

Financial Statements of

UEX CORPORATION

Years ended December 31, 2004 and 2003



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of UEX Corporation as at December 31, 2004 and 2003 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

February 25, 2005

UEX CORPORATION

Balance Sheets

December 31, 2004 and 2003

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

Liabilities and Shareholders' Equity

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

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

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Stephen H. Sorensen" Director

"Graham C. Thody" Director

UEX CORPORATION

Statements of Operations and Deficit

Years ended December 31, 2004 and 2003

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

See accompanying notes to financial statements.

UEX CORPORATION

Statements of Cash Flows

Years ended December 31, 2004 and 2003

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

See accompanying notes to financial statements.

UEX CORPORATION

Notes to Financial Statements

Years ended December 31, 2004 and 2003

1. Nature of operations:

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

The Company is in the process of exploring its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete exploration and development, completion of commitments required under option agreements in order for the Company to earn its interest in the underlying mineral claims and upon future profitable production from or the proceeds from the disposition of its mineral properties.

2. Significant accounting policies:

(a) Cash equivalents and short-term investments:

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

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

(b) Mineral properties:

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(c) Equipment:

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

Asset	Rate
Exploration equipment	30%
Computer equipment	30%

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

(d) Earnings (loss) per share:

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

(e) Financial instruments:

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

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of mineral properties and assumptions used in determining the fair value of non-cash stock-based compensation. Actual amounts may differ from such estimates.

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(g) Stock-based compensation:

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

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

(h) Income taxes:

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

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

(i) Asset retirement obligations:

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

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

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

3. Equipment:

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

4. Mineral properties:

The continuity of expenditures on mineral properties is as follows:

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

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

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

4. Mineral properties (continued):

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

(a) Riou Lake:

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

(b) Black Lake:

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

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

(c) Serendipity Lakes:

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

(d) Hidden Bay Project:

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

4. Mineral properties (continued):

(e) West Athabasca Projects:

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

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

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

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

(f) Beatty River Project:

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

(g) North Athabasca Project:

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital:

(a) Authorized:

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

(b) Issued and outstanding - common shares:

	Number of shares	Value
Balance, December 31, 2002	93,726,844	\$ 9,591,506
Issued in 2003:		
For cash by way of private placements, net of share issuance costs and future income taxes on flow-through expenditures incurred and renounced to shareholders	20,500,000	1,843,689
For cash on exercise of stock options (note 5(c))	1,300,000	212,000
Balance, December 31, 2003	115,526,844	11,647,195
Issued in 2004:		
For cash by way of private placements, net of share issuance costs	26,666,667	25,484,261
For cash on exercise of stock options (note 5(c))	2,700,000	281,000
For cash on exercise of warrants	2,056,174	364,043
Balance, December 31, 2004	146,949,685	\$ 37,776,499

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

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital (continued):

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

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

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

(A) The Company issued 9,500,000 flow-through common shares at \$0.10 per share and 3,000,000 units at \$0.10 per unit by way of a brokered private placement. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at \$0.15 per share for a period of two years from the date of issue. The Company paid a commission of \$100,000 and issued 1,000,000 share purchase warrants to the agent in connection with this private placement. Each warrant entitles the agent to acquire one common share at \$0.10 for a period of two years from the date of issue. During 2004, these warrants were exercised; and

(B) The Company issued 4,000,000 flow-through common shares at \$0.25 per share and 4,000,000 units at \$0.25 per unit by way of a brokered private placement. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.30 per share until December 18, 2005. The Company paid a commission of \$57,000 and issued 228,000 share purchase warrants to the agent in connection with this private placement. Each warrant entitles the agent to acquire one common share at \$0.25 until December 18, 2005. During 2004, 2,700 of these warrants were exercised.

(c) Stock-based compensation:

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital (continued):

(c) Stock-based compensation (continued):

A summary of the status of the Company's stock-based compensation plan as of December 31, 2004 and 2003, and changes during the years ended on these dates are presented below.

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

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

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

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Share capital (continued):

(c) Stock-based compensation (continued):

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

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

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

(d) Warrants:

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

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

(e) Flow-through shares:

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

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

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Notes to Financial Statements

Years ended December 31, 2004 and 2003

6. Income taxes:

Income tax recovery attributable to loss from operations was \$77,033 for the year ended December 31, 2004 (2003 - nil). Substantially all of the difference between the expected tax recovery, based on the federal and provincial statutory tax rates, and the amount reported, other than for the effect of the change in tax rates in 2003 as noted below, is due to the impact of losses not recognized.

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

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

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

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

7. Related party transactions:

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

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

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Years ended December 31, 2004 and 2003

8. Subsequent events:

Subsequent to December 31, 2004:

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