceed those associated with many known deposits. Given the large size and character of the alteration zone, the presence of anomalous radioactivity in the basement in hole BL-05 (2170 ppm U from 308.6 to 309.1 m in altered graphitic gneiss), and the lack of any drill testing along strike from these drill holes, this alteration zone represents a high priority target for follow up drilling to test for McArthur River or Cigar Lake type targets. Follow up drilling was planned for the 2004 winter program.

Three drill holes tested conductors along the prospective, graphitic Platt Creek fault system (holes BL-06, BL-07, BL-09) to follow up anomalous radioactivity intersected in previous drill holes, and to test for a potential source of historical radioactive boulders-in-till which contained up to 11% uranium. Although the holes intersected graphitic gneiss along the fault system, no significant alteration or mineralization was encountered. However, given the limited testing along this structure, which comprises only three drill holes to date along its 15 km strike length on the central Black Lake property, further drilling is warranted.

Subsequent to year end, beginning in January 2004, exploration programs were carried out on the Riou Lake, Black Lake and Hidden Bay Projects. At the date of this Management Discussion and Analysis, the results were still being received, compiled and interpreted.

Liquidity and Capital Resources

As UEX has not begun production on any of its exploration properties, the Corporation does not generate cash from operations. During fiscal year 2002, UEX received net proceeds of \$3,475,208 from an initial public offering. As at December 31, 2003 the Corporation had current assets of \$3,371,617, including \$3,337,613 in cash and cash equivalents compared to current assets in 2002 that totaled \$1,486,719. Working capital at December 31, 2003 was approximately \$3,254,000, compared to working capital of approximately \$1,300,000 at December 31, 2002.

Accounts payable and accrued liabilities at year end 2003 were \$117,095, lower than the amount for 2002 of \$187,255.

The Corporation has no financial commitments or obligations beyond those required to fund exploration related to the maintenance and title of its mineral dispositions and its option agreement obligations to COGEMA.

In 2002, the Company recorded a Future Income Tax liability associated with the 2002 acquisition of the Hidden Bay property from Cameco of \$3,809,000 and from renunciation of exploration expenditures in 2002 of \$522,000 for a total of \$4,331,000. This Future Income Tax liability increased in 2003 to \$4,815,710, due mainly to a higher amount of exploration expenditures renounced by way of flow-through share issuances. The total Future Income Tax liability declined marginally as a result of the reduction in federal income tax rates.

The Future Income Tax liability related to the Hidden Bay property acquisition was calculated consistent with the terms for such acquisitions as outlined in the CICA Handbook. The obligation to pay the Future Income Tax liabilities is contingent upon the Company realizing the carrying values of its Mineral Properties. These liabilities would only arise after the Company has recovered all capital costs associated with putting its property into commercial production.

All acquisition, exploration, development and start-up costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated

ore reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the capitalized amounts represent costs to date and are not intended to represent present or future values. The underlying value of all properties is entirely dependent on the existence and economic recovery of reserves in the future.

Risks and Uncertainties

The uranium industry, like other areas of the mineral industry, is competitive. The Company competes with other companies, however the list is relatively small compared to other areas of the mineral industry. The market price of uranium is the most significant market risk for companies exploring for and producing uranium. While the volatility of uranium prices compared to the prices of other minerals, especially precious metals, is more predictable, it cannot be controlled. Exploration for uranium is a speculative venture. There is no certainty that the money spent on exploration and development will result in the discovery of an economic ore body. The Company's activities are inside Canada and therefore political risk is not a major concern at present.

The Company has sufficient financial resources to carry out planned exploration on all its projects for the next 24 months and to fund its general administrative costs; however, there are no revenues from operations and no assurances that sufficient funding will be available to conduct further exploration and development of its projects or to fund exploration expenditures under the terms of any option agreements beyond 2007. If the Company's exploration and development programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional funding could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Company's properties. It is intended that such funding will be obtained primarily from future equity issues. The ability of UEX to raise the additional capital and the cost of such capital will depend upon market conditions from time to time. There can be no assurances that such funds will be available at reasonable cost.

Related party transactions

During the year ended December 31, 2003, fees for legal and accounting services in the amount of \$58,663 (2002 - \$260,305), a portion of which were share issuance costs, were paid to firms of which directors of the Company are partners or owners, namely: Graham C. Thody, Partner at Nemeth, Thody, Anderson, Chartered Accountants, of Vancouver, B.C., and Peter C. Kalbfleisch, Partner at Blake Cassels & Graydon LLP, of Vancouver, B.C.

Outlook

UEX will continue to focus its efforts on the development of its Saskatchewan uranium exploration properties. The Corporation will use its current resources as well as the net proceeds of future share issuances to achieve its goals. The ability of UEX to maintain the continuity of its exploration is dependent upon the results of future exploration programs and UEX's ability to obtain the necessary financing to further explore and develop its Saskatchewan uranium properties. Funds raised during the 2004 fiscal year will be utilized to continue exploration work on the Corporation's properties and for general corporate purposes.

The Company is presently awaiting results from its 2004 winter exploration programs carried out at the Riou Lake Project, the Black Lake Project and the Hidden Bay Project. Work included geophysical surveying and diamond drilling at a cost of approximately \$1.5 million (CDN). No plans are currently in place for the Serendipity Lakes Project.

The Company plans to spend a minimum of \$2 million (CDN) in the next 12 months on definition drilling, exploration drilling, and geophysics on the Western Athabasca uranium projects operated by COGEMA. Plans for 2004 summer exploration at the Black Lake and Hidden Bay projects are subject to favorable ground conditions and access to targets.

Events Subsequent to December 31, 2003

The following events occurred subsequent to the year ending December 31, 2003:

- (a) UEX entered into an agreement with COGEMA whereby the Company was granted the option to acquire up to a 49% interest in eight uranium projects, including the Shea Creek Project (Anne and Colette uranium deposits) located in the western Athabasca Basin in northern Saskatchewan.

In order to earn this interest, the Company must fund \$30 million in exploration expenditures over the eleven years of the agreement as follows:

First and second years:	Minimum \$2,000,000 per year
Third to sixth years:	Minimum \$2,500,000 per year
Seventh to ninth years:	Minimum \$3,000,000 per year
Tenth and eleventh years:	Minimum \$3,500,000 per year

At a minimum, UEX must spend \$500,000 on the projects or reimburse COGEMA for the difference between the amount spent by UEX and \$500,000.

The Company will earn a 12.25% interest in the projects for every \$7,500,000 incurred to a maximum total interest in the projects of 49%.

The Shea Creek Project ("Shea Creek") encompasses the Anne and Colette Deposits. The resource at the Anne Deposit has been estimated by COGEMA to contain approximately 40,000,000 pounds of uranium ("U").

(Note: UEX has not done the work necessary to verify the classification of the resource and it may not comply with the standards outlined in sections 1.3 and 1.4 of National Instrument 43-101. As a result, this historical estimate should not be relied upon.) No resource estimate is currently available for Colette due to the smaller number of drillholes.

In the event that these resources are mined, UEX has agreed to pay to COGEMA a royalty of \$0.25 (US) per pound U for each pound sold, to a maximum royalty of \$10 million (US).

- (b) The Company issued 10,000,000 common shares on a private placement basis at a price of \$0.50 per share for total proceeds of \$5,000,000.
- (c) The Company issued 990,000 common shares on the exercise of stock options for proceeds of \$87,200.
- (d) The Company issued 599,557 common shares on the exercise of share purchase warrants for proceeds of \$149,889.

Critical Accounting Estimates

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles, which requires management to estimate various matters that are inherently uncertain as of the date of the financial statements. Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial statements. The Company's significant accounting policies are discussed in the audited annual financial statements. Critical estimates inherent in these accounting policies are discussed below:

Valuation of Mineral Properties - The amounts shown for mineral properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves. All acquisition, exploration, development and start-up costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely by management.

Future Site Restoration - The Company's mining, exploration and development activities are subject to various environmental government regulations, including those for future removal and site restoration costs. Because all of the company's current and historic activities have involved exploration stage work, where environmental reclamation is carried out simultaneously with exploration activity, the Company's view is that at this time, no accounting provision is necessary to offset future estimated environmental costs. These estimates may be revised as a result of changes in government regulations, or as a result of escalation of exploration properties to development or production stage.

Stock-based Compensation - The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options granted. Option pricing models require management to estimate and input highly subjective assumptions including the expected future price volatility and the expected life of the options.

Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted.

Caution Regarding Forward Looking Statements

Statements contained in this document which are not historical facts are forward looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause such differences include, but not limited to, are volatility and sensitivity to market price for uranium, environmental and safety issues including increased regulatory burdens, possible change in political support for nuclear energy, changes in government regulations and policies, and significant changes in the supply-demand fundamentals for uranium that could negatively affect prices. Although UEX believes that the assumptions inherent in forward looking statements are reasonable we recommend that one should not rely heavily on these statements. UEX disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

Financial Statements of

UEX CORPORATION

Years ended December 31, 2003 and 2002



KPMG LLP
Chartered Accountants
Box 10426, 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2003 and 2002 and the 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

March 26, 2004



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

UEX CORPORATION

Balance Sheets

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,337,613	\$ 39,779
Short-term investments	-	1,325,000
Amounts receivable	25,782	113,231
Prepaid expenses	8,222	8,709
	<u>3,371,617</u>	<u>1,486,719</u>
Mineral properties (note 3)	13,305,946	12,384,240
	<u>\$ 16,677,563</u>	<u>\$ 13,870,959</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 117,095	\$ 187,255
Future income taxes (note 5)	4,815,710	4,331,000
	<u>4,932,805</u>	<u>4,518,255</u>
Shareholders' equity:		
Share capital (note 4)	11,647,195	9,591,506
Stock options (note 4(c))	158,943	17,594
Deficit	(61,380)	(256,396)
	<u>11,744,758</u>	<u>9,352,704</u>
	<u>\$ 16,677,563</u>	<u>\$ 13,870,959</u>

Nature of operations (note 1)
Commitments (notes 3 and 4(e))
Subsequent events (notes 3(a)(ii) and 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Stephen H. Sorensen" Director

"Graham C. Thody" Director

UEX CORPORATION

Statements of Operations and Deficit

Years ended December 31, 2003 and 2002

	2003	2002
Revenue:		
Investment and other income	\$ 30,167	\$ 20,136
General and administrative expenses:		
Bank charges and interest	830	1,639
Filing fees and stock exchange	31,976	21,623
General and administration	29,496	14,032
Insurance	501	999
Legal and accounting	49,893	17,455
Property investigation	1,231	-
Rent	29,398	28,610
Salaries and benefits	198,880	184,944
Stock-based compensation (note 4(c))	141,349	-
Telephone	3,129	3,757
Travel and promotion	5,577	3,473
	492,260	276,532
Loss before income taxes	(462,093)	(256,396)
Future income tax recovery (note 5)	657,109	-
Net earnings (loss) for the year	195,016	(256,396)
Deficit, beginning at year	(256,396)	-
Deficit, end of year	\$ (61,380)	\$ (256,396)
Earnings (loss) per share:		
Basic	\$ 0.00	\$ (0.01)
Diluted	0.00	(0.01)
Weighted average number of shares outstanding:		
Basic	100,939,223	93,674,259
Diluted	101,214,301	93,674,259

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash provided by (used for):		
Operations:		
Net earnings (loss) for the year	\$ 195,016	\$ (256,396)
Items not involving cash		
Future income tax recovery	(657,109)	-
Stock-based compensation	141,349	-
Changes in non-cash operating working capital:		
Amounts receivable	87,449	(113,231)
Prepaid expenses	487	(8,709)
Accounts payable and accrued liabilities	(70,160)	60,742
	(302,968)	(317,594)
Investments:		
Short-term investments	1,325,000	(1,325,000)
Mineral properties, net of non-cash stock-based compensation	(921,706)	(1,773,383)
	403,294	(3,098,383)
Financing:		
Share capital	3,197,508	3,655,506
Due to Pioneer Metals Corporation	-	(199,750)
	3,197,508	3,455,756
Increase in cash and cash equivalents	3,297,834	39,779
Cash and cash equivalents, beginning of year	39,779	-
Cash and cash equivalents, end of year	\$ 3,337,613	\$ 39,779
Supplementary information:		
Interest received	\$ 24,762	\$ 9,378
Non-cash financing and investing activities:		
Share capital issued for mineral properties	-	6,618,377

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

1. Nature of operations:

The Company was incorporated under the Canada Business Corporations Act on October 2, 2001. On October 23, 2001, the Company entered into an agreement with Pioneer Metals Corporation ("Pioneer") and Cameco Corporation ("Cameco") to establish the Company as a public uranium exploration company. On July 17, 2002, under a plan of arrangement with Pioneer, Pioneer transferred to the Company its uranium exploration properties and all related assets, including the Riou Lake Uranium, Black Lake and Serendipity Lakes Projects ("Riou Lake"). On the same date, Cameco transferred its Hidden Bay uranium exploration property and certain related assets, in exchange for shares of the Company.

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable resources in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, satisfaction of the Company's obligations under option agreements to acquire the underlying mineral claims and upon future profitable production from or the proceeds from the disposition of its mineral properties.

2. Significant accounting policies:

(a) Cash equivalents and short-term investments:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

Short-term investments are similar instruments, although they have terms to maturity of greater than 90 days and less than one year on acquisition.

(b) Mineral properties:

All acquisition, exploration, development and start-up costs are capitalized until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely. Upon reaching commercial production, these capitalized costs are amortized over the estimated reserves on a unit-of-production basis. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The underlying value of all properties is entirely dependent on the existence and economic recovery of resources in the future.

(c) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and the treasury stock method is used to calculate diluted earnings per share.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

2. Significant accounting policies (continued):

(d) Financial instruments:

The carrying amounts of amounts receivable and accounts payable and accrued liabilities are a reasonable estimate of their fair values because of the short period to maturity of these instruments.

(e) Use of estimates:

The preparation of financial statements 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 relate to the valuation of mineral properties. Actual amounts may differ from such estimates.

(f) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 4(c).

Effective January 1, 2003, the Company elected to apply the fair value method of accounting for stock options granted to directors, officers and employees on a prospective basis in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Accordingly, the fair value of all stock options granted on or after January 1, 2003 are recorded as a charge to operations and a credit to equity over the vesting period of the options. Any consideration paid on exercise of stock options is credited to share capital. Previously, no compensation expense was recorded at the time options were granted to directors, officers and employees.

(g) Income taxes:

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

The future income tax effect of eligible mineral property expenditures funded by proceeds from the issuance of flow-through shares is charged to share issuance costs at the time the expenditures are renounced to shareholders.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

3. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

	Riou Lake (a)	Hidden Bay (b)	Total
Balance, December 31, 2001	\$ -	\$ -	\$ -
Acquisition costs for shares	2,168,377	4,450,000	6,618,377
Future income taxes relating to the above acquisitions	-	3,809,000	3,809,000
Pre-acquisition property costs	99,532	66,354	165,886
Exploration and development expenditures	406,164	1,384,813	1,790,977
Balance, December 31, 2002	2,674,073	9,710,167	12,384,240
Exploration and development expenditures	338,316	583,390	921,706
Balance, December 31, 2003	\$ 3,012,389	\$ 10,293,557	\$ 13,305,946

The mineral properties comprise the uranium exploration properties and all related assets that Pioneer and Cameco each transferred to the Company following the completion of the plan of arrangement with Pioneer, the acquisition agreement with Cameco and the initial public offering (note 4(b)). The pre-acquisition property costs (to December 31, 2001) that were incurred prior to the completion of the plan of arrangement have been re-allocated to the mineral properties to which they relate.

The Company's agreement with Cameco regarding the Hidden Bay property allowed Cameco to designate the tax basis of the Hidden Bay property to the Company, and the tax basis of the shares of the Company issued to Cameco on this exchange. As Cameco elected a tax basis of \$1, this gives rise to a taxable temporary difference that results in the recognition of a future income tax liability of \$3,809,000 at the time of the acquisition, which has been added to the cost of the Hidden Bay mineral property in accordance with generally accepted accounting principles.

(a) Riou Lake Project:

The Riou Lake, Black Lake and Serendipity Lakes properties (referred to as the "Riou Lake Project") are located on the northern rim of the Athabasca Basin near Stony Rapids, Saskatchewan. The properties have common boundaries and at December 31, 2003, form a land package totalling 42,820 hectares.

(i) Riou Lake:

The Company has a 100% interest, subject to a 2% Net Smelter Returns Royalty, in the Riou Lake uranium exploration project.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

3. Mineral properties (continued):

(a) Riou Lake Project:

(ii) Black Lake:

Pursuant to the agreement entered into by Pioneer with UEM Inc., a company owned 50% by Cameco and 50% by COGEMA Resources Inc., the Company can earn a 60% interest in the Black Lake Project Lands, by spending \$2,500,000 by December 31, 2007 as follows:

2001	\$ 250,000
2002	-
2003	350,000
2004	400,000
2005	500,000
2006	500,000
2007	500,000

In January 2004, UEM Inc. completed the transfer of a 50% interest in the Black Lake Project Lands to each of COGEMA Resources Inc. and the Company, as contemplated in the October 23, 2001 agreement between Pioneer and Cameco (note 1). The transfer resulted in the termination of the option agreement described above. The Company intends to negotiate a joint venture agreement with COGEMA Resources Inc. relating to future exploration on the Black Lake Project Lands.

(iii) Serendipity Lakes:

Pursuant to the agreement entered into by Pioneer with D.F. Exploration Uranium Limited, the Company can earn up to a 60% interest in the Serendipity Lakes property. The Company will earn a 1% interest in the project for each \$29,167 expended. Under the agreement, the Company is required to spend \$1,750,000 by December 31, 2008 as follows:

2001	\$ 125,000
2002	-
2003	-
2004	175,000
2005	200,000
2006	250,000
2007	500,000
2008	500,000

Under the agreement, the Company may terminate the option on 30 days written notice, at any time.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

3. Mineral properties (continued):

(b) Hidden Bay Project:

The Company's 100%-owned Hidden Bay assets consist of 57,000 hectares and are located immediately west of Wollaston Lake in Saskatchewan.

4. Share capital:

(a) Authorized:

The authorized share capital of the Company consists of unlimited number of common shares and unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated series 1 preferred shares.

(b) Issued - common shares:

During the period, the Company issued the following common share capital:

	Number of shares	Value
Balance, December 31, 2001	1	\$ 1
Issued in 2002:		
For the Riou Lake Project (note 3(a))	46,534,309	2,168,377
For the Hidden Bay Project (note 3(b))	31,022,869	4,450,000
For cash on initial public offering, net of share issuance costs and future income taxes on flow-through expenditures incurred	16,003,665	2,953,208
For cash on exercise of stock options (note 4(c))	166,000	19,920
Balance, December 31, 2002	93,726,844	9,591,506
Issued in 2003:		
For cash by way of private placements, net of share issuance costs and future income taxes on flow-through expenditures incurred and renounced to shareholders	20,500,000	1,843,689
For cash on exercise of stock options (note 4(c))	1,300,000	212,000
Balance, December 31, 2003	115,526,844	\$ 11,647,195

During 2003, the Company issued 9,500,000 flow-through common shares at \$0.10 per share and 3,000,000 units at \$0.10 per unit by way of a brokered private placement. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at \$0.15 per share for a period of two years from the date of issue. The Company paid a commission of \$100,000 and issued 1,000,000 share purchase warrants to the agent in connection with this private placement. Each warrant entitles the agent to acquire one common share at \$0.10 for a period of two years from the date of issue.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

4. Share capital (continued):

(b) Issued - common shares (continued):

In addition during 2003, the Company issued 4,000,000 flow-through common shares at \$0.25 per share and 4,000,000 units at \$0.25 per unit by way of a brokered private placement. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.30 per share until December 18, 2005. The Company paid a commission of \$57,000 and issued 228,000 share purchase warrants to the agent in connection with this private placement. Each warrant entitles the agent to acquire one common share at \$0.25 until December 18, 2005.

During 2002, the Company issued 7,003,665 flow-through common shares at \$0.30 per flow-through common share and 9,000,000 common shares at \$0.25 per common share on the Company's initial public offering. The value of shares issued is the net amount received as a result of the July 2002 public offering, less share issuance costs of \$875,892 and \$522,000 of future income taxes relating to flow-through expenditures incurred to December 31, 2002. In connection with the initial public offering, the Company issued 1,053,474 share purchase warrants to the agents entitling the agents to purchase one common share of the Company at a price of \$0.25 per share. These warrants expire on July 17, 2004.

Also during 2002, the value ascribed to the shares issued for the Riou Lake Project was equal to the historic carrying value on the books of Pioneer as a result of Pioneer shareholders receiving in excess of 50% of the shares of the Company at the time of transfer.

In addition, the value ascribed to the shares issued for the Hidden Bay Project was equal to the estimated fair value of that project at the time of the agreement. Management has ascribed a value of \$0.14 per share to this acquisition, based upon the trading value of the Company's common shares during the period following the initial public offering.

(c) Stock-based compensation:

Under the Company's stock-based compensation plan, the Company may grant options to its key employees, directors, officers and others providing services to the Company for up to 11,000,000 common shares. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall not be less than the quoted market value of the shares on the Toronto Stock Exchange at the time the option is granted and an option's maximum term is 10 years. The shares subject to each option shall become purchasable at such time or times as may be determined by the board of directors.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

4. Share capital (continued):

(c) Stock-based compensation (continued):

A summary of the status of the Company's stock-based compensation plan as of December 31, 2003 and 2002, and changes during the years ended on these dates are presented below.

	Number of shares	Weighted-average exercise price
Outstanding, December 31, 2001	-	\$ -
Issued in connection with the initial public offering based on Pioneer options held	3,750,000	0.15
Granted during 2002	1,266,000	0.15
Exercised during 2002	(166,000)	0.12
Outstanding, December 31, 2002	4,850,000	0.15
Granted during 2003	1,800,000	0.08
Exercised during 2003	(1,300,000)	0.16
Expired/cancelled during the year	(400,000)	0.16
Outstanding and exercisable, December 31, 2003	4,950,000	\$ 0.10

In addition, 1,000,000 options were modified during 2003 such that the exercise price was reduced from \$0.16 per share to \$0.08 per share and the expiry date was extended from July 25, 2012 to September 24, 2013.

At December 31, 2003, the Company had reserved a total of 4,950,000 common shares related to the director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2003	Weighted average remaining contractual life
\$ 0.08	2,700,000	9.7 years
0.10	166,000	9.0 years
0.12	1,584,000	3.4 years
0.16	500,000	2.6 years
\$ 0.10	4,950,000	6.9 years

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

4. Share capital (continued):

(c) Stock-based compensation (continued):

During 2002, the Company granted 166,000 options with an exercise price of \$0.10 per share and an expiry date of December 19, 2012 pursuant to consulting agreement with a party performing geological services. The Company recorded stock-based compensation expense of \$17,594. The Company did not record stock-based compensation expense for the director or employee options granted in the 2002 financial statements. Had compensation expense associated with employee stock options granted prior to January 1, 2003, been determined in accordance with the fair value method, the Company's net loss and loss per share for the year ended December 31, 2002, would have been increased by \$213,654, with no effect on the loss per share as presented.

The weighted average fair value of options granted or modified during the year ended December 31, 2003 was \$0.08 (2002 - \$0.21) per option, using the Black-Scholes option pricing model with the following assumptions:

	2003	2002
Volatility percentage	125%	125%
Risk-free interest rate	4.6%	4.5%
Dividend yield	-	-
Expected life of options	10 years	10 years

(d) Warrants:

At December 31, 2003, the following share purchase warrants enabling holders to acquire shares were outstanding:

Number of shares	Exercise price	Expiry date
1,053,474	\$ 0.25	July 17, 2004
3,000,000	0.15	June 6, 2005
800,000	0.10	June 6, 2005
200,000	0.10	July 11, 2005
2,000,000	0.30	December 18, 2005
228,000	0.25	December 18, 2005
7,281,474	\$ 0.20	1.47 years

(e) Flow-through shares:

During 2003, the Company raised \$1,950,000 (2002 - \$2,101,100) by way of flow-through common shares. Once the qualified exploration expenditures are renounced by the Company, flow-through shares provide the holders of such shares with the tax deductions associated with those expenditures. At December 31, 2003, a total of \$1,840,760 of flow-through funds raised in 2003 remained to be spent.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

5. Income taxes:

During the year ended December 31, 2003, the federal government introduced amendments to the Canadian Income Tax Act which provide for a reduction in the corporate tax rate on income from resource activities. The cumulative effect of the change in income tax legislation on the Company's future income tax liability was \$657,109, which has been recognized as a future income tax recovery in 2003.

Income tax expense (recovery) attributable to loss from operations was nil for each of the years ended December 31, 2003 and 2002. Substantially all of the difference between the expected tax recovery, based on the federal and provincial statutory tax rates, and the amount reported, other than for the effect of the change in tax rates, is due to the impact of losses not recognized.

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2003 and 2002 are presented below:

	2003	2002
Future tax assets:		
Loss carry forwards	\$ 324,000	\$ 145,000
Mineral properties	-	54,000
Share issuance costs	288,000	323,000
Valuation allowance	(612,000)	(522,000)
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	3,230,920	3,809,000
Exploration expenditures renounced	1,584,790	522,000
Net future tax liabilities	\$ 4,815,710	\$ 4,331,000

At December 31, 2003, the Company has \$829,000 of non-capital loss carry forwards for federal income tax purposes that are available to offset future federal taxable income. These operating losses expire as follows:

Year ending December 31:

2009	\$ 362,000
2010	467,000
	\$ 829,000

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2003 and 2002

6. Related party transactions:

During the year ended December 31, 2003, fees for legal and accounting services in the amount of \$58,663 (2002 - \$260,305), a portion of which were share issuance costs, were paid to firms of which directors of the Company are partners or owners.

7. Subsequent events:

Subsequent to December 31, 2003:

- (a) The Company entered into an agreement with COGEMA Resources Inc. whereby the Company was granted the option to acquire up to a 49% interest in certain uranium projects located in the western Athabasca Basin in northern Saskatchewan. In order to earn this interest, the Company must fund \$30 million in exploration expenditures over the eleven years of the agreement as follows:

First and second years	-	Minimum \$2,000,000 per year
Third to sixth years	-	Minimum \$2,500,000 per year
Seventh to ninth years	-	Minimum \$3,000,000 per year
Tenth and eleventh years	-	Minimum \$3,500,000 per year

The Company will earn a 12.25% interest in the projects for every \$7,500,000 incurred to a maximum total interest in the projects of 49%.

The Company agrees to incur a minimum of \$500,000 on the projects or will reimburse COGEMA Resources Inc. the unspent amount.

In the event a mine is developed, the Company agrees to pay COGEMA Resources Inc. a royalty of US\$0.25 per pound of uranium sold, to a maximum royalty of US\$10 million.

- (b) The Company entered into private placement agreements to issue 10,000,000 common shares at a price of \$0.50 per share for total proceeds of \$5,000,000.
- (c) The Company issued 250,000 common shares on the exercise of stock options for proceeds of \$28,000.
- (d) The Company issued 434,557 common shares on the exercise of share purchase warrants for proceeds of \$108,639.



Corporate Information

Corporate Office

Box 12151 Nelson Square
Suite 1007 - 808 Nelson Street
Vancouver, British Columbia, Canada
V6Z 2H2

Telephone: (604) 669-2349
Fax: (604) 669-1240
email: uex@intergate.ca
Website: www.uex-corporation.com

Solicitors

Blake Cassels & Graydon
Suite 2600 - 595 Burrard Street
P.O. 49314, Bentall Three
Vancouver, British Columbia
V7X 1L3

Auditors

KPMG, LLP
Box 10426, 777 Dunsmuir Street
Vancouver, British Columbia
V7Y 1K3

Transfer Agency

Computershare Trust Company of Canada Ltd.
510 Burrard Street
Vancouver, British Columbia
V6C 3B9

Directors & Officers

Stephen H. Sorensen
President, Chief Executive Officer
Director

Peter C. Kalbfleish
Director

Graham C. Thody
Director

Colin C. Macdonald
Director

Walter T. Segsworth
Director

Warren W. Stanyer
Chief Financial Officer
Corporate Secretary