UEX Corporation

2002 Annual Report

Letter To Shareholders

UEX is a public uranium exploration company with exploration activities in the Athabasca Basin area of Saskatchewan, which hosts the world's largest, high-grade uranium deposits.

On July 17, 2002, UEX Corporation ("UEX") and Pioneer Metals Corporation ("Pioneer") announced that their Plan of Arrangement (the "Plan") was completed. Under the Plan, Pioneer transferred to UEX all of its uranium exploration properties, including the Riou Lake Uranium Project. A total of approximately 46.5 million common shares in UEX were issued to Pioneer shareholders of record as of the close of business on July 16, 2002 on the basis of one common share of UEX for each common share of Pioneer. Cameco Corporation ("Cameco") also transferred to UEX its Hidden Bay advanced exploration properties in exchange for the issue of approximately 31 million common shares of UEX.

UEX also announced that it completed its public offering of common shares and flow-through common shares for gross proceeds of approximately $4.3 million. Approximately 16 million common shares of UEX were issued under the public offering at a price of $0.25 per common share and $0.30 per flow-through common share. UEX also issued agents warrants to acquire approximately 1.1 million additional common shares at a price of $0.25 per share until July 17, 2004. The agents for the public offering were Northern Securities Inc., Griffiths, McBurney & Partners and Dundee Securities Corporation. Pioneer purchased a total of approximately 4.3 million common shares under the offering, representing an approximate 4.6% interest in UEX. Cameco purchased 2 million common shares under the offering to hold an approximate 35.3% interest in UEX. The common shares of UEX are listed on the Toronto Stock Exchange and began trading under the symbol UEX on July 17, 2002.

2002 Exploration Activities and Results

Winter 2002 Exploration Program

UEX commenced exploration on the Hidden Bay property prior to completion of the Plan. In April 2002, Cameco, exploration manager for UEX Corporation ("UEX") on the Hidden Bay property in northern Saskatchewan, reported to UEX the preliminary results of the winter exploration program, which consisted of geophysics and diamond drilling on the property. The drilling program was conducted in the West Bear deposit area, with the following highlights:

- a significant drill intersection of uranium mineralization in a potentially new, near surface zone located 550 m west of the West Bear deposit
- an intersection of new nickel-cobalt-arsenic and low grade uranium mineralization in a broad zone of intense clay alteration located 200 m east of the West Bear deposit
- a single hole drilled into the West Bear deposit encountered expected uranium grades based on adjacent drill sections, but over a thickness greater than anticipated
- the drilling results indicated that areas to the west and east of the West Bear deposit are prospective for new uranium resources at shallow depths over a minimum strike length of 1.4 kilometers

The exploration program, comprising expenditures of approximately $600,000, which included $450,000 in ground geophysical surveys and $150,000 in diamond drilling, commenced in February, 2002, and was completed in early April.

The 2002 winter program was undertaken to test high priority exploration targets through a combination of ground geophysical surveys and diamond drilling. A total of 423 line kilometers of ground fixed and moving loop EM, horizontal loop EM, and ground magnetometer surveys were undertaken on the West Bear, Raven-Horseshoe, Telephone, Rhino Lake, Wolf and Black Island target areas.

Diamond drilling was conducted on the West Bear target area to test lateral and down dip extensions of mineralization and new geophysical targets. The West Bear deposit, discovered in 1978 by Gulf Minerals Canada Limited, has a historical inferred resource of 1.27 million lbs U_3O_8 at grades of 0.44% U_3O_8 (due to its historical nature, this resource was not calculated in conformity with National Instrument 43-101). During the winter 2002 program, eleven diamond drill holes totaling 1284 m were completed by Major Midwest Drilling in the West Bear Area, and three holes intersected uranium mineralization with concentrations >0.1% U_3O_8. Results are tabulated below:

Hole	**Target**	**From**	**To**	**Width (m)**	**% U_3O_8**
WBE-16	Pebble Hill	48.50	50.75	2.25	1.926
	including	48.50	49.00	0.50	4.490
WBE-17	West Bear	16.00	25.00	9.00	1.686
	including	16.00	22.00	6.00	1.945
	including	21.50	22.00	0.50	4.675
WBE-19	West Bear east	43.50	45.00	1.50	0.167

Downhole radiometric logs were also obtained for drill holes using a shielded G375A probe. Readings were collected at 10cm intervals, and equivalent U_3O_8 grades were estimated using a conversion factor based on correlation of radiometric data with direct chemical analysis of samples by Cameco at other deposits in the region. The radiometric data provide a verification of the geochemical data, and additional information where core loss prevented representative geochemical sampling. Radiometric results for mineralized intervals in drill holes WBE-16 and 17 are as follows:

Hole	Target	**From**	**To**	**Width (m)**	**Equivalent %U_3O_8**
WBE-16	Pebble Hill	48.60	51.40	2.80	1.25
	Including	48.60	49.20	0.60	1.82
	And	49.80	51.40	1.60	1.27
WBE-17	West Bear	13.90	24.90	11.00	1.79
	Including	14.50	21.80	7.30	2.34

Hole WBE-16 was drilled to test the down dip projection of southeast dipping uranium mineralization intersected historically at the Pebble Hill prospect (0.8% U_3O_8 over 1.5 m in two holes). A Fe-oxide-clay altered zone in pegmatite was intersected 7.1 m below (true depth) the Athabasca unconformity, which contains 1.926% U_3O_8 over a 2.2 m interval.

Hole WBE-17 was drilled within the West Bear deposit. Historical diamond and reverse circulation drilling in the deposit suffered from poor recoveries due to the altered host rocks, and wet drilling conditions. The hole, sited between two 30.5 m spaced historic drill sections, intersected significant uranium mineralization in intense clay alteration above and straddling the unconformity over a 9 m interval grading 1.686% U_3O_8. Although no core was recovered above 16 m, the radiometric logs indicates that mineralization is present as high as 13.9 m in the hole, and is continuous over an 11 m interval (13.9-24.9 m grading 1.79% U_3O_8 equivalent). This represents the thickest intersection of >1% U_3O_8 obtained in the deposit to date, and supports the hypothesis that thickness and tonnage of the deposit may be understated. Additional confirmatory drilling on the deposit will have to be completed before this possibility can be confirmed and quantified.

Hole WB-19 was completed to test potential eastern extensions of the West Bear deposit, based on a new interpretation of the strike of host lithologies indicated by the new EM surveys. The hole intersected an intense zone of clay alteration in basement rocks between 30.3 and 50.1 m which contains anomalous uranium mineralization, including an interval grading 0.167% U_3O_8 over 1.5 m between 43.5 and 45.0 m. Representative spot and continuous geochemical samples collected throughout the alteration zone have returned consistently highly anomalous concentrations of Ni, Co, As, Cu and Zn, including samples containing up to 9.21% Co, 2.86% Ni and 10.8% As in a 20 cm representative spot sample at 33.8 m. Continuously sampled intervals in this alteration zone include 0.38% Co, 0.68% Ni and 0.99% As over 8.5 m between 37.0 and 45.5 m, and 0.35% Co, 1.09% Ni and 1.18% As between 43.5 and 45.0 m. Similar concentrations of these elements, indicative of nickel-cobalt arsenide minerals, are spatially associated with uranium mineralization at deposits such as West Bear and Key Lake. Since this mineralization occurs in a wide gap in historic drilling, it is a high priority follow-up target that could either represent an extension of the West Bear deposit, or a new zone.

Diamond drill holes WBE-12 to 15 and 18, drilled to test potential down dip and western extensions of the West Bear deposit, did not intersect uranium mineralization indicating that historical diamond drilling has effectively bounded the mineralization in these areas. Holes WBE-20 and 21 were drilled to test northeast extensions of the deposit, but may have been targeted too far north since footwall host rocks to the deposit were intersected beneath the unconformity. While no uranium mineralization was intersected in hole WBE-22, a zone of clay alteration was intersected in pegmatite between 47.6 and 90.1 m which may represent the southwestern, down dip extent of the metaliferous alteration zone intersected approximately 150 m to the northeast in hole WBE-19.

Summer 2002 Exploration Programs

On January 18, 2003, UEX announced the results of summer 2002 exploration programs at the Hidden Bay and Riou Lake Uranium projects. The programs were conducted between July and October 2002 and cost approximately $1,000,000.

Hidden Bay Project

Summer 2002 exploration included:

- 3635 metres of drilling on the Raven-Horseshoe grid (4 holes, 1718 metres) and the Telephone Lake area (6 holes, 1917 metres). At Raven-Horseshoe, holes LB-103, LB-104, LB-105 and TW-31 tested EM conductors. No mineralization was intersected. Drilling in the Telephone Lake area tested along strike and down dip of anomalous mineralization and alteration identified in historical, widely spaced holes. Hole SP-146 (drilled to 285 m) intersected anomalous radioactivity with radiometric peaks up to 4500 counts per second at 177.8 m, approximately 8 m below the unconformity within strongly hematite altered pelitic gneiss. This area is open on strike to the south and to the north in the direction of a high-priority, winter-accessible drill target identified this summer.
- an airborne high-resolution magnetometer survey. The results of the magnetometer survey have significantly aided geological interpretation in overburden covered areas of the property and will help prioritize prospective exploration areas.
- reconnaissance MMI (Mobile Metal Ion) soil sampling programs. In the northern portion of the Raven-Horseshoe grid a significant, multi-sample uranium anomaly was found above a historically interpreted conductor lying parallel to the Rabbit Lake fault in an area untested by diamond drilling, approximately 5 km southwest of the Rabbit Lake Mine.
- outcrop mapping, relogging of historical diamond drill holes and data compilation.

Riou Lake Project

At Riou Lake, summer 2002 exploration activity consisted of:

- 2346 metres of diamond drilling in three holes, testing three geophysical targets. In the radioactive springs area, hole RLG-D15 (drilled to 845 m) encountered broad areas of rotated bedding, strong bleaching and numerous clay-coated fractures that suggest the presence of a significant structure that has localized hydrothermal fluid flow. Follow-up drilling is planned for the summer of 2003 after the results of a borehole EM survey showed the hole missed the probable intersection point of the fault with the unconformity by about 150 metres. Holes RLG-D16 (drilled to 761 m) and RLG-D17 (drilled to 740 m) did not intersect any significant faults or alteration, although graphite-bearing gneiss is present in basement rocks in RLG-D16.

- a surface outcrop sampling program, which tested for potential surface expression of alteration and uranium mineralization over the Riou Lake fault. Samples were collected along lines spaced 500 metres apart and were analyzed by the Saskatchewan Research Council. Three anomalous areas were identified, containing above-background concentrations of several pathfinder elements and minerals including lead, arsenic, phosphate, boron and uranium. These anomalies are coincident with bleached alteration zones and quartz/clay veinlets developed along the trace of the fault, which may reflect the presence of a potentially uranium-bearing alteration zone at depth.
- drill core examination and re-evaluation.

UEX management is very encouraged by the results of the winter and summer 2002 exploration programs at Hidden Bay, which underscores the company's belief that the property contains the potential for the rapid discovery and delineation of new uranium deposits, and the upgrading of the historical resources previously identified at the West Bear and Raven-Horseshoe deposits. UEX management believes that the Riou Lake Project, which includes the Riou Lake, Black Lake and Serendipity Lakes properties, holds the potential for hosting a deep, unconformity-type uranium deposit similar to that found at Cigar Lake or McArthur River.

Exploration Program for Winter 2003

A $1,000,000 winter exploration program on both projects began in January 2003, with at least 6000 metres of diamond drilling planned at the two projects. The Hidden Bay drilling program was planned to continue exploration of possible extensions of the Sue deposits into the Telephone Lake area, and to follow up on highly prospective zones of mineralization at West Bear and Pebble Hill discovered during the 2002 winter program. At the Riou Lake project, winter 2003 drill targets included at least four diamond drill holes on the Black Lake property, targeting the source of a uraniferous glacial boulder train along the Platt Creek fault and follow up to previous drill holes that encountered alteration, associated faulting and graphitic basement units.

The winter 2003 drilling programs on both properties concluded in April 2003. As of May 12, 2003, results of the programs were still being received, compiled and interpreted. UEX has outlined budgets for its summer 2003 exploration programs, which total approximately $700,000.

UEX's website can be accessed at www.uex-corporation.com for detailed information about the company and its properties in the Athabasca Basin.

ON BEHALF OF
THE BOARD OF DIRECTORS
OF UEX CORPORATION

"Stephen Sorensen"

Stephen H. Sorensen
President & CEO

Financial Statements of

UEX CORPORATION

Years ended December 31, 2002 and 2001

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2002 and 2001 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

March 14, 2003

UEX CORPORATION

Balance Sheets

December 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash	$ 39,779	$ -
Short-term investments	1,325,000	-
Amounts receivable	113,231	-
Prepaid expenses	8,709	-
Pre-acquisition property costs (note 2(b))	-	165,886
Deferred financing charges (note 2(c))	-	160,378
	1,486,719	326,264
Mineral properties (note 3)	12,384,240	-
	$ 13,870,959	$ 326,264
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 187,255	$ 126,513
Due to Pioneer Metals Corporation	-	199,750
	187,255	326,263
Future income taxes	4,331,000	-
Shareholders' equity:		
Share capital (note 4)	9,591,506	1
Stock options (note 4(c))	17,594	-
Deficit	(256,396)	-
	9,352,704	1
	$ 13,870,959	$ 326,264

Nature of operations (note 1)
Commitments (notes 3 and 4(d))

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, 2002 and 2001

	2002	2001
Revenue:		
Investment and other income	$ 20,136	$ -
General and administrative expenses:		
Bank charges and interest	1,639	-
Filing fees and stock exchange	21,623	-
General and administration	11,601	-
Insurance	999	-
Legal and accounting	17,455	-
Office	2,431	-
Rent	28,610	-
Salaries and benefits	184,944	-
Telephone	3,757	-
Travel and promotion	3,473	-
	276,532	-
Loss for the year, being deficit, end of year	$ (256,396)	$ -
Basic and diluted loss per share	$ (0.01)	$ -
Weighted average number of shares outstanding	93,674,259	1

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2002 and 2001

		2002		2001
Cash provided by (used for):				
Operations:				
Loss for the year	$	(256,396)	$	-
Change in non-cash operating working capital:				
Amounts receivable		(113,231)		-
Prepaid expenses		(8,709)		-
Accounts payable and accrued liabilities		60,742		126,513
		(317,594)		126,513
Investments:				
Pre-acquisition property costs		-		(165,886)
Deferred financing charges		-		(160,378)
Short-term investments		(1,325,000)		-
Mineral properties, net of non-cash stock-based compensation		(1,773,383)		-
		(3,098,383)		(326,264)
Financing:				
Share capital		3,655,506		1
Due to Pioneer Metals Corporation		(199,750)		199,750
		3,455,756		199,751
Increase in cash during the year	$	39,779	$	-
Supplementary information:				
Interest received	$	9,378	$	-
Non-cash financing and investing activities:				
Share capital issued for mineral properties		6,618,377		-

See accompanying notes to financial statements.

1. Nature of operations:

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

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain 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, confirmation of the Company's 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) Short-term investments:

Short-term investments consist of liquid money market instruments with terms to maturity of greater than 90 days and less than one year on acquisition.

(b) Pre-acquisition property costs:

The pre-acquisition property costs represent exploration expenditures to December 31, 2001 related to the mineral properties prior to implementation of the acquisition from Pioneer and Cameco (note 1). These costs were re-allocated to the mineral property to which they relate on completion of the acquisition in 2002 (note 3).

(c) Deferred financing charges:

The deferred financing charges represented costs incurred to December 31, 2001 by the Company during the process of a public offering and the listing of its shares on the Toronto Stock Exchange. Upon completion of the initial public offering in 2002, these costs were charged against share capital as share issuance costs.

2. Significant accounting policies (continued):

(d) 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.

(e) Earnings (loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and the treasury stock method is used to calculate diluted earnings per share. However, there are no dilutive effects on basic loss per share for 2002 due to the Company's loss for the year.

(f) Financial instruments:

The carrying amounts of accounts 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.

(g) Use of estimates:

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties. Actual amounts may differ from such estimates.

2. Significant accounting policies (continued):

(h) Stock-based compensation plan:

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

Effective January 1, 2002, the Company adopted the CICA's new handbook section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*". Under the new standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, are accounted for using the fair-value based method. No compensation costs are required to be recorded for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Company discloses the pro forma effect of accounting for these awards under the fair-value based method. The adoption of this new standard has resulted in no changes to amounts previously reported.

Prior to adoption of the new recommendations, no compensation expense was recorded at the time options were granted, when the options are granted at market prices. Any consideration paid by employees or directors on exercise of stock options were credited to share capital.

(i) 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 substantively enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

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

3. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

	Riou Lake (a)	Hidden Bay (b)	Total
Balance, December 31, 2001	$ -	$ -	$ -
Acquisition costs for shares	2,168,377	4,450,000	6,618,377
Future income taxes relating to the above acquisition	-	3,809,000	3,809,000
Pre-acquisition property costs	99,532	66,354	165,886
Exploration and development expenditures	406,164	1,384,813	1,790,977
Balance, December 31, 2002	$ 2,674,073	$ 9,710,167	$ 12,384,240

The mineral properties comprise the uranium exploration properties and all related assets that Pioneer and Cameco each transferred to the Company following the completion of the plan of arrangement with Pioneer, the acquisition agreement with Cameco and the initial public offering (note 4(b)). The pre-acquisition property costs (to December 31, 2001) that were incurred prior to the completion of the plan of arrangement have been re-allocated to the mineral properties to which they relate (note 2(b)).

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

(a) Riou Lake Project:

The Riou Lake, Black Lake and Serendipity Lakes properties (referred to as the "Riou Lake Project") are located on the northern rim of the Athabasca Basin near Stony Rapids, Saskatchewan. The properties have common boundaries and form a land package totalling 56,851 hectares.

(*i*) Riou Lake:

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

3. Mineral properties (continued):

(a) Riou Lake Project:

(*ii*) Black Lake:

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

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

Under the agreement, the Company may terminate the option on 30 days notice provided that the Company will retain no interest in the project lands.

(*iii*) Serendipity Lakes:

Pursuant to the agreement entered into by Pioneer with D.F. Exploration Uranium Ltd., the Company can earn up to a 60% interest in this project. The Company will earn a 1% interest in the project for each $29,167 expended. Under the agreement, the Company is required to spend $1,750,000 by December 31, 2007 as follows:

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

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

(b) Hidden Bay Project:

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

4. Share capital:

(a) Authorized:

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

(b) Issued - common shares:

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

	Number of shares		Value
Issued in 2001:			
For cash, being balance, December 31, 2001	1	$	1
Issued in 2002:			
For the Riou Lake Project (note 3(a))	46,534,309		2,168,377
For the Hidden Bay Project (note 3(b))	31,022,869		4,450,000
For cash on initial public offering, net of share issuance costs and future income taxes on flow-through expenditures incurred	16,003,665		2,953,208
For cash on exercise of stock options (note 4(c))	166,000		19,920
	93,726,844	$	9,591,506

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

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

The Company issued 7,003,665 flow-through common shares at $0.30 per flow-through common share and 9,000,000 non-flow-through common shares at $0.25 per non-flow-through common share on the Company's initial public offering. The value of shares issued is the net amount received as a result of the July 2002 public offering, less share issuance costs of $875,892 and $522,000 of future income taxes relating to flow-through expenditures incurred to December 31, 2002. In connection with the initial public offering, the Company issued 1,062,608 share purchase warrants to the agents entitling the agents to purchase one common share of the Company at a price of $0.25 per share. These warrants expire on July 17, 2004.

4. Share capital (continued):

(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.

A summary of the status of the Company's stock-based compensation plan as of December 31, 2002 and 2001, and changes during the years ended on these dates are presented below.

	Number of shares	Weighted-average exercise price
Outstanding, beginning of year	-	$ -
Issued in connection with the initial public offering based on Pioneer options held	3,750,000	0.15
Granted	1,266,000	0.15
Exercised	(166,000)	0.12
Outstanding, end of year	4,850,000	$ 0.15
Options exercisable, year end	4,850,000	-

At December 31, 2002, the Company had reserved a total of 4,850,000 common shares related to the director and employee options:

Exercise prices	Number outstanding at December 31, 2002	Weighted-average remaining contractual life
$ 0.10	166,000	10.0 years
0.12	1,784,000	4.0 years
0.16	1,900,000	6.1 years
0.18	1,000,000	9.0 years
	4,850,000	6.1 years

4. Share capital (continued):

(c) Stock-based compensation (continued):

During 2002, the Company granted 166,000 options with an exercise price of $0.10 per share and an expiry date of December 19, 2012 pursuant to consulting agreement with a party performing geological services. The Company recorded stock-based compensation expense of $17,594, being the estimated fair value of the options granted to this consultant using the Black-Scholes options pricing model with the following assumptions:

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

The weighted average grant date fair value of options granted during the year ended December 31, 2002 was $0.21 per share.

Pro-forma information, with respect to the impact of the fair value of stock options at the date of grant on reported loss for the year ended December 31, 2002, is as follows:

Loss for the year, as reported	$	(256,396)
Additional stock-based compensation expense		(213,654)
Pro-forma loss for the year	$	(470,050)
Pro-forma basic and diluted loss per share	$	(0.01)

(d) Flow-through shares:

During 2002, the Company raised $2,101,100 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, 2002, a total of $968,760 of flow-through funds raised in 2002 remained to be spent.

5. Income taxes:

Income tax expense attributable to income from operations was nil for the year ended December 31, 2002 (2001 - nil). Substantially all of the difference between the expected tax recovery, based on the federal and provincial statutory tax rates, and the amount reported is due to the impact of losses not recognized.

5. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31, 2002 and 2001 are presented below:

	2002	2001
Future tax assets:		
Net operating loss carry forwards	$ 145,000	$ -
Mineral properties	54,000	-
Share issuance costs	323,000	-
Valuation allowance	(522,000)	-
Net future tax assets	-	-
Future tax liabilities:		
Mineral properties	3,809,000	-
Flow-through share issuance costs	522,000	-
	4,331,000	-
Net future tax liabilities	$ 4,331,000	$ -

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the future tax asset, the Company will need to generate future taxable income of approximately $1,100,000 prior to the expiration of the net operating loss carryforwards starting in 2009. Taxable income for the years ended December 2002 and 2001 was nil. Based upon taxable income and projections for future taxable income over the years that the future tax assets are deductible, management has provided a full valuation allowance for the future tax assets.

At December 31, 2002, the Company has $315,000 of net operating loss carry forwards for federal income tax purposes that are available to offset future federal taxable income. These operating losses expire in 2009.

6. Related party transactions:

During 2002, fees for legal and accounting services in the amount of $260,305, a portion of which were share issuance costs, were paid to firms of which directors of the Company are partners or owners.

UEX CORPORATION

Corporate Information

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Auditors

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Transfer Agency
Computershare Trust Company of Canada Ltd.
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V6C 3B9

Directors & Officers

Stephen H. Sorensen
President, Chief Executive Officer
Director

Peter C. Kalbfleish
Director

Graham C. Thody
Director

Colin C. Macdonald
Director

Walter T. Segsworth
Director

Warren W. Stanyer
Chief Financial Officer
Corporate Secretary