



Quarterly Report
For the
Six Months Ending
June 30, 2004

UEX Corporation, Vancouver, B.C., Canada

UEX CORPORATION
UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2004
(Prepared By Management)



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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

UEX CORPORATION
BALANCE SHEET
(UNAUDITED - PREPARED BY MANAGEMENT)

	June 30 2004	December 31 2003
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	11,012,242	3,337,613
Amounts receivable	68,439	25,782
Prepaid expenses	9,061	8,222
	<u>11,089,742</u>	<u>3,371,617</u>
Mineral properties (Note 3)	<u>14,779,313</u>	<u>13,305,946</u>
	<u>25,869,055</u>	<u>16,677,563</u>
LIABILITIES		
Current Liability		
Accounts payable and accrued liabilities	184,838	117,095
Future Income Taxes	<u>6,478,310</u>	<u>4,815,710</u>
	<u>6,663,148</u>	<u>4,932,805</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 4)	19,324,769	11,647,195
Stock Options	158,943	158,943
Deficit	<u>(277,805)</u>	<u>(61,380)</u>
	<u>19,205,907</u>	<u>11,744,758</u>
	<u>25,869,055</u>	<u>16,677,563</u>

SUBSEQUENT EVENTS (Note 7)

APPROVED BY THE DIRECTORS

Graham C. Thody (Signed)

Stephen H. Sorensen (Signed)

Refer to accompanying notes.

UEX CORPORATION
STATEMENT OF OPERATIONS AND DEFICIT
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended June 30 2004	Three Month Period Ended June 30 2003	Six Month Period Ended June 30 2004	Six Month Period Ended June 30 2003
	\$	\$	\$	\$
Revenue				
Interest	35,651	2,843	51,921	12,032
Expenses				
Bank charges and interest	460	180	713	351
Filing fees and stock exchange	9,908	9,601	25,420	22,075
General and administration	18,509	8,380	23,384	9,334
Insurance	-	125	-	501
Legal and accounting	25,786	11,828	33,259	23,728
Rent	8,388	8,391	16,588	16,782
Salaries and benefits	113,528	54,260	166,560	104,440
Telephone	835	989	1,903	1,728
Travel and promotion	459	3,184	519	4,835
	177,873	96,938	268,346	183,774
Net Loss For The Period	(142,222)	(94,095)	(216,425)	(171,742)
Deficit, beginning of period	(135,583)	(334,043)	(61,380)	(256,396)
Deficit, End Of Period	(277,805)	(428,138)	(277,805)	(428,138)
Basic And Diluted Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Number Of Shares	128,127,557	96,364,207	122,036,504	95,052,811

Refer to accompanying notes.

UEX CORPORATION
STATEMENT OF CASH FLOWS
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended June 30 2004	Three Month Period Ended June 30 2003	Six Month Period Ended June 30 2004	Six Month Period Ended June 30 2003
	\$	\$	\$	\$
Operating Activities				
Net loss for the period	(142,222)	(94,095)	(216,425)	(171,742)
Changes in non-cash working capital				
Amounts receivable	23,695	26,319	(42,657)	74,236
Prepaid expenses	(753)	8,126	(839)	487
Accounts payable and accrued liabilities	(423,136)	(117,626)	67,743	(120,435)
	(542,416)	(177,276)	(192,178)	(217,454)
Financing Activity				
Issuance of share capital	9,178,248	903,875	9,340,174	903,875
Investing Activities				
Mineral property expenditures	(385,594)	(239,337)	(1,473,367)	(839,335)
Short-term investments	-	(490,000)	-	155,000
	(385,594)	(729,337)	(1,473,367)	(684,335)
Increase In Cash And Cash Equivalents During The Period				
	8,250,238	(2,738)	7,674,629	2,086
Cash and cash equivalents, beginning of period	2,762,004	44,603	3,337,613	39,779
Cash And Cash Equivalents, End Of Period	11,012,242	41,865	11,012,242	41,865

Refer to accompanying notes.

UEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004
(UNAUDITED - PREPARED BY MANAGEMENT)

1. Basis Of Presentation

These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended December 31, 2003 and should be read in conjunction with the audited annual financial statements.

2. Operations

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

3. Mineral Properties

Mineral properties are summarized as follows:

	Riou Lake	Hidden Bay	West Athabasca	Beatty River	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2003	3,012,389	10,293,557	-	-	13,305,946
Exploration and development costs during the period					
Consulting	87,191	266,613	9,600	4,763	368,167
Drilling	414,974	469,276	-	-	884,250
Field supplies	21,261	385	-	15	21,661
Geophysics and geology	95,750	66,427	-	-	162,177
Land costs	24,713	-	-	-	24,713
Telecommunications	3,306	-	-	-	3,306
Travel and accommodation	9,093	-	-	-	9,093
	656,288	802,701	9,600	4,778	1,473,367
Balance, June 30, 2004	3,668,677	11,096,258	9,600	4,778	14,779,313

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3. Mineral Properties (Cont'd)

West Athabasca

During the period ended June 30, 2004, the Company entered into an agreement with COGEMA Resources Inc. ("COGEMA") whereby the Company was granted the option to acquire up to a 49% interest in certain uranium projects located in the western Athabasca Basin in northern Saskatchewan. In order to earn this interest, the Company must fund \$30 million in exploration expenditures over the eleven years of the agreement as follows:

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

At a minimum the Company must expend \$500,000 on the projects or reimburse COGEMA the difference between the amount expended and \$500,000.

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

The Shea Creek Project ("Shea Creek") encompasses the Anne and Colette Deposits. The resource at the Anne Deposit has been estimated by COGEMA to contain approximately 47,200,000 pounds of U₃O₈, an oxide of uranium. (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.) No resource estimate is currently available for Colette due to the smaller number of drillholes.

In the event that these resources are mined, UEX has agreed to pay to COGEMA a royalty of \$0.212 (US) per pound of U₃O₈ for each pound sold, to a maximum royalty of \$10 million (US).

Beatty River

During the current period, 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 Uranium Project, 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 the Beatty River project. Under the agreement, the Company may earn a 25% interest in the project by funding \$865,000 in exploration expenditures by December 31, 2008.

4. Share Capital

(a) Authorized

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

UEX CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4. **Share Capital** (Cont'd)

(b) Issued - Common Shares

	Number Of Shares	Value \$
Balance, December 31, 2003	115,526,844	11,647,195
Issued for cash:		
Exercise of stock options	990,000	113,200
Exercise of warrants	1,482,125	250,531
Private placement	10,000,000	5,000,000
Private placement – flow-through shares	5,666,667	4,250,000
Share issue costs	-	(273,557)
Future income taxes on flow-through expenditures renounced to shareholders	-	(1,662,600)
Balance, June 30, 2004	133,665,636	19,324,769

During the current period, 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.

In addition, the Company issued 5,666,667 flow-through common shares at \$0.75 per share for gross proceeds of \$4,250,000. A cash fee of \$212,500 was paid to the broker, and the Company issued 283,333 compensation warrants to the broker. Each warrant enables the broker to acquire one common share of the Company at a price of \$0.75 per share until June 3, 2006.

(c) Common Shares Reserved

A summary of the status of the Company's stock-based compensation plan as of June 30, 2004, and changes during the three month period then ended are presented below:

	Number Of Shares	Weighted- Average Exercise Price \$
Outstanding - December 31, 2003	4,950,000	0.10
Exercised during the period	(990,000)	0.11
Outstanding And Exercisable – June 30, 2004	3,960,000	0.10

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4. Share Capital (Cont'd)

(c) Common Shares Reserved (Cont'd)

At June 30, 2004, the Company had reserved a total of 3,960,000 common shares related to director and employee options:

Exercise Price	Number Of Shares	Weighted Average Remaining Contractual Life
\$		
0.08	2,560,000	9.2 years
0.10	166,000	8.5 years
0.12	734,000	5.2 years
0.16	500,000	2.1 years
	3,960,000	

At June 30, 2004, the following share purchase warrants were outstanding:

Number Of Shares	Exercise Price	Expiry Date
	\$	\$
371,349	0.25	July 17, 2004
3,000,000	0.15	June 6, 2005
200,000	0.10	July 11, 2005
2,000,000	0.30	December 18, 2005
228,000	0.25	December 18, 2005
283,333	0.75	June 3, 2006

5. Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding, and the treasury stock method is used to calculate diluted earnings per share. For the periods ended June 30, 2004, the effect of the Company's outstanding stock options and share purchase warrants proved to be anti-dilutive.

6. Related Party Transactions

During the period ended June 30, 2004, fees for legal and accounting services in the amount of \$66,024 (2003 - \$32,353), a portion of which were share issue costs, were paid to firms of which directors of the Company are partners.

7. Subsequent Events

Subsequent to June 30, 2004:

- (a) The Company granted stock options enabling directors and employees to acquire up to 1,020,000 common shares at an exercise price of \$0.84 per share, expiring on June 30, 2014.
- (b) The Company issued 550,000 common shares on the exercise of stock options for proceeds of \$64,000.
- (c) The Company issued 371,349 common shares on the exercise of share purchase warrants for proceeds of \$92,837.

Corporate Information

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Directors & Officers

Stephen H. Sorensen
President, Chief Executive Officer
Director

Peter C. Kalbfleish
Director

Graham C. Thody
Director

Colin Macdonald
Director

Walter T. Segsworth
Director

Warren W. Stanyer
Corporate Secretary, Chief Financial Officer



Message to Shareholders

UEx Corporation ("UEx", the "Company" or the "Corporation") continued to make progress in its exploration objectives in the Second Quarter of 2004. The combination of rising uranium prices and the Company's effective acquisition strategy over the last six months has increased shareholder value and created opportunities to raise significant funds at higher share prices. UEx management looks forward to the exploration and development of its properties and the future growth of the Company.

"signed"

*Stephen H. Sorensen
President & CEO*

August 12, 2004

Management Discussion & Analysis

This management discussion and analysis has been prepared provide investors with an informed discussion of UEX Corporation's business activities. It incorporates new requirements from the Canadian Securities Administrator and reflects guidelines from the Canadian Institute of Chartered Accountants (CICA). UEX 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 vision is to become the dominant uranium explorer in the uranium-rich Athabasca Basin and, through its efforts, eventually join the elite ranks of Canada's uranium producers.

Strategy

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

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

About UEX

UEx is a Canadian based exploration company initially formed under an agreement between Pioneer Metals Corporation and Cameco Corporation. Its business is the exploration and development of uranium resources in the Athabasca Basin of northern Saskatchewan, the richest uranium belt in the world. UEx began trading on the Toronto Stock Exchange in July 2002 and currently has 13 uranium projects either 100% owned, joint ventured or under option totaling approximately 228,000 hectares (563,000 acres) located in the eastern, western and northern areas of the Athabasca Basin. As of June 30, 2004 UEx had cash reserves of approximately \$11.0 million (CDN).

Cameco Corporation ("Cameco"), the world's largest supplier of uranium, holds approximately 26% of the common shares of UEX and has one representative on UEX's Board of Directors. UEX and Cameco have an exploration service agreement in place, under which Cameco manages exploration programs on the 100%

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

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

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

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

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

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

The Shea Creek Project ("Shea Creek") encompasses the Anne and Colette Deposits. The resource at the Anne Deposit has been estimated by COGEMA to contain approximately 47,200,000 pounds of U₃O₈, which is an oxide of uranium. (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.) No resource estimate is currently available for Colette due to the smaller number of drillholes. In the event that these resources are mined, UEX has agreed to pay to COGEMA a royalty of \$0.212 (US) per pound U₃O₈ for each pound sold, to a maximum royalty of \$10 million (US).

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 Uranium 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 \$425,000, and is planned to include geophysical surveying and 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 Corporation in late 2000.

Beatty River presently consists of seven claims totaling 6,813 hectares (17,032 acres) Beatty River was one of the first areas staked when COGEMA resumed exploration in the Western Athabasca in the late 1980's. Airborne geophysical surveys (GEOTEM in 1990) and several ground electromagnetic and magnetic surveys were carried out, which highlighted a number of quality conductors. Only 22 drill holes were completed within the original historical boundaries of Beatty River, which is a relatively sparse number of drillholes compared to the former size of the property.

The Anne Lake conductive trend is the most attractive target found at Beatty River to date, with a strike length of approximately 10 kilometres. Twelve drill holes have tested this conductive trend. In the 2004 winter program carried out by COGEMA, prior to the completion of the agreement between UEX, COGEMA

and JCU, drillhole BR-22 intersected an important graphitic structure. The results of BR-22 led to a revised geological and geophysical interpretation, prompting a restaking program, just completed in June 2004. Other historical drill holes displayed anomalous clay alteration in the sandstone and basement, which is indicative of unconformity-type uranium mineralization observed in the Athabasca Basin. Drillhole BR-21 displayed uraninite-coffinite mineralization in a fault gouge with values of 873 ppm U_3O_8 and 500 ppm nickel, with associated anomalous copper, vanadium, and molybdenum values.

The 2004 winter exploration program, with a single hole (BR-22), identified the need for further work in the Anne Lake area as at least two major structures are present and may lead to the discovery of an unconformity-type uranium deposit. Information gained from the planned 2005 winter drilling campaign should help in refining the exploration model at Beatty River. Geophysical techniques such as resistivity surveys may be used to assist in targeting the best areas for drilling.

Growth Strategy

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

The main strategies of UEX are:

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

Uranium Industry Trends

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

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

Uranium Supply and Demand

Uranium supply sources include primary mine production and secondary sources. Principal primary producers of uranium include Cameco (20% of global mine production in 2003) and COGEMA, both of which produce principally from deposits in the Athabasca Basin of northern Saskatchewan. In 2003, worldwide demand totaled 180 million pounds U_3O_8 (an oxide of uranium) while world production was approximately 92 million pounds. The resulting shortfall has been covered by several secondary sources including excess inventories held by utilities, producers, other fuel cycle participants, reprocessed uranium and plutonium derived from used reactor fuel, and uranium derived from the dismantling of Russian nuclear weapons. These secondary sources are expected to 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, the uranium spot price reached a 26-year low of \$7.10 U. S. per pound U₃O₈ due to the increased availability of secondary supplies, short term lower demand, and increased inventory sales. The spot price has since increased to \$18.50 U.S. per pound U₃O₈ as of the date of this report, and the long term uranium market outlook remains positive with increased consumption, and the continuing draw down of secondary uranium sources. Given the lead time necessary to find and develop new mines, the projected gaps in both supply and future depletion of existing high grade uranium deposits means that exploration needs to take place in the shorter term.

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

Selected Financial Information

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

For the Years Ended December 31

	2003	2002	2001
(CDN\$)			
Revenue	\$30,167	\$20,136	n/a
Net Loss (Before Income Taxes)	(\$462,093)	(\$256,396)	n/a
Loss Per Share (Before Income Taxes)	(\$0.01)	(\$0.01)	n/a
Total Assets	\$16,677,563	\$13,870,959	n/a

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

For the Quarters Ended

	Jun. 2004	Mar. 2004	Dec. 2003	Sept. 2003	Jun. 2003	Mar. 2003	Dec. 2002	Sept. 2002
(CDN\$)								
Revenue	\$35,651	\$16,270	\$10,097	\$8,038	\$2,843	\$9,189	\$17,027	\$3,109
Net Loss (Before Income Taxes)	(\$142,222)	(\$74,203)	(\$178,338)	(\$112,013)	(\$94,095)	(\$77,647)	(\$69,787)	(\$72,505)
Loss Per Share (Before Income Taxes)	(\$0.001)	(\$0.001)	(\$0.002)	(\$0.001)	(\$0.001)	(\$0.001)	(\$0.001)	(\$0.001)
Total Assets	\$25,869,055	\$17,256,165	\$16,677,653	\$14,669,680	\$14,482,657	\$13,790,503	\$13,870,959	\$9,696,913 ⁽¹⁾

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

Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value, of which 133,665,636 common shares were issued and outstanding as of June 30, 2004, and an unlimited number of preferred shares issuable in series, of which 1,000,000 preferred shares have been designated Series 1 shares, none of which are issued and outstanding.

At June 30, 2004, a total of 6,082,682 share purchase warrants enabling holders to acquire common shares were outstanding, on the following terms:

Number of shares	Exercise price	Expiry date
371,349	\$ 0.25	July 17, 2004
3,000,000	0.15	June 6, 2005
200,000	0.10	July 11, 2005
2,000,000	0.30	December 18, 2005
228,000	0.25	December 18, 2005
283,333	0.75	June 3, 2006

At June 30, 2004, the Company had reserved a total of 3,960,000 common shares related to director and employee options, the details of which are as follows:

Exercise prices	Number outstanding, June 30, 2004	Weighted average remaining contractual life
\$ 0.08	2,560,000	9.2 years
0.10	166,000	8.5 years
0.12	734,000	5.2 years
0.16	500,000	2.1 years
	3,960,000	

Results of Operations

Three Months Ending June 30, 2004

The Corporation incurred a net loss for the three month period ending June 30, 2004 of \$142,222, higher than the net loss of \$94,095 for the three month period ending June 30, 2003.

Revenue, consisting of investment income, was \$35,651 for the three months ending June 30, 2004, compared to \$2,843 for the three months ending June 30, 2003, an increase of \$32,808. The increase was generated by larger amounts of cash held by the Corporation than were held in the corresponding period in 2003.

During the three months ending June 30, 2004, UEX carried out exploration programs on the Hidden Bay and Riou Lake-Black Lake uranium projects in northern Saskatchewan and incurred exploration expenses on those properties of \$175,075 and \$203,791, respectively. In the same period for 2003, the expenditures at Hidden Bay and Riou Lake were \$174,068 and \$64,038, respectively.

General and administrative expenses for the three months ending June 30, 2004 were \$177,873 compared to \$96,938 for the three months ending June 30, 2003, a difference of \$80,935. Salaries and benefits totaled \$113,528 for the three months ending June 30, 2004, an increase of \$59,268 over the same period in 2003, due primarily to the payment of management bonuses. Legal and accounting expenses for the three months ending June 30, 2004 were \$25,786, higher than the 2003 cost for that period of \$11,828. Filing fees and stock exchange fees rose for the three months ending June 30, 2004 to \$9,908, an increase of \$307 over the three months ending June 30, 2003, in which those expenses were \$9,601.

The Corporation completed two equity financings in the three months ending June 30, 2004, for gross proceeds of \$9,250,000. The Corporation realized \$58,000 from the exercise of stock options in the three

months ending June 30, 2004. No stock options were exercised in the same period in 2003. The Corporation received \$141,892 on the exercise of warrants in the three months ending June 30, 2004.

The Corporation did allow 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 properties.

Six Months Ending June 30, 2004

The Corporation incurred a net loss for the six month period ending June 30, 2004 of \$216,425, higher than the net loss of \$171,742 for the six month period ending June 30, 2003.

Revenue, consisting of investment income, was \$51,921 for six months ending June 30, 2004, compared to \$12,032 for the six months ending June 30, 2003, an increase of \$39,889. The increase was generated by larger amounts of cash held by the Corporation than were held in the corresponding period in 2003.

During the six months ending June 30, 2004, UEX carried out exploration programs on the Hidden Bay and Riou Lake-Black Lake uranium projects in northern Saskatchewan and incurred exploration expenses on those properties of \$802,701 and \$656,288, respectively. In the same period for 2003, the expenditures at Hidden Bay and Riou Lake were \$501,804 and \$336,300, respectively.

General and administrative expenses for the six months ending June 30, 2004 were \$268,346 compared to \$183,774 for the six months ending June 30, 2003, a difference of \$84,572. Salaries and benefits totaled \$166,560 for the six months ending June 30, 2004, an increase of \$62,120 over the same period in 2003, due primarily to the payment of management bonuses. Legal and accounting expenses for the six months ending June 30, 2004 were \$33,259, higher than the 2003 cost for that period of \$23,728. Filing fees and stock exchange fees rose for the six months ending June 30, 2004 to \$25,420, an increase of \$3,345 over the six months ending June 30, 2003, in which those expenses were \$22,075.

The Corporation completed two equity financings in the six months ending June 30, 2004, for gross proceeds of \$9,250,000. The Corporation realized \$113,200 from the exercise of stock options in the six months ending June 30, 2004. No stock options were exercised in the same period in 2003. The Corporation received \$250,531 on the exercise of warrants during the six month period ending June 30, 2004.

Exploration Activities

In June 2004, UEX announced the results of winter diamond drilling programs at the Hidden Bay, Riou Lake and Black Lake Uranium Projects, all located in the Athabasca Basin area of northern Saskatchewan, Canada.

Hidden Bay Project: Winter 2004

West Bear

At West Bear, a sonic drilling program was undertaken to confirm the reliability and accuracy of the Gulf Minerals ("Gulf") deposit reserve estimate. The West Bear deposit represents an attractive and unique opportunity for UEX. The deposit reserve estimate completed by Gulf is 1.26 million pounds of U₃O₈ at an average grade of 0.44% U₃O₈ (Note: this is a historical reserve 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 within a very short timeframe. 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.

A review of the Gulf reports on the West Bear deposit led the Cameco project team to consider the possibility that the uranium resource was understated. The Gulf estimate was based on chemical assay results, however, sample recovery during Gulf's drilling programs was reported to have been very poor. Samples collected under such conditions have the potential of not being representative of the mineralization intersected in each hole.

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 does not use water 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 UEX-001B but due to technical problems was forced to abandon 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 (see UEX News Release, April 22, 2002).

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

The results of the 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. A new definition program and grade estimation of the West Bear deposit using a sonic drill rig will be a high priority 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 targets will be high priority areas for testing drilling 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. The survey covered the area projected to be at surface and up-plunge of the Raven-Horseshoe 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, 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 Uranium Deposit and presently operating mill (see UEX News Release, November 24, 2003). 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 is still confident that the ultimate source of the Vixen Lake Boulder Train lies within the Project. Additional investigations, including a quaternary geology survey, are proposed for the upcoming 2004 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.

Riou Lake Project: Winter 2004

Three holes totaling 2536 metres were drilled across the Riou Lake Project to test previously identified targets, at a cost of approximately \$375,000:

- 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 down hole electromagnetic survey, which enabled a successful intersection with the conductor in the 2004 program.
- RLG-D19 was collared in an area of geochemically anomalous bedrock sampled in 2002, located on the Riou Lake Fault approximately 6 kilometres north of RLG-20. No geophysical surveying has been carried out in the area so no known conductor was associated with the hole. However, the target was deemed prospective because of the anomalous values of uranium, lead, arsenic and boron found in the bedrock that may reflect the presence of a potentially uranium-bearing alteration zone at depth.
- RLG-D18 tested for the source of anomalous uranium-phosphate mineralization in an area known as the W-Zone, first found on surface on the south shore of Riou Lake in 1998. The drillhole was collared in an area of significant structural disruption, just north of holes RLG-D7 and RLG-D11 and approximately 10 kilometres northeast of RLG-D20.

Hole RLG-D20 (Radioactive Springs Area)

In 1999, a prospecting program by Pioneer Metals Corporation ("Pioneer") discovered an area of several radioactive springs on the western margin of a pronounced magnetic low, known by drilling on an adjacent property to be a metapelitic basin. This drilling by a previous operator on that property encountered uranium mineralization in the basement rocks. Geochemical analysis of the water from the springs area revealed that radium and radon, decay products of uranium, were the source of the radioactivity observed by the crew in the field. The water samples were also found to be rich in chloride ions, indicating that the water came from a deep-seated source. What made the discovery of these springs significant is that it proved the existence of an open system of fractures carrying water that is actively leaching radioactive minerals from some source of uranium. After a geophysical survey carried out in the springs area in 2000, Pioneer drilled RLG-D13, which exhibited structural disruption in the sandstone column but did not intersect the targeted conductor. In 2002, UEX drilled follow-up hole RLG-D15 but despite encouraging structure in the sandstone, again missed the conductor. A down hole electromagnetic survey was carried out that year to better detect the conductor at depth. An interpretation of the borehole survey in 2003 led to a hole location for RLG-D20 approximately 250 metres from RLG-D15 and a successful intersection of the graphitic conductor.

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% U₃O₈) 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 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 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:

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 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 Riou Lake. The objective is to intersect the unconformity where it is offset by the fault zone above graphitic basement, which was missed by RLG-D20. An extensive follow-up drilling program is planned to test this target.

After completion of RLG-D20, UEX staked a new claim directly to the east of the radioactive springs, totaling 3,418 hectares.

Hole 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 bend. 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 RLG-D19 as positive for a reconnaissance-style hole. Further investigation of the core from 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 define faulting in the area.

Hole 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 boulders (the "W-Zone"), discovered in 1998. A major structural zone almost 100 metres wide from 597.1 to 691.0 metres was encountered and displays evidence of structural disruption with faulting, brecciation and rotated sandstone bedding. Dravite is 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 m within a strongly hematized section from 798.12 to 804.1 metres just below the unconformity returned anomalous uranium (211 ppm U3O8) 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 a previous operator of the Project. Two 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 (up to 150 metres) 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 Diamond 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. The upper portion of the sandstone is moderately to strongly bleached with numerous moderately to strongly friable sections consisting of rubble and unconsolidated sand with significant core loss locally. The middle and lower sections of sandstone are generally weakly to moderately bleached. Certain pathfinder elements were detected in systematic and selective sandstone samples, including a selective sample at 356.1 metres that carried 1230 ppm arsenic. A radioactive section just below the unconformity returned 295 ppm U3O8 over 1.05 m 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 highly fractured, broken core with numerous sections strongly desilicified and locally argillized with significant core loss throughout. The interval is very strongly bleached and argillized locally to white sandy clay. 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 cm 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 1340 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 U3O8 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 that the UEX project team strongly recommends follow-up drilling for summer/fall 2004. These features include:

- 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.

The intersection of a wide interval of dravite alteration above the unconformity is significant as dravite is a common proximal alteration mineral to unconformity-type uranium deposits, such as McArthur River.

Proposed 2004 Exploration Programs

UEX's projected exploration expenditures in 2004 for all of its uranium projects total approximately \$7.6 million (CDN), including the following:

Western Athabasca Projects

On June 29, 2004, UEX announced its approval of a \$5.2 million (CDN) exploration budget for the eight Western Athabasca Projects operated by COGEMA. Compilation work will begin July 2, 2004, together with necessary permitting and contract tenders. Field work is anticipated to begin September 1, 2004.

Diamond Drilling Program: Shea Creek (Anne & Colette deposits)

Navigational drilling will be used at the Shea Creek Project. This technology, which uses a steerable drill bit to allow several target intersections to be completed from one pilot hole, was introduced in the Athabasca Basin by COGEMA. Navigational drilling enables better precision for reaching deep targets at the advanced exploration stage and, during early stage exploration, may help find conductors at a significantly lower cost. Twenty-one unconformity impacts (intersections) are planned in the following areas:

- 6 unconformity impacts (2 pilot holes and 4 directional cuts) at Anne deposit
- 6 unconformity impacts (2 pilot holes and 4 directional cuts) at North Anne area
- 9 unconformity impacts (3 pilot holes and 6 directional cuts) at Colette deposit
- Estimated metreage: 8500 metres
- Time period: September 2004 to December 2004.

The cost of the drilling program is estimated at \$2,200,000 (CDN).

MEGATEM Airborne Geophysics

This new technology has profoundly changed the exploration outlook for this area because of its capacity to define conductors to greater than 750 metre depths. The main objective of using MEGATEM airborne surveys is:

- To map and outline the conductivity, structure and nature of basement geological units
- To detect discrete conductors
- To map the magnetic signatures of basement lithologies

Approximately 6888 kilometres will be flown and interpreted at an estimated cost of \$1,239,700 (CDN).

Airborne Gravity Survey: Air-FTG

Air-FTG (Full Tensor Gravity) records all components of the gravity field allowing for a more precise determination of the gravity field. Important information relative to geological section and target shape and size can be more readily determined. This airborne gravity survey will specifically attempt to:

- Map favorable lithologies in comparison with EM and magnetic data
- Search for significant alteration anomalies ("chimneys") that may be present near surface

Approximately 5580 line kilometres will be flown and interpreted at an estimated a cost of \$1,193,500 (CDN).

Ground Geophysics

The objective of ground geophysical surveys is to detect alteration patterns and chimneys in the sandstone-to-basement environment, and to map basement lithologies, using:

- DC Resistivity survey at Shea Creek (Anne & Colette deposits)
- TAMT (Transient Audio-Magnetotelluric) survey at Shea Creek (Anne & Colette deposits)

The total cost of ground geophysics and interpretation over Shea Creek is estimated at \$525,800.

Total 2004 Exploration Budget (July 2 to December 31, 2004)

Diamond drilling:	\$2,200,000
Geophysical surveys:	\$2,959,000
Staking:	\$ 52,000
Total budget:	\$5,211,000 (CDN)

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 June 30, 2004, the Corporation had current assets of \$11,089,742, including \$11,012,242 in cash and cash equivalents compared to current assets for the year ended December 31, 2003 of \$3,371,617 including cash and cash equivalents of \$3,337,613. Working capital at June 30, 2004 was approximately \$10,905,000, compared to working capital of approximately \$3,255,000 at December 31, 2003.

Accounts payable and accrued liabilities at the three months ending June 30, 2004 were \$184,838, higher than the amount at December 31, 2003 of \$117,095, due mainly to the increased exploration at UEX's mineral properties in the First and Second Quarters 2004.

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

In 2002, the Company recorded a Future Income Tax liability associated with the 2002 acquisition of the Hidden Bay property from Cameco of \$3,809,000 and from renunciation of exploration expenditures in 2002 of \$522,000 for a total of \$4,331,000. This Future Income Tax liability increased in 2003 to \$4,815,710, due mainly to a higher amount of exploration expenditures renounced by way of flow-through share issuances. At June 30, 2004, the balance increased to \$6,478,310 due to renunciation of exploration expenditures related to flow-through share issuances. The total Future Income Tax liability declined marginally as a result of the reduction in federal income tax rates.

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

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

Risks and Uncertainties

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

The Company has sufficient financial resources to carry out exploration on all its projects for the next 12 months based upon planned expenditures and to fund its general administrative costs; however, there are no revenues from operations and no assurances that sufficient funding will be available to conduct further exploration and development of its projects or to fund exploration expenditures under the terms of any

option agreements beyond 2007. If the Company's exploration and development programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional funding could result in the delay or indefinite postponement of further exploration and development or the possible loss of the Company's properties. It is intended that such funding will be obtained primarily from future equity issues. The ability of UEX to raise the additional capital and the cost of such capital will depend upon market conditions from time to time. There can be no assurances that such funds will be available at reasonable cost.

Related party transactions

During the three months ended June 30, 2004, fees for legal and accounting services in the amount of \$66,024 (2003 - \$32,353), a portion of which were share issuance costs, were paid to firms of which directors of the Company are partners or owners, namely: Graham C. Thody, Partner at Nemeth, Thody, Anderson, Chartered Accountants, of Vancouver, B.C., and Peter C. Kalbfleisch, Partner at Blake Cassels & Graydon LLP, of Vancouver, B.C.

Outlook

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

The Company plans to spend in excess of \$10.0 million (CDN) in the next 12 months on diamond drilling and geophysical surveying on the Riou Lake and Black Lake Projects operated by UEX, the Hidden Bay managed by Cameco, and the eight Western Athabasca Projects and the Beatty River Project operated by COGEMA. No plans are currently in place for the Serendipity Lakes Project.

Events Subsequent to June 30, 2004

- (a) The Company granted stock options enabling directors and employees to acquire up to 1,020,000 common shares at an exercise price of \$0.84 per share, expiring on June 30, 2014.
- (b) The Company issued 550,000 common shares on the exercise of stock options for proceeds of \$64,000.
- (c) The Company issued 371,349 common shares on the exercise of share purchase warrants for proceeds of \$92,837.

Critical Accounting Estimates

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

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

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

Stock-based Compensation - The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options granted. Option pricing models require management to estimate and input highly subjective assumptions including the expected future price volatility and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted.

Caution Regarding Forward Looking Statements

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

Management's Responsibility For Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Our auditors have not reviewed the contents of this MD&A or the accompanying financial statements.