



UEX CORPORATION

2004 ANNUAL REPORT



Message to Shareholders

2004 was an important and pivotal year for UEX Corporation. The Corporation continued to make significant progress at all of its uranium exploration projects, including a new discovery at its Black Lake Project in the Athabasca Basin of northern Saskatchewan Canada, an area that hosts the world's highest grade uranium deposits.

New acquisitions and exploration success in a rapidly rising uranium market has had a dramatic impact on the market capitalization of UEX. The Corporation has taken this opportunity to equity finance its exploration requirements at significantly higher share prices throughout the calendar year.

UEX management looks forward to the future exploration and development of all of its existing uranium projects as well as sustained growth through its aggressive acquisition strategy.

"signed"

*Stephen H. Sorensen
President & CEO*

March 23, 2005

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 Administrators and reflects guidelines from the Canadian Institute of Chartered Accountants (CICA). UEX Corporation ("UEX", or the "Corporation") 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 remain 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 the 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 19 uranium projects either 100% owned, joint ventured or under option totaling approximately 384,000 hectares (949,000 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 24% 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 operation.

UEX operates seven projects in the northeastern and north-central Athabasca Basin, including its 100% owned Riou Lake Project and its five, new 100%-owned Northern Athabasca Projects, staked in late 2004. The Northern Athabasca Projects is a collective term for the Butler Lake, Fond du Lac, Munroe Lake, Otherside River and Jacques Point projects. UEX operates the Black Lake Project, a joint venture with COGEMA Resources Inc. ("COGEMA"). COGEMA is part of the AREVA group, the world's largest nuclear energy company. The Black Lake Project is a joint venture between UEX and COGEMA under which UEX holds a 70% interest and COGEMA holds a 30% interest in the Black Lake property. A new uranium discovery was made by UEX during a drilling program at the Black Lake Project in September 2004.

In March 2004, UEX signed an agreement with COGEMA to acquire a 49% interest in eight uranium projects located in the Western Athabasca Basin, 100% owned by COGEMA. Two new projects were staked in late 2004, bringing the total number of projects in the agreement to ten. The ten projects include the Shea Creek (containing the Anne and Collette Deposits), Douglas, Erica, Alexandra, Laurie, Mirror, Nikita, Uchrich, James Creek and Brander Lake projects. Under the terms of the agreement with COGEMA, UEX has an option to spend \$30 million (CDN) over the next 11 years. COGEMA will be operator.

In order to earn a 49% interest in the COGEMA projects, UEX 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%. To date, UEX has expended approximately \$5.0 million on the West Athabasca Projects.

The Shea Creek Project encompasses the Anne and Colette Deposits. A resource estimate at the Colette deposit is currently not available due to the smaller number of drill holes. COGEMA's historical resource for the Anne deposit indicates an inferred resource of 715,150 tonnes containing approximately 47,200,000 pounds of U₃O₈ at an average grade of approximately 3% U₃O₈. In the event that these resources are mined, UEX has agreed to pay to COGEMA a royalty of \$0.212 (U.S.) per pound of U₃O₈ to a maximum royalty of \$10 million (U.S.). (Note: UEX has not done the work necessary to verify the classification of the resource and it does 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.)

In June 2004, UEX announced an agreement with Japan-Canada Uranium Company, Limited ("JCU") whereby JCU granted UEX an option to acquire a 25% interest in the Beatty River Project ("Beatty River"), located in the western Athabasca Basin in northern Saskatchewan. Beatty River is located 40 kilometres south of the Shea Creek uranium deposits. At present, COGEMA owns a 50.71% interest and JCU owns a 49.29% interest in Beatty River. Under the agreement, UEX can earn a 25% interest in Beatty River by funding \$865,000 in exploration expenditures by December 31, 2008. COGEMA plans to maintain its 50.71% interest in Beatty River by matching UEX's exploration expenditures. COGEMA's preliminary budget estimate for a 2005 winter exploration program at Beatty River is approximately \$460,000, and includes diamond drilling.

JCU was incorporated in Japan on October 18, 2000 by four companies, Itochu Corp., OURD Co. Ltd., Mitsubishi Corp. and Mitsubishi Materials Corp. JCU through its wholly-owned subsidiary, JCU (Canada) Exploration Company Limited, holds interests in 14 uranium exploration projects that were purchased from the Japan Nuclear Cycle Development Institute in late 2000.

Growth Strategy

UEX's vision is to remain the dominant uranium explorer in the Athabasca Basin and to become 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 upgrade the historical resource present at the West Bear uranium deposit by way of modern exploration and drilling methods to a level that defines a mineable economic resource;
- To further explore a new uranium discovery made in 2004 at the Black Lake Uranium Project;
- 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 over 300% since January 2001 and by year end 2004 the spot price was US\$20.70 per pound U_3O_8 , an increase of over 42% from the spot price at year end 2003 of US\$14.50 per pound U_3O_8 .

In recent years, the nuclear industry has seen increased capacity at existing nuclear plants, extensions of plant licenses, and new plant construction. For example, in September 2004, the China Atomic Energy Authority announced plans to accelerate construction of up to 27 new nuclear power plants in order to quadruple its nuclear power capacity to 36,000 megawatts by 2020. 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 2004, worldwide demand totaled approximately 180 million pounds U_3O_8 (an oxide of uranium) while world primary production was approximately 101 million pounds U_3O_8 . 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 US\$7.00 per pound U_3O_8 due to the increased availability of secondary supplies, short term lower demand, and increased inventory sales. The spot price has since increased to US\$22 per pound U_3O_8 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 uranium exploration must be accelerated in order to meet future demand. Even now, with the spot price of U_3O_8 at

US\$22 per pound, uranium exploration budgets fall far short of the exploration expenditures carried out in the Athabasca Basin during the 1970's and 1980's when several new discoveries were made.

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 three complete fiscal years, which are UEX's first three fiscal years of operation. The data should be read in conjunction with the audited financial statements for the year ending December 31, 2004 and the notes thereto.

For the Years Ended December 31

	2004	2003	2002
(CDN\$)			
Investment Income	\$254,714	\$30,167	\$20,136
Net Loss (Before Income Taxes)	(\$1,919,682)	(\$462,093)	(\$256,396)
Loss Per Share (Before Income Taxes)	(\$0.01)	(\$0.00)	(\$0.01)
Exploration Expenditures	\$6,929,178	\$921,706	\$1,790,977
Total Assets	\$44,521,387	\$16,677,563	\$13,870,959

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. 2004	Sept. 2004	Jun. 2004	Mar. 2004	Dec. 2003	Sept. 2003	Jun. 2003	Mar. 2003
(CDN\$)								
Revenue	\$138,860	\$63,933	\$35,651	\$16,270	\$10,097	\$8,038	\$2,843	\$9,189
Net Loss (Before Income Taxes)	(\$635,422)	(\$1,067,835)	(\$142,222)	(\$74,203)	(\$178,338)	(\$112,013)	(\$94,095)	(\$77,647)
Loss Per Share (Before Income Taxes)	(\$0.005)	(\$0.008)	(\$0.001)	(\$0.001)	(\$0.002)	(\$0.001)	(\$0.001)	(\$0.001)
Total Assets	\$44,521,387	\$33,403,058	\$25,869,055	\$17,256,165	\$16,677,653	\$14,669,680	\$14,482,657	\$13,790,503

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 146,949,685 common shares were issued and outstanding as of December 31, 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. As of March 23, 2005, the number of common shares outstanding was 151,827,485 (see "Subsequent Events").

At December 31, 2004, a total of 5,508,633 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

Number of shares	Exercise price	Expiry date
3,000,000	0.15	June 6, 2005
2,000,000	0.30	December 18, 2005
225,300	0.25	December 18, 2005
283,333	0.75	June 3, 2006

At December 31, 2004, the Company had reserved a total of 4,770,000 common shares related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2004	Weighted average remaining contractual life
\$ 0.08	1,360,000	8.7 years
0.10	136,000	8.0 years
0.12	534,000	4.3 years
0.16	220,000	1.8 years
0.84	1,020,000	9.5 years
0.95	1,000,000	9.7 years
1.69	500,000	9.8 years
	4,770,000	8.4 years

Results of Operations

The Corporation incurred a net loss for the year ending December 31, 2004 of \$1,842,649, compared to a net loss of \$462,093 before future income tax recovery for the year ending December 31, 2003. The higher loss for the year ending December 31, 2004, was mainly due to stock-based compensation expense.

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 is 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. Prior to January 1, 2003, 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 \$1,495,067 for the year ending December 31, 2004 compared to the stock-based compensation expense of \$141,349 for the same period in 2003.

During the year ending December 31, 2004, the Corporation did not proceed with its option to earn a 60% interest in the Serendipity Lakes property, by not funding exploration expenditures as described under the terms of the option agreement between UEX and D.F. Exploration Uranium Ltd. Therefore, a write-down of \$196,914 was applied to the Serendipity Lakes property for the year ending December 31, 2004, compared to a nil amount attributed to write-downs in the year ending December 31, 2003. The Corporation allowed certain non-core exploration properties from the group of properties acquired in 2002 under the Plan of Arrangement to lapse. No write-downs were associated with the lapsing of those non-core properties.

The 2003 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 future income tax recovery for the year ending December 31, 2004 was \$77,033, compared to the cumulative effect of the change in income tax legislation on the Corporation's future income tax liability for the year ending December 31, 2003, which was \$657,109.

Revenue, consisting of investment income, was \$254,714 for the 2004 year, compared to \$30,167 in 2003, an increase of \$224,547. The increase was generated by larger amounts of cash held by the Corporation than were held in the previous year.

The continuity of expenditures on UEX's exploration projects is as follows:

	Balance December 31, 2002	2003 Exploration and development expenditures	Balance December 31, 2003	2004 Exploration and development expenditures	Writedowns	Balance December 31, 2004
Riou Lake	\$ 2,211,236	\$ 13,351	\$ 2,224,587	\$ 599,882	\$ -	\$ 2,824,469
Black Lake	265,923	324,965	590,888	1,064,110	-	1,654,998
Serendipity Lakes	196,9140	-	196,914	-	(196,914)	-
Hidden Bay	9,710,167	583,390	10,293,557	1,221,053	-	11,514,610
West Athabasca	-	-	-	3,480,946	-	3,480,946
Beatty River	-	-	-	27,009	-	27,009
North Athabasca	-	-	-	534,506	-	534,506
Other	-	-	-	1,672	-	1,672
	\$12,384,240	\$ 921,706	\$ 13,305,946	\$ 6,929,178	\$ (196,914)	\$ 20,038,210

The larger amount of exploration spending in 2004 was due to successful implementation of the Corporation's strategy.

General and administrative expenses for the year ending December 31, 2004 were \$72,002 compared to \$29,496 for the 2003 fiscal year, a difference of \$42,506, due mainly to a significant increase in the Corporation's business activity in 2004.

Salaries and benefits totaled \$257,456 in 2004, an increase of \$58,576 over the \$198,880 incurred by the Corporation in 2003. Legal, accounting and audit expenses for 2004 were \$53,495, slightly higher than the 2003 cost of \$49,893. Filing fees and stock exchange fees rose in 2004 to \$33,939, a slight increase of \$1,963 over 2003, in which those expenses were \$31,976.

The Corporation completed four equity financings in the year ending December 31, 2004, realizing a net amount of \$26,129,304 after costs, compared to a net amount raised in 2003 of \$3,197,508 after costs. The Corporation realized \$281,000 from the exercise of stock options in the twelve months ending December 31, 2004 compared to \$212,000 received from stock options exercised in 2003. The Corporation received \$364,043 on the exercise of share purchase warrants in the year ending December 31, 2004, compared to nil for the same period in 2003.

Exploration Activities

Hidden Bay Project: Winter 2004

West Bear

In the winter of 2004, a sonic drilling program was undertaken to confirm the reliability and accuracy of the Gulf Minerals ("Gulf") deposit resource estimate. The West Bear Deposit represents an attractive and unique opportunity for UEX. The deposit resource estimate completed by Gulf is 1.26 million pounds of U₃O₈ at an average grade of 0.44% U₃O₈ (Note: this is a historical resource estimate completed by Gulf that was not calculated in compliance with standards outlined in National Instrument 43-101. UEX has not done the work to verify classification of the deposit and it should not be relied upon). The mineralization occurs at a vertical depth of between 15-26 metres (50-85 feet) from surface and is the shallowest identified uranium deposit in the prolific Athabasca Basin. Combined with the relatively soft nature of the host rocks and overburden, UEX believes that the deposit could be mined using low cost, open pit techniques. The deposit is located close to two existing uranium mills, Cameco's Rabbit Lake Mill and COGEMA's McClean Lake Mill, both of which are operating below maximum capacity.

In March 2004, UEX twinned two of Gulf's historical drill holes located in the core of the West Bear Deposit with a sonic drill to maximize sample recovery and to permit down-hole radiometric probe analysis. A sonic drill uses little water, if any, during the drilling process, which better allows clay-rich lithologies, especially those that may be mineralized, to be recovered in core. The contractor was able to complete hole UEX-001B but due to technical problems was forced to abandon hole UEX-002 in mineralization. The assay and

available down-hole equivalent radiometric probe results are outlined in the table below, along with the results of hole WBE-017, UEX's diamond drill hole that probed the West Bear deposit in 2002.

Table 1.
Significant Intersections, 2004 Sonic Drilling Compared to Historical Drilling

Hole	Method	From (m)	To (m)	Width (m)	U₃O₈ (wt%)
UEX-002 (<i>hole abandoned in mineralization</i>)	Assay	15.79	21.03	5.24	2.47
(<i>Unable to probe – rods broken off in hole</i>)	Probe	-	-	-	-
Original Gulf Hole WB-08	Assay	18.90	22.71	3.81	1.13
UEX-001B (<i>completed hole</i>)	Probe	19.00	20.80	1.8	0.45
Original Gulf Hole WB-09	Assay	18.90	22.40	3.5	1.97
WBE-017 (<i>previously reported by UEX</i>)	Probe	13.90	24.90	11.00	1.79
WB-19 (<i>nearest Gulf hole, 10 metres away</i>)	Assay	19.2	24.99	5.79	0.50

The results of the 2004 sonic drilling program and the 2002 diamond drilling program suggest that the previous Gulf delineation campaigns may not have defined the geographic boundaries of the West Bear deposit, nor accurately determined the uranium content of each hole. Given the significantly higher than expected grades in two of the holes, the Cameco project team believes that the uranium content of the deposit may have been understated. In 2005, UEX plans to carry out a new definition program and grade estimation of the West Bear deposit using a sonic drill rig in order to complete an updated resource estimate that could lead to a potential pre-feasibility study.

A Max/Min Horizontal Loop Survey ("HLEM") was completed to the east of the West Bear Deposit along the prospective host stratigraphy and structure that continues along strike. A total of 13 diamond drill holes totaling 1,345 metres tested conductive targets defined by this HLEM survey. None of these holes was successful in defining new uranium mineralization. The two most prospective targets, however, could not be tested due to thin ice conditions on the lake under which the targets were located. Similarly, the project team was unable to mobilize a drill across West Bear Creek to test for extensions of the Pebble Hill Occurrence, 1 kilometre west of the West Bear Deposit. These drilling targets will be high priority areas for testing in the winter of 2005.

Moosippi Lake

An HLEM survey was completed in the Moosippi Lake area, 2-3 kilometres west and along strike of the Raven-Horseshoe Deposits within an area projected to be at surface and up-plunge of the two deposits. Four holes totaling 652 metres were drilled along a previously untested HLEM conductor. Each hole intersected a prospective brittle fault zone hosted within graphite-bearing stratigraphy. Two of the holes also encountered hydrothermal clay alteration proximal to the fault. This style of alteration is commonly observed in the vicinity of uranium deposits in the Athabasca Basin. Samples containing anomalous uranium (up to 735 ppm U₃O₈) were detected in two of the holes. The presence of hydrothermal alteration, elevated uranium content, and graphitic fault structures along strike of the Raven-Horseshoe Deposit is a significant development and UEX intends to complete more work in the Moosippi Lake area to further investigate its potential.

Vixen Lake

In January 2004, a detailed gravity survey was carried out in the Vixen Lake area, covering the uranium-in-soil Mobile Metal Ion (MMI) anomalies discovered along the Rabbit Lake Fault, only 2.5-4.0 kilometres west of the past-producing Rabbit Lake Deposit and presently operating mill. Four small gravity anomalies were delineated by the survey, three of which were coincident with the soil anomalies. Twelve diamond drill holes totaling 2,256 metres targeted the gravity and soil anomalies, ten of which encountered strong chlorite ± clay alteration and brittle brecciation similar to the alteration and structures associated with the Rabbit Lake Uranium Deposit. Despite the strong alteration encountered, the drillholes failed to encounter the source of the MMI uranium-in-soil anomalies. The Cameco project team remains confident that the ultimate source of

the Vixen Lake Boulder Train lies within the Hidden Bay Project. Additional investigations, including a quaternary geological survey, are proposed for the 2005 summer program to determine the source of the boulder train.

Shamus Lake

Three diamond drill holes were collared in the Shamus Lake area to follow-up the encouraging alteration and anomalous radioactivity encountered during the 2003 winter program and by the previous operator. While these three holes encountered alteration and anomalous uranium concentrations in core, they were not as encouraging as the previous drill holes.

Hidden Bay Project: Summer 2004

Exploration carried out during the 2004 summer and fall programs at Hidden Bay included:

- Boulder and till sampling programs in the northern part of the Hidden Bay Project and in the West Bear Deposit area;
- An extensive VTEM (helicopter-borne, transient electromagnetic system) airborne survey, to identify areas that demonstrate conductive features and magnetic signatures interpreted to be prospective for uranium mineralization;
- Historical drill core re-logging programs in the Hidden Bay-McClean Lake boundary area and at the Raven-Horseshoe Deposits area.

The 2004 summer work at Hidden Bay assisted in prioritizing drilling targets for the winter 2005 exploration program. In addition, UEX staked two new claims at the Hidden Bay Project.

Riou Lake Project: Winter 2004

Three holes totaling 2,536 metres were drilled in the winter of 2004 across the Riou Lake Project to test previously identified targets, at a cost of approximately \$375,000.

RLG-D20

Hole RLG-D20 targeted and successfully intersected a deep, graphitic conductor located near the radioactive springs discovered in the southwestern part of the property in 1999. Previous holes RLG-D13 and RLG-D15 had failed to intersect the conductor. The conductor was better located by a 2002 downhole electromagnetic survey, which enabled a successful intersection with the conductor in the 2004 program.

Hole RLG-D20 intersected a major structural zone with very strong bleaching, sandstone bedding rotation and faulting similar to that found in RLG-D15. Highly anomalous values of uranium (250 to 880 ppm uranium, or 0.03% to 0.10% U_3O_8) were sampled within a 1.5 metre interval between 723.0 metres and the unconformity contact at 724.5 metres. Elevated values of lead (9.74 to 11.20 ppm), thorium (12 to 87 ppm), nickel (25.3 to 50.5 ppm) and arsenic (8.5 to 36.1 ppm) were also found in the 1.5 metre interval. Some samples also show elevated values of copper (up to 42 ppm), cobalt (up to 7.5 ppm), barium (up to 107 ppm) and bismuth (up to 5.8 ppm). This mineralization signature of uranium + lead, nickel, arsenic +/- cobalt and copper is considered typical for unconformity-type mineralization. Several graphitic zones were intersected in the basement rocks of the hole, one of which demonstrated fault-induced brecciation and contained locally up to 20% graphite within a 24.1 metre interval.

Unconformity elevations determined from previous drilling indicates a vertical displacement, or "offset", of 36.6 metres between holes RLG-D15 and RLG-D20, which is highly significant as such displacements can create structural traps similar to those found at many unconformity-type uranium deposits. RLG-D20, an angled hole, hit the unconformity at a vertical depth of 708.7 metres compared to RLG-D15, which hit the unconformity at a vertical depth of 745.3 metres.

Water flowed from hole RLG-D20 after its completion. The water was sampled, analyzed and was found to contain anomalous uranium, radium and radon. These uranium and uranium daughter product values in the water indicate leaching from radioactive sources of unknown size and grade.

In summary, hole RLG-D20 demonstrates several important features associated with known unconformity-type uranium deposits, including:

- the presence of a significant fault system in the sandstone column;

- anomalous uranium mineralization near the unconformity;
- 36.6 metre offset in the unconformity elevations between holes RLG-D15 and RLG-D20;
- brecciated graphitic conductor in the basement lithologies;
- deep-seated water containing anomalous uranium and its daughter products

The radioactive springs area has become the most important exploration target at the Riou Lake Project. The objective is to intersect the unconformity where it is offset by the fault zone above graphitic basement, which was missed by hole RLG-D20. An extensive follow-up drilling program is planned to test this target.

After completion of hole RLG-D20, UEX staked a new claim directly to the east of the radioactive springs, totaling 3,048 hectares.

RLG-D19

Hole RLG-D19 was drilled to test the Riou Lake Fault and the width of the fault zone for alteration beneath an area of anomalous surface geochemistry in a prospective fault. The hole was designed to target the area where the fault intersects the unconformity. The sandstone in this hole is weakly to moderately bleached overall with only trace fracturing present locally. No significant faulting was intersected, and it is presumed that the Riou Lake Fault lies further to the northwest of the hole. Uranium values obtained from systematic sampling of the sandstone column exhibit a background of approximately 0.25 ppm uranium. However, from 500.0 to 590.0 metres, above-background uranium values were noted and within a 10 metre interval from 550.0 to 560.0 metres, uranium values reached 2.4 ppm. Boron (23 ppm) and lead (3.93 ppm) were also elevated in this 10 metre interval.

UEX views the results of hole RLG-D19 as positive for a reconnaissance-style hole. Further investigation of the core from hole RLG-D19 is planned to better understand the anomalous uranium values encountered in the hole, including petrographic work and chemical analysis. Geophysical surveying will be required to locate any potential conductors and to define faulting in the area.

RLG-D18

Hole RLG-D18 tested the Riou Lake Fault system between holes RLG-D7 and RLG-D10, as well as the down dip projection of a zone of radioactive, phosphate-rich boulders (the "W-Zone"), discovered on surface in 1998. A major structural zone almost 100 metres wide from 597.1 to 691.0 metres was encountered in the drillhole and displays evidence of structural disruption with faulting, brecciation and rotated sandstone bedding. Dravite was observed locally within fault zones. This is the first occurrence at Riou Lake where dravite veins have been observed infilling fractures and may be an indication of hydrothermal activity and sandstone-basement interaction, which is essential in the formation of an unconformity-type uranium deposit.

Sampling of a radioactive peak at 799.05 metres within a strongly hematized section from 798.12 to 804.1 metres just below the unconformity returned anomalous uranium (211 ppm U_3O_8) with elevated values of nickel (46.5 ppm) and copper (12.8 ppm).

Black Lake Project: Winter 2004

2004 TEM Survey

A total of 66.2 line kilometres of Transient Electromagnetic ("TEM") geophysical surveying was carried out at a cost of \$120,000. The survey was designed to detail an 18 kilometre-long conductor defined by reconnaissance TEM surveys by previous operators of the project. Two interpreted parallel conductors, the Western and Eastern Conductors, were detailed by the TEM and ground magnetic geophysical survey during March 2004.

Within the strike of the Eastern Conductor, several priority drill targets were recommended within an area approximately 1800 metres long. The results showed that this anomaly may represent a wide zone (now estimated to be up to 500 metres wide) of strong conductivity, likely caused by graphite, associated with an area of weaker conductivity, which could represent a local increase in weathering and/or faulting. Also of significance is a discrete and relatively narrow magnetic low that appeared to be coincident with the Eastern Conductor, a type of magnetic anomaly that is indicative of pelitic rocks in the underlying basement.

2004 Winter Drilling

Two holes totaling 970 metres of diamond drilling were completed.

Hole BL-10 was drilled to a depth of 503 metres and tested the Black Lake Eastern conductor 1.6 kilometres southwest along strike of holes BL-03 and BL-05. Certain pathfinder elements were detected in systematic and selective sandstone samples, including a selective sample at 356.1 metres that carried 1,230 ppm arsenic. A radioactive section just below the unconformity returned 295 ppm U_3O_8 over 1.05 metres as well as elevated values of arsenic, cobalt and nickel. Basement consists of biotite-feldspar gneisses with graphitic gneiss from 407.6 to 415.3 metres and 436.6 to 466.9 metres containing 5% to 10% graphite as very thin bands and stringers along foliation and fractures and locally as coatings and shears along fractures. Local sections are strongly graphitic and brecciated with up to 20% graphite as massive aggregates, sheets and bands.

Hole BL-11 tested the Black Lake Eastern conductor 200 metres southwest along strike of holes BL-03 and BL-05. A major fault zone over 20 metres wide was intersected from 199.4 to 221.8 metres, within which the sandstone showed strong bleaching and the appearance of dravite in veins and fractures. The fault zone exhibited strong bleaching of the sandstone, and highly fractured, broken core with numerous sections strongly desilicified and locally argillized with significant core loss throughout. Local sections show well developed brecciation with angular reddish brown sandstone fragments in a strongly desilicified and locally argillized matrix and light blue dravite common along fracture surfaces and in veins up to 2 centimetres wide infilling fractures. Sampling of these brecciated zones returned low uranium values (0.12 to 1.36 ppm uranium) but are highly anomalous in boron (up to 1,340 ppm B) and magnesium (up to 0.323% MgO).

A narrow section just below the unconformity with strong pervasive hematization from 318.93 to 320.8 metres was radioactive throughout the interval. Sampling of this radioactive section returned 452 ppm U_3O_8 over 1.87 metres with elevated values of nickel, cobalt and arsenic.

The basement consists of moderately to strongly graphitic gneisses from 333.3 to 354.5 metres containing 3% to 5% graphite as very thin wisps and stringers along foliation and fractures. Local sections are strongly graphitic and brecciated with up to 50% graphite as massive aggregates, sheets and bands.

In summary, BL-11 showed many significant features associated with unconformity-type uranium deposits, including:

- a significant fault system with associated brecciation in the sandstone;
- alteration and dravite veining intersected in holes BL-03 and BL-05 continuing along strike to the southwest at least 200 metres;
- radioactivity just below the unconformity, with elevated values of uranium, nickel, cobalt and arsenic in the basement rocks;
- strongly graphitic pelitic units in the basement rocks showing intense brittle to cataclastic deformation and brecciation.

Black Lake Project: Summer 2004

In September 2004, UEX discovered unconformity-type uranium mineralization at the Black Lake Project.

The 2004 summer exploration program consisted of 3,812 metres of diamond drilling in eight drill holes. Drillhole locations were selected by UEX's exploration team in conjunction with COGEMA's exploration department, headed by Jean-Claude Rippert, COGEMA's Vice-President, Exploration. UEX's exploration team consists of consulting geologists David Rhys and Sierd Eriks, and consulting geophysicists Patrick McGowan and Kevin Cameron.

Hole BL-18, the seventh hole of an 8-hole program, encountered unconformity-type uranium mineralization in the sandstone, immediately above the basal Athabasca unconformity at a vertical depth of 310.5 metres. Composited geochemical analyses from this intersection average 0.694 % U_3O_8 over 4.4 m between 310.5 and 314.9 m, including 0.848 % U_3O_8 over 3.3 m between 311.0 and 314.3 m, and 1.086 % U_3O_8 over 1.5 m between 312.8 and 314.3 m. Maximum grade in these intervals is 1.96% U_3O_8 over 0.5 m between 313.3 and 313.8 m. Under the supervision of Sierd Eriks, P. Geo., UEX's project geologist and a qualified person as defined by N.I. 43-101, core was split, half core from each interval sealed in sample bags, and submitted to the Saskatchewan Research Council in Saskatoon, SK for analysis. After preparation, uranium and base metal concentrations were determined using fluorimetry and ICP analysis.

Holes BL-18 and BL-19 targeted an area where significant faulting and highly prospective sandstone alteration including dravite, had been previously intersected above the Eastern conductor in the northeastern portion of Black Lake. Several widely-spaced hole locations, the sites of holes BL-12 to BL-17, drilled 0.4 to 2.2 kilometres southwest of hole BL-18, were of a reconnaissance nature, testing the Eastern and Western conductors, which strike southwest for at least 12 kilometres. These interpreted discrete conductors lie parallel to each other, between 200 and 600 metres apart.

The discovery hole BL-18 was chosen upon a recommendation by David Rhys, M.Sc., P.Geol. in consultation with other members of UEX's exploration team, to test an area 70 metres to the west of the Eastern Conductor, where hole BL-11 had encountered favourable alteration and anomalous boron concentration that were interpreted to increase to the west. Hole BL-18 was also planned to test a theory that the Eastern and Western conductors are in fact the edges of one wide conductive unit. Hole BL-18 did encounter massive graphite between the two interpreted discrete Eastern and Western conductors, which suggests that future diamond drilling should explore the area between the conductors, considering the mineralization present in the hole.

Uranium mineralization in hole BL-18 predominately occurs as pervasive, dark grey impregnation of the basal Athabasca sandstone with pitchblende stringers, beginning at 310.5 metres, which continues to the unconformity with basement rocks at 314.9 metres. Uranium minerals are interpreted to be coffinite and pitchblende by initial visual determinations. In a manner comparable to known deposits in other parts of the Athabasca Basin, pervasive red hematization in the sandstone occurs immediately above the mineralized intersection, and alteration-related bleaching of the paleoweathering profile has removed the normally developed oxidized red zone in the basement rocks beneath the mineralization. The hole BL-18 mineralized intersection also contains highly anomalous concentrations of up to 0.77% arsenic, 0.41% copper, 0.19% lead and 0.42% nickel, which are characteristic elements associated with unconformity-type uranium deposits in other areas of the Athabasca Basin.

The disseminated style of mineralization, lack of faulting and the presence of probable coffinite in the hole BL-18 intersection suggest that it may represent a peripheral, lower grade style of mineralization to a more typical, and higher grade mineralizing system. Major deposits in the Athabasca Basin, such as McArthur River and Cigar Lake, are generally developed over strike lengths of less than 1 kilometre, comprising low grade mineralization surrounding a much smaller high grade core where the bulk of the mineralization is contained. By comparison, the discovery hole at the McArthur River deposit, MAC-196, intersected distal low grade mineralization comprising 0.5% U_3O_8 over 0.9 m prior to the discovery of the main high grade core to the P2 North orebody.

The need for additional permitting and specific equipment for drilling mineralized areas prevented immediate follow-up drilling of hole BL-18 as part of the summer 2004 drilling program.

The seven other reconnaissance drillholes (B-12 to BL-17 and BL-19) ranged from 400 to 2,700 metres in distance from hole BL-18 and were all targeted on either the Eastern or Western Conductor. In addition to intersecting the graphitic basement conductors, several of these holes intersected dravite alteration and locally anomalous base metal, uranium and boron geochemistry along a strand of the Platt Creek Fault system. The hole BL-18 intersection lies in the footwall of this fault strand, adjacent to the alteration zone. The 2004 fall drill holes extend the known area affected by dravite-bearing faulting to at least 1.2 kilometres along the fault. Dravite alteration often represents peripheral alteration to high-grade unconformity uranium deposits, and management is consequently encouraged by its large extent here in association with the BL-18 mineralization. Step-out drilling will further test this area during the 2005 program, testing for extensions of the hole BL-18 intersection, as well as potential for basement-hosted mineralization.

Proposed Black Lake 2005 Winter Program

Follow up drilling during the 2005 winter program is planned to further trace this new discovery, with drill hole fences at 50 metre spacing testing along the trend of northeast-striking basement graphitic conductors to the west of the dravite-bearing drill holes over a 300 metre strike length. In addition, several widely-spaced drillholes will continue to systematically test the Eastern and Western conductors which strike southwest for at least 12 kilometres. The 2004 summer drill program has shed new light on the nature of the basement at Black Lake. The presence of massive graphite in the basement section of hole BL-18, 70 metres west of the Eastern conductor, indicates that the previously defined Eastern and Western conductors may in fact represent the edges of a wide package of graphitic metapelites, as the geophysical signature of a wide basement zone can easily be interpreted as two parallel conductors. Alternative transient electromagnetic (TEM) survey configurations are planned to resolve these ambiguities.

In the winter of 2005, a combination of "moving loop" and "fixed loop" TEM surveys is planned to initiate the definition of the true conductivity structure along the full 23 kilometre strike length of the Black Lake Project. Pending the results of test surveys, a state-of-the-art airborne TEM system, Fugro Airborne's MEGATEM system, may be employed to define the general location of the conductive trend beyond the current limit of reconnaissance TEM coverage in order to design an optimal ground TEM survey grid.

As a result of the favorable exploration results from the drilling program, UEX, on behalf of the Black Lake joint venture, staked an additional 22,943 hectares surrounding the Black Lake Project.

West Athabasca Projects

COGEMA acts as operator at the West Athabasca Projects, which collectively is ten uranium exploration projects, namely Shea Creek, Douglas, Erica, Alexandra, Mirror, Laurie, Nikita, Uchrich, James Creek and Brander Lake totaling 181,509 hectares (448,327 acres). At the year ending December 31, 2004, the following exploration work had been carried out, or was ongoing:

- Navigational drilling at the Anne Deposit within the Shea Creek Project;
- Line cutting over the Anne and Colette Deposits and adjacent areas;
- Geophysical surveys, including ground electromagnetic and resistivity surveys at the Shea Creek and Douglas Projects;
- A property-wide, deep-penetrating MEGATEM airborne survey;
- Geochemical compilations and 3-D modeling of geological units and known mineralized zones.

Shea Creek Project: 2004 Fall Exploration

Shea Creek, containing the Anne and Colette Deposits consists of 11 claims totaling 19,581 hectares (48,365 acres). Fall 2004 exploration activities included airborne geophysical surveying, ground geophysics and 6,596 metres of diamond drilling.

The 2004 fall drilling program at Shea Creek was centered at and between the two deposits, located 2.5 kilometres apart: the Anne Deposit, an unconformity and basement-hosted deposit, discovered in 1994, and the Colette Deposit, to date an unconformity deposit, discovered in 1997. Both deposits lie along the 25 kilometre long Saskatoon Lake Conductor, which is thought to extend the full length of the Shea Creek Project. The 2004 drilling program, the first drilling carried out since 2000, was highlighted by the continued high ratio of mineralized holes in this relatively under-explored area of the Athabasca Basin. Of the 12 holes completed, 10 were mineralized with 8 of those intersecting multiple zones of uranium mineralization. Of the 159 historical drill holes completed between 1994 and 2000 by COGEMA in this area, 113 encountered uranium mineralization, including 49 intersections greater than 2% U₃O₈ over a minimum thickness of 1 metre. A number of these historical intersections were of very high grade – holes SHE-87: 17.91% U₃O₈ over 3.9 metres, SHE-96-3: 9.99% U₃O₈ over 16.3 metres, SHE-99: 10.68% U₃O₈ over 8.7 metres, SHE-99-2: 9.17% U₃O₈ over 15.7 metres, and SHE-100-1: 12.92% U₃O₈ over 6.2 metres. Such impressive drill results at Shea Creek are comparable to those of advanced exploration programs elsewhere in the Athabasca Basin, which ultimately led to the discovery of deposits such as McArthur River.

Highlights of the 2004 drilling program at Shea Creek:

- The new drilling at the Anne Deposit increases the potential width of the deposit to more than 100 metres. The 250 metre strike length of the Anne Deposit is open in all directions.
- For the first time, basement-hosted mineralization was intersected at the Colette Deposit, which to date had been characterized by unconformity-type mineralization, opening the possibility that the same high-grade type of basement mineralization found at Anne is present at Colette as well.
- A high-grade zone of elevated, primary mineralization (3.26% U₃O₈ over 2.0 metres) was intersected in the "63B" Area, an area 600 metres north of the Anne Deposit, approximately 30 metres above the unconformity. It is very unusual to see a mineralized intersection of this grade and thickness so high in the sandstone above the unconformity. UEX believes that the most probable explanation for this intersection is that it is related to a nearby, possibly very significant mineralizing system which was active at the more usual location at the unconformity or upper basement sites.

Drilling Results

Directional drilling, first introduced in the Athabasca Basin by COGEMA at Shea Creek was implemented on this project. This technology, which uses a steerable drill bit to allow several target intersections to be

completed from one pilot hole, reduces the cost while improving the targeting precision when drilling deep targets. A pilot hole is strategically positioned within a target area and subsequent directional cuts from the pilot hole are made towards specific targets. At Shea Creek a unique nomenclature is used for the diamond drillholes. For example, "SHE-109" refers to a vertical pilot hole, with subsequent directional cuts from that pilot hole numbered "SHE-109-1", "SHE-109-2", etc.

Twelve impacts (intersections) of the unconformity were completed in the following areas:

- Anne Deposit: 6 unconformity impacts (2 pilot holes and 4 directional cuts)
- Colette Deposit: 5 unconformity impacts (3 pilot holes and 2 directional cuts)
- "63B" Area: 1 unconformity impact between Anne and Colette Deposits

Two drills operated simultaneously - one at the Anne Deposit, the other at the Colette Deposit. A total of 6,596 metres of diamond drilling were carried out from October to December 2004. Only 12 of the planned 20 unconformity impacts were completed during the fall drilling program as a result of a late start-up. The drill rigs were moved to UEX's other West Athabasca Projects, where targets are only accessible during the winter. An aggressive drilling campaign will resume at Shea Creek in late March 2005, where drilling can be carried out year-round.

Anne Deposit Area

SHE-109 (1.75% U₃O₈ over 2.9 metres) was the first hole of the 2004 drilling program and was positioned approximately 35 metres east of the high-grade mineralization (SHE-96-3: 16.3 metres averaging 9.99% U₃O₈) discovered in 1999. Hole SHE-109 targeted the eastern flank of the Anne Deposit. The unconformity mineralization increases the potential width of the deposit to more than 100 metres. The current and historical (1994-2000) drilling pattern has left the deposit open in all directions.

SHE-109-1 (4.33% U₃O₈ over 3.0 metres and 1.71% U₃O₈ over 1.9 metres), the first directional cut from pilot-hole SHE-109, was positioned on the eastern flank of the Anne Deposit, approximately 15 metres southeast of the high-grade mineralization discovered in hole SHE-96-3. In addition to the mineralization intersected at the unconformity, which confirms the continuity of the deposit, the mineralized interval deeper in the basement is associated with a cross-cutting structure of the kind that typically yields higher grades where it subcrops at the unconformity in the vicinity of a graphitic conductor.

SHE-109-2 (3.20% U₃O₈ over 2.1 metres) was the second directional cut from pilot-hole SHE-109 and was targeted to intersect the unconformity 12 metres west of the high-grade mineralization discovered in hole SHE-96-3. Due to technical difficulties the intended target was not intersected, however, the hole did intersect three zones of basement-hosted mineralization below the unconformity increasing the previously interpreted extent of the basement mineralization pod.

SHE-112, SHE-112-1 & SHE-112-2 (0.89% U₃O₈ over 0.6 metres, 1.92% U₃O₈ over 0.9 metres and 1.34% U₃O₈ over 0.8 metres) are located on the northwestern flank of the Anne Deposit. The basement mineralization stresses the importance of the cross-cutting structures that exist within the deposit. The interpreted mineralized structure has a known strike length of 130 metres. Follow-up drilling will have to test these structures were they subcrop at the unconformity and in the vicinity of the graphitic conductor.

Colette Deposit Area

SHE-110-A served primarily as a pilot-hole to test the position of the graphitic Saskatoon Lake Conductor. A number of directional cuts are planned for 2005 to test the mineralized potential of an anomalous graphitic structure where it subcrops at the unconformity over a 150 metre strike length.

SHE-111 was the second pilot hole in the Colette area and was positioned to test previously identified favourable geology 500 metres to the southeast of the main Colette mineralization. Four mineralized zones were encountered in the drill hole - three above the unconformity and one immediately below. The basement rocks in hole SHE-111 show evidence of a cross-cutting structure thought to be of the type which, at the Anne Deposit, yields high-grade basement mineralization. This is an area of high priority for the 2005 season. Follow-up drilling will be required to understand the structural controls and expand the mineralized potential of the area.

SHE-111-1 (1.57% U₃O₈ over 6.3 metres) was the first directional cut from hole SHE-111 and was targeted to impact the unconformity 50 metres from the impact point of hole SHE-111. A large fault zone was encountered in the hole. Uranium mineralization was intersected within the fault structure straddling the unconformity and averaged 1.57% U₃O₈ over 6.3 metres. The hole also encountered a large graphitic shear

zone in the basement. A coincident fault zone and graphitic shear zone is the primary locus for unconformity-type uranium mineralization in the Athabasca Basin.

SHE-111-2 (2.42% U₃O₈ over 2.3 metres and 0.96% U₃O₈ over 3.8 metres) was the second directional cut from hole SHE-111 and was targeted to impact the unconformity halfway between holes SHE-111 and SHE-111-1. Basement-hosted mineralization was intersected in two zones, beginning approximately 20 metres below the unconformity. This is the first time that basement-hosted mineralization has been intersected within the Colette area and is the type of mineralization which, at the Anne Deposit, yields the highest uranium grades where it subcrops at the unconformity. This intersection is very significant in that it indicates that similar mineralizing processes were at play along the full 2.5 kilometre strike length between the Anne and Colette Deposits.

SHE-113, the third pilot hole in the Colette area, served primarily as a pilot-hole positioned for a number of directional cuts planned for 2005 to test for the presence of mineralization 100 metres to the north of the main mineralized zone of the Colette Deposit.

"63B" Area

SHE-114 (3.26% U₃O₈ over 2.0 metres) was the first pilot hole of the 2004 drilling program in the 63B area, located some 600 metres northwest of the Anne Deposit and was positioned 50 metres southeast of known mineralization intersected at the unconformity. High-grade, primary elevated mineralization was intersected at 29.9 metres above the unconformity, averaging 3.26% U₃O₈ over 2.0 metres. It is very unusual to see a mineralized intersection of this grade and thickness so high in the sandstone above the unconformity. Furthermore, what is more significant about this intersection is that the mineralization appears to be of a primary origin, meaning, it is a product of the main uranium mineralizing event. Hole SHE-102-11 located some 65 metres to the southeast of hole SHE-114 also intersected similar primary, elevated mineralization at 28.90 metres above the unconformity (2.50% U₃O₈ over 2.6 metres). These two intersections of elevated mineralization may represent the outer fringes of a large mineralized zone directly connected to the basement, 35 - 50 metres away, which is much thicker and of a much higher grade. Further directional drilling is planned from pilot hole SHE-114 to locate the source of the mineralization.

Table 2 below summarizes the significant mineralized intersections from the drilling program, calculated from gamma probe logging. All mineralization is reported at a 0.1% cutoff. The technical information in Table 2 has been compiled by Erwin Koning, P. Geo., COGEMA's District Geologist, West Athabasca Region, a qualified person as defined by National Instrument 43-101.

Table 2.
Shea Creek 2004 Drill Results- Significant Drillhole Intersections
(Results Derived From Gamma Probe Data)

Hole	Area	Total Depth of Hole (metres)	Depth to Unconformity (metres)	From (metres)	To (metres)	Length (metres)	Max. Grade Within the Intersection (% e U ₃ O ₈)	Avg. Grade Within the Intersection (% e U ₃ O ₈)
SHE-109	Anne	790.0	725.1	693.3	695.3	2.0	1.45	0.78%
				702.8	704.0	1.2	0.49	0.28%
				722.6	725.5	2.9	6.65	1.75%
SHE-109-1	Anne	806.0	724.3	722.6	725.6	3.0	17.97	4.33%
				772.8	774.7	1.9	4.58	1.71%
SHE-109-2	Anne	821.0	709.2	726.8	730.1	3.3	2.05	0.48%
				732.2	737.0	4.8	3.65	0.86%
				737.1	739.2	2.1	9.39	3.28%
SHE-110	Colette	138.0	-	<i>Hole lost</i>				
SHE-110A	Colette	798.0	732.6	<i>Anomalous radioactivity in graphitic structure</i>				
SHE-111	Colette	792.0	740.2	724.4	725.5	1.1	0.47	0.32%
				725.6	726.6	1.0	0.38	0.24%
				726.7	730.6	3.9	1.81	0.59%
				740.4	741.5	1.1	0.34	0.22%
SHE-111-1	Colette	806.0	732.9	726.7	733.0	6.3	3.85	1.57%
SHE-111-2	Colette	803.0	732.6	727.4	729.7	2.3	1.21	0.44%
				752.2	756.0	3.8	3.79	0.96%

				759.1	761.4	2.3	15.55	2.42%
SHE-112	Anne	818.0	717.1	756.9	757.5	0.6	2.30	0.89%
SHE-112-1	Anne	803.0	729.4	757.9	758.8	0.9	5.12	1.92%
				760.8	761.4	0.6	2.35	0.91%
				767.3	768.0	0.7	1.92	1.05%
SHE-112-2	Anne	809.0	733.7	760.8	761.6	0.8	2.87	1.34%
SHE-113	Colette	777.0	716.6	<i>No radiometric survey</i>				
SHE-114	63B	795.0	713.9	684.0	686.0	2.0	11.82	3.26%
				713.2	715.2	2.0	1.34	0.69%

Geophysical Surveys

Airborne Geophysics

A deep-penetrating, airborne electromagnetic geophysical ("MEGATEM") survey was completed in October 2004 over a wide area of UEX's West Athabasca projects which extended the coverage provided by a 2002 MEGATEM survey over Shea Creek. Preliminary results indicate that known conductive trends continue into the new survey blocks.

Most of a FALCON airborne gravity gradiometer geophysical survey has been completed at Shea Creek as part of a larger survey. Data from the test survey, which overflowed a 40 kilometre-long ground gravity profile, showed excellent correlation of anomaly shapes and amplitudes between the airborne and ground gravity surveys. Results from both airborne surveys will be used to identify high priority target areas for future ground geophysics and drilling programs.

Ground Geophysics

The ground DC resistivity geophysical surveys in the Anne and Colette deposit areas are on going. Survey progress was good during the fall months but slowed considerably due to harsh weather conditions during December 2004. The survey is planned to continue in spring 2005 when ground conditions are likely to improve. The transient audio magneto-telluric (TAMT) geophysical survey over the Anne and Colette areas was also delayed until late spring of 2005 due to low natural signals (distant transients) and competing electrical interference from the MEGATEM and DC resistivity surveys. Results from these ground geophysical surveys will assist with final location and definition of drilling targets, and provide an improved ability to expand mineralization at Anne and Colette.

During the summer and fall 2004 programs, several new claims of strategic importance were staked by COGEMA at the West Athabasca Projects.

Beatty River Project

No exploration work was carried out at the Beatty River Project during the year ending December 31, 2004, except for planning of the 2005 winter exploration program. COGEMA's preliminary budget estimate for a 2005 winter program at Beatty River is approximately \$460,000, and is planned to include diamond drilling.

Liquidity and Capital Resources

As UEX has not begun production on any of its exploration properties, the Corporation does not generate cash from operations. As at December 31, 2004 the Corporation had current assets of \$24,425,230, including \$24,248,183 in cash and cash equivalents compared to current assets in 2003 that totaled \$3,371,617. Working capital at December 31, 2004 was approximately \$22,421,000, compared to working capital of approximately \$3,255,000 at December 31, 2003.

Accounts payable and accrued liabilities at year end 2004 were \$2,004,227, higher than the amount for 2003 of \$117,095, due to expenses relating to the ongoing exploration commitments of the Corporation.

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 and JCU.

In 2002, the Company recorded a Future Income Tax ("FIT") liability of \$3,809,000 associated with the acquisition of the Hidden Bay property from Cameco and \$522,000 due to renunciation of exploration

expenditures for a total of \$4,331,000. This FIT liability showed a net increase in 2003 to \$4,815,710, due to continued renunciation of exploration expenditures resulting from flow-through share issuances and a reduction in Federal Income Tax rates which required the recording of an FIT recovery and corresponding reduction of the liability.

In 2004, the FIT liability declined marginally to \$4,738,677 as a result of the recording of a recovery of \$77,000 of FIT due to the write-off of previously capitalized exploration expenses. As a result of an accounting pronouncement by the CICA in 2004, the recording of FIT associated with flow-through share issuances occurs when the company files the renunciation with Canada Revenue Agency. As this filing occurred in 2005, the company has not recorded \$5,650,000 of FIT liability in its 2004 fiscal year. In the First Quarter of 2005, the Corporation will record this FIT liability related to its 2004 renunciation of exploration expenditures, resulting in a total FIT liability of \$10,390,000. Share capital will correspondingly be reduced by the \$5,650,000 increase in FIT.

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

An investment in UEX common shares is considered speculative due to the nature of UEX's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below.

It is not possible to determine if the exploration programs of UEX will result in profitable commercial mining operations.

The successful exploration and development of mineral properties is speculative. Such activities are subject to a number of uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Most exploration projects do not result in the discovery of commercially mineable deposits. There is no certainty that the expenditures made or to be made by UEX in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of uranium or other mineralized materials in commercial quantities. While discovery of a uranium deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current exploration programs of UEX will result in profitable commercial uranium mining operations.

Competition from other energy sources and public acceptance of nuclear energy

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrate and uranium conversion services. Furthermore, the growth of the uranium and nuclear power industry beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry.

Uranium price fluctuations could adversely affect UEX's operations.

The market price of uranium is the most significant market risk for companies exploring for and producing uranium. The marketability of uranium is subject to numerous factors beyond the control of UEX. The price of uranium may experience volatile and significant price movements over short periods of time. Factors impacting price include demand for nuclear power, political and economic conditions in uranium producing

and consuming countries, reprocessing of spent fuel and the re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants and production levels and costs of production in countries such as Russia, Africa and Australia.

Competition in the uranium industry could adversely affect UEX.

The international uranium industry is highly competitive. The uranium mining industry is global, and consists of a small, decreasing number of large players. In 2003, (the latest year for which figures are available) eight producers accounted for approximately 80% of the world's uranium production. However, given the large number of commercial reactors and diverse fuelling requirements, there are market niches for smaller low cost producers. The key requirement for most producers now is low cost production and flexible marketing more than high volume production. An enabling factor is mine location. Geographically, about 50% of the world's mined uranium comes from Canada and Australia – with Canada well positioned for further development. UEX competes with other domestic and international companies that have greater financial, human and technical resources.

Failure to obtain additional financing on a timely basis could cause UEX to forfeit its interest in its properties.

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 after that time. 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.

Compliance with and changes to current environmental and other regulatory laws, regulations and permits governing operations and activities of uranium exploration companies, or more stringent interpretation, implementation, application or enforcement thereof, could have a material adverse impact on UEX.

Mining and refining operations and exploration activities, particularly uranium mining, refining and conversion in Canada, are subject to extensive regulation by provincial, state, municipal and federal governments. Such regulations relate to production, development, exploration, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mines decommissioning and reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing and constructing. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact UEX's decision to proceed with exploration or development or that such laws or regulations may result in UEX incurring significant costs to remediate or decommission properties which do not comply with applicable environmental standards at such time. UEX believes it is in substantial compliance with all material laws and regulations that currently apply to its operations. However, there can be no assurance that all permits which UEX may require for the conduct of uranium exploration operations will be obtainable or can be maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any uranium exploration project which UEX might undertake. World-wide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting UEX's financial position.

The nature of the risks UEX faces in the conduct of its operations are such that liabilities could exceed policy limits in any insurance policy or could be excluded from coverage under an insurance policy. The potential

costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting UEX's financial position.

Dependence on Key Management Employees

UEX's development to date has depended, and in the future will continue to depend, on the efforts of key management employees.

Related party transactions

During the year ended December 31, 2004, fees for legal and accounting services in the amount of \$164,591 (2003 - \$58,663), a portion of which were share issuance costs, were paid to firms of which directors of the Corporation 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.

During the year ended December 31, 2004, the Corporation was charged by Cameco a total of \$256,992 (2003 - \$205,255) for expenses incurred by Cameco on the Corporation's Hidden Bay Project, of which no mark-up over Cameco's cost was charged. At December 31, 2004, \$84,061 due to Cameco was included in accounts payable and accrued liabilities (2003 - \$25,108).

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 2005 fiscal year will be utilized to continue exploration work on the Corporation's properties and for general corporate purposes.

2005 Exploration Programs

In 2005, the Corporation intends to carry out exploration on the Hidden Bay, Riou Lake, Black Lake, Northern Athabasca, Western Athabasca and Beatty River projects with budgets totaling approximately \$11.8 million (CDN) to June 30, 2005, net of any recoveries from joint venture partners and Saskatchewan government exploration incentives. Further exploration on UEX's projects for the latter part of 2005 is dependent upon results obtained from the aforementioned programs, and future exploration budgets will be allocated to best pursue the exploration objectives of each project. As of March 23, 2005, with exploration programs underway, the Corporation had approximately \$20.5 million in cash and cash equivalents.

Events Subsequent to December 31, 2004

- (1) The Company issued 902,500 common shares on the exercise of stock options for proceeds of \$589,650.
- (2) The Company issued 3,975,300 common shares on the exercise of share purchase warrants for proceeds of \$736,325.

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 are not limited to, 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, 2004 and 2003



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Canada

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2004 and 2003 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, 2004 and 2003 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

February 25, 2005

UEX CORPORATION

Balance Sheets

December 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents (note 5(e))	\$ 24,248,183	\$ 3,337,613
Amounts receivable	153,875	25,782
Prepaid expenses	23,172	8,222
	<u>24,425,230</u>	<u>3,371,617</u>
Equipment (note 3)	57,947	-
Mineral properties (note 4)	20,038,210	13,305,946
	<u>\$ 44,521,387</u>	<u>\$ 16,677,563</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,004,227	\$ 117,095
Future income taxes (note 6)	4,738,677	4,815,710
Shareholders' equity:		
Share capital (note 5)	37,776,499	11,647,195
Contributed surplus (note 5(c))	1,906,013	158,943
Deficit	(1,904,029)	(61,380)
	<u>37,778,483</u>	<u>11,744,758</u>
	<u>\$ 44,521,387</u>	<u>\$ 16,677,563</u>

Nature of operations (note 1)
Commitments (notes 4 and 5(e))
Subsequent events (notes 5(e) and 8)

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, 2004 and 2003

	2004	2003
Expenses:		
Amortization	\$ 10,226	\$ -
Bank charges and interest	1,364	830
Filing fees and stock exchange	33,939	31,976
General and administration	72,002	29,496
Insurance	2,765	501
Legal, accounting and audit	53,495	49,893
Property investigation	-	1,231
Rent	29,524	29,398
Salaries and benefits	257,456	198,880
Stock-based compensation (note 5(c))	1,495,067	141,349
Telephone	5,736	3,129
Travel and promotion	15,908	5,577
Loss before the following	(1,977,482)	(492,260)
Investment and other income	254,714	30,167
Write-down of mineral property (note 4)	(196,914)	-
Loss before income taxes	(1,919,682)	(462,093)
Future income tax recovery (note 6)	77,033	657,109
Net earnings (loss)	(1,842,649)	195,016
Deficit, beginning at year	(61,380)	(256,396)
Deficit, end of year	\$ (1,904,029)	\$ (61,380)
Earnings (loss) per share:		
Basic	\$ (0.01)	\$ 0.00
Diluted	(0.01)	0.00
Weighted average number of shares outstanding:		
Basic	131,370,640	100,939,223
Diluted	138,561,927	101,214,301

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
Cash provided by (used for):		
Operations:		
Net earnings (loss)	\$ (1,842,649)	\$ 195,016
Items not involving cash		
Amortization	10,226	-
Future income tax recovery	(77,033)	(657,109)
Stock-based compensation	1,495,067	141,349
Write-down of mineral property	196,914	-
Changes in non-cash operating working capital:		
Amounts receivable	(128,093)	87,449
Prepaid expenses	(14,950)	487
Accounts payable and accrued liabilities	30,132	(70,160)
	(330,386)	(302,968)
Investments:		
Short-term investments	-	1,325,000
Mineral property expenditures	(6,677,175)	(921,706)
Change in accounts payable and accrued liabilities relating to mineral property expenditures	1,857,000	-
Purchase of equipment	(68,173)	-
	(4,888,348)	403,294
Financing:		
Common shares issued for cash, net of issue costs	26,129,304	3,197,508
Increase in cash and cash equivalents	20,910,570	3,297,834
Cash and cash equivalents, beginning of year	3,337,613	39,779
Cash and cash equivalents, end of year	\$ 24,248,183	\$ 3,337,613
Supplementary information:		
Interest received	\$ 252,701	\$ 24,762
Non-cash stock-based compensation included in mineral property expenditures	252,003	-

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

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, 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 ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, completion of commitments required under option agreements in order for the Company to earn its interest in 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 ore 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 reserves in the future.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(c) Equipment:

Equipment is stated at cost less accumulated amortization. Amortization is provided on a declining-balance basis over the expected useful lives of the assets, using the following rates:

Asset	Rate
Exploration equipment	30%
Computer equipment	30%

In the year of acquisition, amortization is provided at one-half the declining balance rate.

(d) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and earnings (loss) available to shareholders. For all periods presented, earnings (loss) available to shareholders equals reported earnings (loss). The treasury stock method is used to calculate diluted earnings per share. However, outstanding options and warrants would have no dilutive effects on basic loss per share for 2004 due to the Company's loss for that year.

(e) 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.

(f) 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 and assumptions used in determining the fair value of non-cash stock-based compensation. Actual amounts may differ from such estimates.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(g) Stock-based compensation:

The Company has a share option plan which is described in note 5(c). The Company records all stock-based payments granted on or after January 1, 2003 using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(h) 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 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 the substantive 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 on 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.

(i) Asset retirement obligations:

During the year ended December 31, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110 "*Asset Retirement Obligations*" ("HB 3110"). This new standard recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Prior to the adoption of HB 3110, the Company accounted for reclamation and closure costs by accruing an amount associated with the retirement of tangible long-lived assets as a charge to operations over the life of the asset.

The Company adopted HB 3110 retroactively with a restatement of prior periods presented, however, the adoption of HB 3110 resulted in no changes to amounts previously presented.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

3. Equipment:

	Cost	Accumulated amortization	2004 Net book value	2003 Net book value
Exploration equipment	\$ 61,550	\$ 9,232	\$ 52,318	\$ -
Computer equipment	6,623	994	5,629	-
	\$ 68,173	\$ 10,226	\$ 57,947	\$ -

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

	Balance December 31, 2002	2003 exploration and development expenditures	Balance December 31, 2003	2004 exploration and development expenditures	2004 write-downs	Balance December 31, 2004
Riou Lake (a)	\$ 2,211,236	\$ 13,351	\$ 2,224,587	\$ 599,882	\$ -	\$ 2,824,469
Black Lake (b)	265,923	324,965	590,888	1,064,110	-	1,654,998
Serendipity Lakes (c)	196,914	-	196,914	-	(196,914)	-
Hidden Bay (d)	9,710,167	583,390	10,293,557	1,221,053	-	11,514,610
West Athabasca (e)	-	-	-	3,480,946	-	3,480,946
Beatty River (f)	-	-	-	27,009	-	27,009
North Athabasca (g)	-	-	-	534,506	-	534,506
Other	-	-	-	1,672	-	1,672
	\$ 12,384,240	\$ 921,706	\$ 13,305,946	\$ 6,929,178	\$ (196,914)	\$ 20,038,210

The Riou Lake and Hidden Bay mineral properties comprise the uranium exploration properties and all related assets that Pioneer and Cameco each transferred to the Company in 2002.

The Company's agreement with Cameco regarding the Hidden Bay property (note 1) 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 on the Hidden Bay property, this gave rise to a taxable temporary difference that resulted 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 Canadian generally accepted accounting principles.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

4. Mineral properties (continued):

A summary of the company's mineral property interests is as follows:

(a) Riou Lake:

The Company has a 100% interest, in the Riou Lake uranium exploration project, located in the Athabasca Basin.

(b) Black Lake:

Prior to 2002, Pioneer had an option to earn a 60% interest in the Black Lake Project lands, located in the Athabasca Basin, by spending \$2.5 million by December 31, 2007. The Black Lake Project lands were held 50% by Cameco and 50% by COGEMA Resources Inc. ("COGEMA"). Pursuant to the October 23, 2001 agreement between Pioneer and Cameco (note 1), Cameco was to transfer its 50% interest in the Black Lake Project lands to the Company and Pioneer's option agreement on the property was to be terminated. This transfer was completed in January 2004 and accordingly, at that time, the Company held a 50% interest in the Black Lake Project and the remaining 50% interest was held by COGEMA.

As a result of COGEMA electing not to participate in the winter 2004 exploration program, the Company's interest in the Black Lake Project increased to 70% and COGEMA's interest decreased to 30%. The Company and COGEMA have agreed in principle to maintain these interests and COGEMA has funded subsequent programs on this basis. A joint venture agreement is currently being negotiated.

(c) Serendipity Lakes:

Pursuant to the agreement entered into by Pioneer with D.F. Exploration Uranium Ltd., the Company could earn up to a 60% interest in this project by spending \$1.75 million by December 31, 2008. During the year ended December 31, 2004, the Company terminated this option and wrote-off the \$196,914 of deferred mineral property costs associated with this project.

(d) Hidden Bay Project:

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

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

4. Mineral properties (continued):

(e) West Athabasca Projects:

During 2004, the Company entered into an agreement with COGEMA whereby the Company was granted the option to acquire up to a 49% interest in certain uranium projects (the "West Athabasca Projects") located in the western Athabasca Basin in northern Saskatchewan. In order to earn this interest, the Company is required to fund \$30,000,000 in exploration expenditures over an eleven year period 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 West Athabasca Projects for every \$7,500,000 incurred to a maximum total interest of 49%.

The Anne and Colette Deposits, located within the West Athabasca Projects, are subject to a royalty of US\$0.212 per pound of U₃O₈ sold to a maximum of US\$10,000,000.

(f) Beatty River Project:

During 2004, the Company entered into an option agreement with Japan-Canada Uranium Company, Limited ("JCU"), whereby the Company was granted an option to acquire a 25% interest in the Beatty River Project, located in the western Athabasca Basin in northern Saskatchewan, by funding \$865,000 in exploration expenditures by December 31, 2008. At the time of the agreement, COGEMA held a 50.71% interest and JCU held a 49.29% interest in the Beatty River Project.

(g) North Athabasca Project:

During 2004, the Company staked five uranium projects in the northern Athabasca Basin near Stony Rapids, Saskatchewan.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. 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 and outstanding - common shares:

	Number of shares	Value
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 5(c))	1,300,000	212,000
Balance, December 31, 2003	115,526,844	11,647,195
Issued in 2004:		
For cash by way of private placements, net of share issuance costs	26,666,667	25,484,261
For cash on exercise of stock options (note 5(c))	2,700,000	281,000
For cash on exercise of warrants	2,056,174	364,043
Balance, December 31, 2004	146,949,685	\$ 37,776,499

During the year ended December 31, 2004, the Company entered into the following private placements:

- (i) On April 14, 2004 the Company issued 10,000,000 common shares at a price of \$0.50 per share, for gross proceeds of \$5,000,000, pursuant to a non-brokered private placement;
- (ii) On June 3, 2004 the Company issued 5,666,667 flow-through common shares at \$0.75 per share for gross proceeds of \$4,250,000, pursuant to a brokered private placement. A commission of \$212,500 was paid to the broker and the Company also issued 283,333 compensation warrants to the broker. Each compensation warrant entitles the broker to acquire one common share of the Company at a price of \$0.75 per share until June 3, 2006. The grant date fair value of these compensation warrants has been included in share capital on a net basis;
- (iii) On September 15, 2004 the Company issued 7,000,000 common shares at a price of \$1.00 per share for gross proceeds of \$7,000,000, pursuant to a non-brokered private placement; and

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital (continued):

(b) Issued and outstanding - common shares (continued):

(iv) On October 29, 2004 the Company issued 4,000,000 flow-through common shares at \$2.50 per share for gross proceeds of \$10,000,000, pursuant to a brokered private placement. The Company paid a commission of \$400,000 to the agent as part of this private placement.

During the year ended December 31, 2003, the Company entered into the following private placements:

(A) 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. During 2004, these warrants were exercised; and

(B) 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 2004, 2,700 of these warrants were exercised.

(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, 2004 and 2003

5. 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, 2004 and 2003, and changes during the years ended on these dates are presented below.

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2002	4,850,000	\$ 0.15
Granted during the year	1,800,000	0.08
Exercised during the year	(1,300,000)	0.16
Expired/cancelled during the year	(400,000)	0.16
Outstanding, December 31, 2003	4,950,000	\$ 0.10
Granted during the year	2,520,000	1.05
Exercised during the year	(2,700,000)	0.10
Outstanding, December 31, 2004	4,770,000	\$ 0.60
Exercisable, December 31, 2004	4,436,667	

During 2003, 1,000,000 options were modified 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.

As at December 31, 2004, the Company had reserved a total of 4,770,000 common shares for issuance related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, December 31, 2004	Weighted average remaining contractual life
\$ 0.08	1,360,000	8.7 years
0.10	136,000	8.0 years
0.12	534,000	4.3 years
0.16	220,000	1.8 years
0.84	1,020,000	9.5 years
0.95	1,000,000	9.7 years
1.69	500,000	9.8 years
	4,770,000	8.4 years

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital (continued):

(c) Stock-based compensation (continued):

The estimated fair value of all options granted and vested during 2004 is \$1,747,070 (2003 - \$141,349). Included in deferred exploration and development expenditures is \$252,003 (2003 - nil) of stock-based compensation.

The weighted average fair value of options granted during the year ended December 31, 2004 was \$0.85 (2003 - \$0.08) per option using the Black-Scholes option pricing model with the following assumptions:

	2004	2003
Volatility percentage	120%	125%
Risk-free interest rate	3.8%	4.6%
Dividend yield	-	-
Expected life of options	4 years	10 years

(d) Warrants:

At December 31, 2004, the following share purchase warrants enabling holders to acquire shares were outstanding:

Number of shares	Exercise price	Expiry date
3,000,000	\$ 0.15	June 6, 2005
2,000,000	0.30	December 18, 2005
225,300	0.25	December 18, 2005
283,333	0.75	June 3, 2006
5,508,633		

(e) Flow-through shares:

During 2004, the Company raised \$14,250,000 (2003 - \$1,950,000) by way of flow-through common shares. Once renounced by the Company, flow-through shares provide shareholders with the tax deductions associated with qualified exploration expenditures. At December 31, 2004, a total of \$11,417,000 of flow-through funds raised in 2004 and included in cash and cash equivalents, remained to be spent (2003 - \$1,840,700), of which \$1,857,000 had been incurred and is included in accounts payable and accrued liabilities as at December 31, 2004.

In February 2005, the Company renounced the \$14,250,000 of tax deductions associated with qualified exploration expenditures incurred and to be incurred with flow-through funds. Under revised accounting standards for flow-through shares, the Company will be recording a future income tax liability of approximately \$5,575,000, with a corresponding reduction in share capital, in the Company's financial statements for the first quarter of fiscal 2005.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

6. Income taxes:

Income tax recovery attributable to loss from operations was \$77,033 for the year ended December 31, 2004 (2003 - nil). 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 in 2003 as noted below, is due to the impact of losses not recognized.

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.

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2004 and 2003 are presented below:

	2004	2003
Future tax assets:		
Loss carry forwards	\$ 486,000	\$ 287,000
Equipment	4,000	-
Share issuance costs	436,000	288,000
Valuation allowance	(926,000)	(575,000)
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	3,153,887	3,230,920
Exploration expenditures renounced	1,584,790	1,584,790
Net future tax liabilities	\$ 4,738,677	\$ 4,815,710

At December 31, 2004, the Company has \$1,243,000 of non-capital loss carry forwards for federal income tax purposes that are available to offset future federal taxable income. These operating losses expire between 2009 and 2011.

7. Related party transactions:

During the year ended December 31, 2004, the Company was charged by Cameco a total of \$256,992 (2003 - \$205,255) for expenses incurred by Cameco on the Company's Hidden Bay mineral property, of which no mark-up over Cameco's cost was charged. At December 31, 2004, \$84,061 due to Cameco was included in accounts payable and accrued liabilities (2003 - \$25,108).

During the year ended December 31, 2004, fees for legal and accounting services in the amount of \$164,591 (2003 - \$58,663), a portion of which were share issuance costs, were paid to firms of which directors of the Company are partners or owners.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

8. Subsequent events:

Subsequent to December 31, 2004:

- (a) The Company issued 860,000 common shares on the exercise of stock options for proceeds of \$584,550.
- (b) The Company issued 3,975,300 common shares on the exercise of share purchase warrants for proceeds of \$736,325.



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