

UC Resources Ltd.

(UC – TSX Venture)

Newly acquired gold-silver property in Sierra Madre in Mexico. Highly targeted exploration program to investigate extent of high grade mineralization discovered by previous drilling.

Jeff Howlett
Tel: 1-604- 885-0883
E-mail: info@howlett-research.com
Website: www.howlett-research.com



Jeff Howlett is a financial analyst who for over the past 10 years has provided research services to companies lacking adequate coverage. Mr. Howlett was previously affiliated with a major Canadian investment firm specializing in Mergers & Acquisitions and has received a B.Sc. in Economics from the Wharton School of the University of Pennsylvania.

Copalquin Property – Historic Production

Early in 2004, UC acquired an option for a 50% interest in the Copalquin Property, located in the Sierra Madre mineralogical belt of Durango, Mexico. Historic, **high grade** production has been estimated at over **250,000 ounces** of gold and 11 million ounces of silver from just 336,000 tonnes (most production occurred prior to the 1910 Mexican Revolution).

Previous Exploration Programs

Copalquin has been explored by several programs. Government sampling programs in 1976 was followed by programs by IMMSA (1983), Kennecott (1995), and Francisco Gold (1995). The property was never drilled until 1998, when Bell Coast Capital conducted a 31 hole program at 4 targets. **Several holes (7) at El Cometa yielded very high grade gold (see right).**

El Refugio, located on the other side of the hill, gave an intersection of very extensive (78 m) but low grade gold (0.22 g/t Au).

| HOLE # | INT. (m) | Au (g/t) | Ag (g/t) |
|--------|----------|----------|----------|
| EC-02 | 4.0 | 244.65 | 2250 |
| EC-08 | 1.5 | 10.6 | 301 |
| EC-09 | 18.2 | 8.55 | 144 |
| EC-10 | 6.9 | 17.03 | 352 |
| EC-11 | 7.5 | 1.33 | 55 |
| EC-12 | 4.0 | 18.19 | 369 |
| | 1.0 | 35.19 | 609 |
| EC-13 | 3.0 | 77.57 | 733 |
| | 2.0 | 7.73 | 106 |

The Present Target – High Grade Target at El Cometa

The priority target is to follow up on the highly encouraging intersections from the 1998 program – follow up is termed a "must". **At El Cometa, drilling on tight centers is recommended to determine extent and direction of the high grade mineralization.**



Share Data (\$Cdn):

Recent Price: \$0.18
52-week Price Range: \$0.095 - \$0.29
Shares Outstanding (current): 17.5 million
Fully Diluted Shares (1): 20.2 million
(1) Incl. 2.7 million options & warrants @ Cdn \$0.105 - \$0.15.

Capitalization (\$Cdn):

Market Capitalization: \$3.15 million
Total Debt: nil

Corporate Information:

President, Director: Eugene N. (Gene) Larabie, P.Eng.
Phone: (604) 681-7265
Toll Free (U.S., Canada): 1-(800) 366-8566
Website: www.ucresources.net
E-mail: info@ucresources.net

WE SEE UC RESOURCES AS ADOPTING A WELL REASONED APPROACH TO COPALQUIN:

We know that: ❶ from previous mining, high grade material exists through the property, and ❷ drilling by BCCC offers evidence that there is potential for a relatively flat-dipping, medium to high grade bearing quartz body. Current program highlights include:

- **Highly Targeted with Near Term Results.** UC is targeting the most promising area as identified by several holes intersecting high grade material in 1998 which were not followed up. The company just announced that drilling is set to commence, with results followed closely. Any adjustments or alterations in the drilling program can be made quickly.
- **Manageable Project.** The targets at Copalquin are medium to high grade gold silver veins and breccia zones, sufficiently close to surface to allow low cost mining operations. This could well be a project that a small company with a seasoned management (which UC is) could develop on its own.

Given UC's low market cap (just over Cdn \$3 million), we believe that encouraging results encountered in this drill program offers upside to investors. Thus, on a risk – reward basis, we see UC as offering investors wishing to participate in speculative junior exploration plays a favorable mix of risk with potential reward.

NEW ACQUISITION - 50% INTEREST IN COPALQUIN PROPERTY, MEXICO

Feb. 2004 Agreement

In late February, 2004, UC announced that it had entered into an option agreement to earn a 50% interest in a 7,005 hectare gold/silver property in the Sierra Madre mineralogical belt of Durango, Mexico. The terms require the company to pay \$25,000 US down (paid) and payments in US dollars over 3 years of \$25,000, \$40,000, \$100,000 and \$250,000 by July 13, 2006. The Company is also required to undertake work programs of \$250,000 on the first stage and \$500,000 each on the second and third stage over a 30-month timeframe.

Background

The mineral district of Copalquin is located in the municipality of Tamazula, northwest of Durango, some 30 km east of the town of Bandiraguato, in the state of Sonoloa. Copalquin lies on the south bank of the Copalquin River, at an elevation of 885m, while the airstrip is at 1150m. The area of interest lies in the harshly dissected Barrancas subprovince of the Sierra Madre Occidental geological province. Access to the property is by foot or mule from the ranch Guajotote, 16 km to the east, or by air from the town Culiacán in Sonoloa state in the west, or the town of Parral in Chihuahua state to the northeast. There is a poor airstrip, 220 m long, aligned 10°, atop a ridge at 1150m elevation about 1.5 km northeast of Copalquin, suitable for STOL. Flying time from Parral is just under an hour: from Culiacán, about 20 minutes.

Significant mineral deposits in northwest Durango include the La Fortuna mine, San Fernando district and La Veta Madre mine, Topia district. The Copalquin district and surrounding area is a significant Au- and Ag-bearing region.

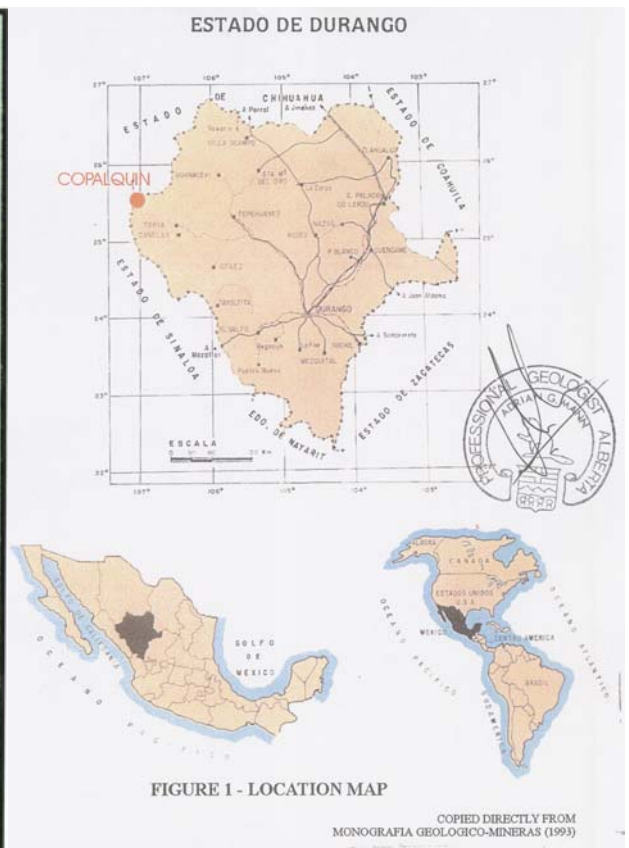
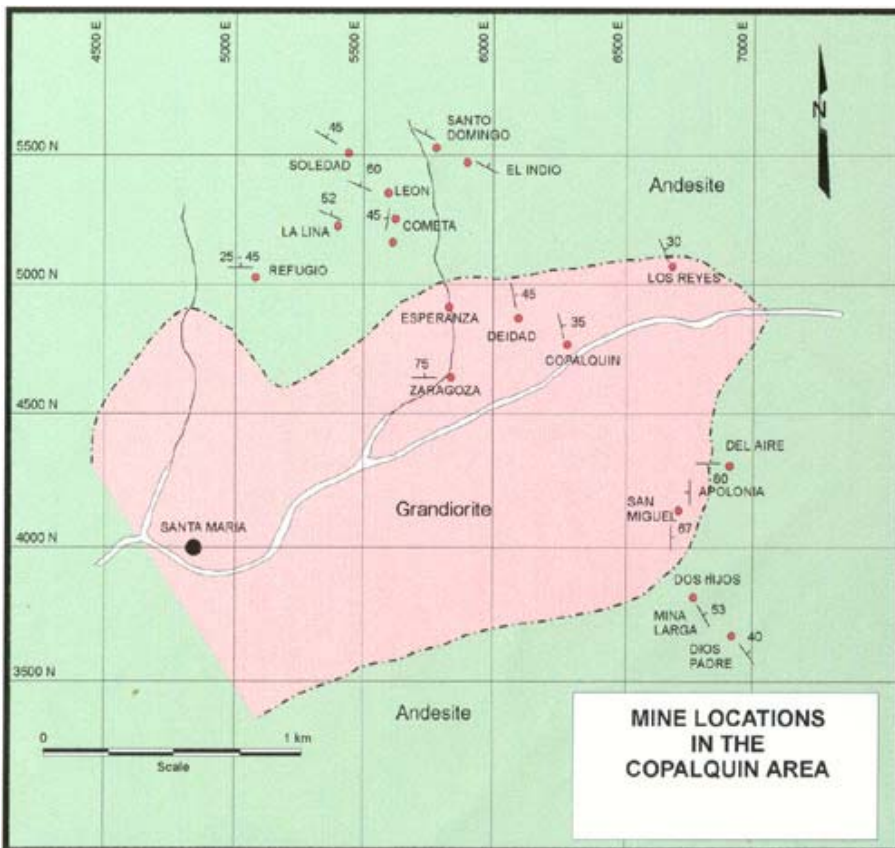


FIGURE 1 - LOCATION MAP

COPIED DIRECTLY FROM MONOGRAFIA GEOLOGICO-MINERAS (1993)

A dormant plant still exists, to a major extent, at Copalquin. It is modest, comprising a small jaw crusher, ball mill, and bank of 6 flotation cells, capable of some 10 tonnes per day throughput. Power was provided by a stationary V8 diesel 150 kW generator.

The Copalquin property has a series of parallel ridges of fault breccia over 3 km.

The area has a long history of production during several distinct periods in its history and there are a plethora of diggings on and around the claims, with at least 23 old mines or workings on the property, most of which were mined in pre-Revolutionary times. These mines supported a bustling city of 5,000 people until the government relocated the population during the revolution. The property had been in a

mining reserve until early 1997 when *Bell Coast Capital Corporation* (BCCC) successfully acquired the property. Exploration on the property had been limited to sampling within the mines and locally on surface until 1998, when BCCC completed a 31-hole drill program in four areas, *El Cometa*, *La Soledad*, *Los Reyes*, and *El Refugio*.

| MINE HISTORY | |
|--------------------------------|---|
| Time Period | Events |
| 19 th Century | ● Placer operations started in the early part of the century, and exploitation of Los Reyes, the oldest underground mine, started towards the end of that century. |
| Early 20 th Century | ● Production terminates with the revolution. |
| 1933 | ● Production recommenced by <i>Compania Minera CIBOLA</i> – starting with San Manuel and El Cometa. Several small vein deposits were exploited – specifically La Soledad, El Refugio, El Cometa, San Manuel, Los Reyes, and others. |
| 1976 - 83 | ● Renewed interest commenced in 1976, when government began sampling and surveying some of the properties, and exploration began in earnest in 1983. ● The district was evaluated by <i>IMMSA</i> in 1983, by <i>Minera Kennecott</i> in 1995, and <i>Minas de La Alta Pimeria, S.A. De C.V.</i> (part of <i>Francisco Gold</i>) in 1995. In total, about 900 samples (totaling about 9000 m) were cut and assayed, concentrating on sampling and mapping existing mine workings. The resulting assays gives an extensive database for evaluating the district. However, no drilling took place. |
| 1997 - 98 | ● <i>BCCC</i> explored the property between 1997 and 1998, with a small soil geochemistry program, some rock geochemical sampling and geological mapping. ● This was followed by 2500m of cored diamond drilling in 31 holes ; of which 19 were drilled on El Cometa, 6 on La Soledad, 3 each on El Refugio and Los Reyes. |

Estimates of the production from the 3 major mines, derived from surveys of the workings and assays of samples from pillars are as follows:

| Mine | Tonnes | Au (g/t) | Ag (g/t) | Au Prod. (est. oz) |
|--------------|----------------|----------|----------|--------------------|
| El Refugio | 33,000 | 10 | 178 | 10,611 |
| La Soledad | 112,000 | 52 | 2,327 | 187,267 |
| San Manuel | 10,000 | 6 | 320 | 1,929 |
| Total | 155,000 | | | 199,807 |

With production from the area estimated to have exceeded 336,000 tonnes, it has been estimated that the area has yielded at least **250,000 ounces gold** and 11 million ounces Ag.

Mineralization

In terms of setting, the floor of the valleys is granodiorite-monzonite. No evidence was seen to support or refute it being intrusive. Premineralization andesitic flows and tuffs overlie the granodiorite-monzonite at the base, with quartz latite at the top. Wilkins (1997) interprets these as representing the volcanic carapace over the top of the quartz monzonite intrusive. The sequence is then capped by a post mineralization succession of flat rhyolite flows, tuffs, tuff breccias, and ignimbrites.

The main gold bearing bodies on *La Soledad* and *San Manuel* are white quartz veins, generally fairly steeply dipping (50-65°), and confined to the pyroclastics (andesites & latites) rather than granodiorite (quartz monzonite). The *El Cometa* vein is rather shallower (40-45°) and *Los Reyes* virtually horizontal (10-20°). Of particular importance appears to be a silica flood breccia which was seen to occupy the hanging wall of *El Cometa*, *La Soledad*, *San Manuel* and *Los Reyes* . . . but only where the vein had economic gold and/or silver mineralization (by implication - now stoped out). Mapping on the El Cometa-La Soledad ridge in the late 1990s shows widely dispersed silicified breccia occurring as outcrop. There is every suggestion that this breccia is gold and silver bearing, which means it could be a primary exploration target. Strike of the veins seems to be WNW to NW, with NNW to NS striking post mineralization faulting.

In 2003, "ground truthing" this data supported the assertion that *quartz breccia and quartz veinlet stockworks are present in abundance, particularly on the ridge on which La Soledad, El Refugio and El Cometa are sited*. The current exploration program is geared toward determining whether the assertions made by *IMMSA, Alta Pimeria*, and *Kennecott* that this breccia contained economic grades of gold and silver (and in exploitable volumes) are accurate.

MAIN TARGETS OF INTEREST

El Cometa **Past Development and Exploration.** El Cometa has been developed in the past by some 80 meters of adit drifts and crosscuts and small production stopes, from which only a small tonnage has been excavated from a gold and silver bearing quartz breccia associated with a low angle fault.

The work programs by IMMSA (1983), Kennecott (1995) and Alta Pimera (1995) showed an extensive quartz breccia zone with low grade gold and silver values (i.e. 0.48 g/t Au by IMMSA up to 1.30 g/t Au by Alto Pimera). However, in the BCCC program, significant values were returned from several of the 19 holes drilled.

| HOLE # | FROM (m) | TO (m) | INTERVAL (m) | GOLD (g/t) | SILVER (g/t) |
|--------|----------|--------|--------------|------------|--------------|
| EC-02 | 35.75 | 39.75 | 4.00 | 244.65 | 2250 |
| EC-08 | 44.50 | 46.00 | 1.50 | 10.60 | 301 |
| EC-09 | 28.80 | 47.00 | 18.20 | 8.55 | 144 |
| EC-10 | 32.50 | 39.40 | 6.90 | 17.03 | 352 |
| EC-11 | 32.00 | 32.80 | 7.50 | 1.33 | 55 |
| EC-12 | 20.00 | 24.00 | 4.00 | 18.19 | 369 |
| | 38.40 | 39.40 | 1.00 | 35.19 | 609 |
| EC-13 | 19.50 | 22.50 | 3.00 | 77.57 | 733 |
| | 32.50 | 34.50 | 2.00 | 7.73 | 106 |

Present Target. Follow up on the BCCC drill results has been termed a "must". It is planned that follow up drilling on tight centers (25 m) is contemplated. Depending on early results (i.e. whether the body is steeply dipping or horizontal), the program could be adjusted.

Program. Since April 2004 UC Resources, acting as operator, has carried out various sampling programs and ground geophysical work and constructed a new camp on-site to accommodate drilling and geological personnel. The company plans to complete approximately **3,000 meters of drilling** to test for extensions of the high grade mineralization identified by 1997/1998 drill programs.

El Refugio **Past Development and Exploration.** El Refugio is located about 350 meters east of El Cometa and is reportedly developed by 175 m of drifts, crosscuts, and production stopes; the ore zone was stoped to surface. Gold and silver metallization is developed in a quartz breccia associated with several subparallel fault zones. Wilkins (1997) reports that the El Refugio mine is located along the same quartz breccia as the El Cometa.

There were reports (1928) of extreme high grades. Government resampling in 1976 showed 2.3 g/t Au (80 g/t Ag) over 2.3 m. IMMSA (1983) returned 7.7 g/t Au and Alta Pimeria returned 4.0 g/t Au.

In 1998, BCCC drilled 6 holes, 3 of which holed in the old workings. Two of these holed the old workings, but one interested **78 meters of 0.22 g/t Au** which corroborates the presence of a massive low grade zone. These workings were not visited in 2003.

Present Target. The starting point would naturally be the old workings, where mining of 33,000 tonnes graded about 10 g/t Au (178 g/t Ag) and where previous sampling returned good results.

Program. We understand that some activity at El Refugio may be included as part of the overall 3,000 m drill program at the property.

What is interesting about El Refugio is the contrast between the relatively high grade workings to date (10 g/t) and the extensive, but low grade intercept in 1998.

In 1998, BCCC hypothesized that the large 78 m intersection may have suggested a possible **epithermal source** for the high grade Au deposits known to exist throughout the property.

Certainly, in 1998, it was felt by BCCC that the area was not properly tested and warranted further drilling.

Other At this time, UC does not intend to conduct a meaningful (i.e. costly) program of exploration outside of its immediate focus at El Cometa and El Refugio.

However, other targets could include the **La Soledad-El Indio-Santa Domingo** area. La Soledad is interesting in view of several factors:

- It represents the bulk of historic production, and was very high grade material (52 g/t Au).
- Previous sampling gave interesting results (1933 – 39.1 g/t Au, 1995 - .3 g/t Au in the hanging wall and footwall breccia, 2003 – 3 samples yielding just over 4 g/t Au plus a 7.18 g/t sample).
- There is no evidence to explain why production stopped where it did.

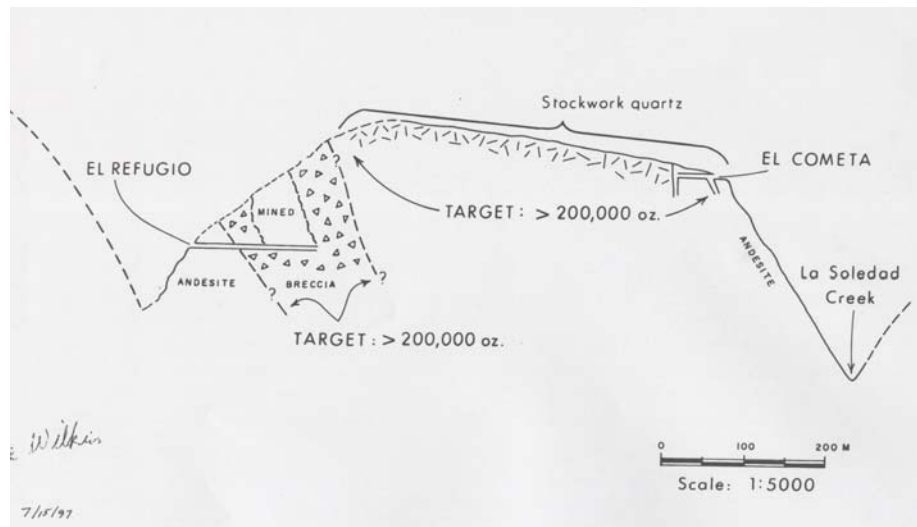
Here the target would be for another high grade pay shoot similar to that already mined, or a bulk open pit target where the vein widens, or where the breccia body is sufficiently well developed.

There are numerous other targets which could be investigated – however, this would likely depend on UC making a greater commitment to the project area – which would necessitate generating encouraging results from the current drilling program.

The question – what is the extent and direction of the high grade mineralization at El Cometa – drilling will test whether it is flat-lying or steep and whether it is a single entity or multiple veins. Although the thought is that it is relatively flat lying, depending on early results, the program may test for more steeply dipping vein(s) or

Immediate Program

The currently envisioned 3000 m program is for drilling work at El Cometa and either – continuing toward El Refugio, drilling deeper at El Cometa.



Right - diagram of El Cometa, El Refugio area showing targets as envisioned in 1997. Source: Wilkins, 1997.



MANAGEMENT

It is worth noting that UC has a team with very extensive and successful track records. For example,

Eugene Larabie, President. Mr. Larabie has 47 years experience in the mining industry. He has senior experience and a number of accomplishments: as assistant manager & mines manager at a number of mines, and was responsible for construction pertaining to bringing an underground mine into production. Mr. Larabie has extensive experience forming and running numerous public companies. As President of Curion Venture Corp. he entered into a joint venture for 20% to explore for gold in Honduras. The joint venture was successful in bringing a gold property to feasibility and was sold to Glamis Gold, which is presently operating the mine very successfully.

Stewart A Jackson Ph.D. - Technical Advisor. An experienced professional with 40 years in the mineral industry, involved in exploration and development of both base and precious metal deposits in a wide range of environments for both large and small companies. Noteworthy projects he was very involved with include the *Red Dog* zinc deposit, the *Borealis*, *South McCoy* and *Manhattan* gold deposits, and forming Crown Resource Corp. which currently has three major gold discoveries in production and several other gold deposits under development. He has raised over \$40 million of risk capital for several exploration and development projects.

Carl von Einsiedel - Technical Advisor. Mr. Von Einsiedel is an exploration geologist with more than 25 years experience managing gold, base metal & diamond exploration projects throughout Canada, U.S. & Mexico. He is a registered professional geologist in British Columbia with the Professional Engineers & Geoscientists Associations.

Thomas Evans - Technical Advisor Mr. Evans is a consulting geologist at Western Geoscience Inc., specializing in gold-silver, ferro alloy & base metal exploration; mining geology; geochemical surveys; & prospect evaluation. His successes include: Blue Moon polymetallic deposit in Mariposa Co., CA a million plus ton ore-body; Schell Ranch polymetallic deposit & the Suitcase-Mineral Hill gold, a 300,000 ounce precambrian detachment type occurrence in Inyo Co., CA Clients have included Golder Associates, Homestake Mining, William D. Witter, Inc., Louisiana Pacific Corp., Colony Pacific Explorations, Ltd., & others. He was senior geologist at Noranda Exploration, Inc. & within three months was promoted to district geologist, Reno District. He was mine geologist at Molybdenum Corp. of America, at International Nickel Co. of Canada Ltd., at Thompson Mine Manitoba, & senior mapping geologist at Saskatchewan Dept. of Mineral Resources. His M.S. in geology is from the University of Alberta, & his B.S. in geology is from the University of New Mexico.

MEXICO

Mexico continues to be the number one silver producer in the world with current annual production of over 100 million ounces. Most deposits are high grade and amenable to low-cost underground and surface mining. Mexico also has a 500 year mining history and is considered very mining friendly. However, Mexico continues to be underexplored and there are several public companies with active programs, including Scorpio (SPM.V), Silver Standard (SSRI), Apollo Gold (AGT), Wheaton River (WRM.TO), Alamos Gold (AGL.TO), Kimber Resources (KBR.TO), Minefinders (MFL.TO), Pan American Silver (PAA.TO), Vista Gold (VGZ.TO), and Endeavour Silver (EDR.V).

RISK FACTORS

Although there is considerable evidence that UC is pursuing a very interesting exploration opportunity in Mexico, there are several material risks that may well affect the Company's prospects. First and foremost, there is a high degree of risk associated with mining exploration and particularly projects at an early stage of exploration. UC also is focused on one property and does not have a diversity series of property holdings to spread this risk over. Fluctuations in commodity prices may also affect resource stocks in general and influence management's ability to raise capital. Future activities of UC will likely require additional equity capital. There is no assurance that the company will be successful in developing a mine, even if an economic resource is found to exist at the property being explored. Any socio economic instabilities or currency fluctuations in Mexico would likely have a material negative impact on the company's ability to finance and conduct exploration in that country. The foregoing is not a complete list of risks that may affect UC.

Principal Risk Factors

- Project specific
- Commodity prices
- Financial / capital

CONCLUSIONS

We know that:

- From previous mining, **high grade material exists through the property.**
- The project area has seen no drilling with the exception of one program in 1998 by BCCC – which offered evidence that there is **potential for a relatively flat-dipping, medium to high grade bearing quartz body,** sufficiently close to surface to allow modest open pit operations with minimal waste stripping.
- It has been suggested that El Refugio, El Cometa, La Lina, and Los Reyes may be one and the same body.
- Alta Pimeria highlighted the El Cometa – El Refugio – La Lina – Los Reyes as a two flat lying targets on the ridge top, amenable to open pit mining, with possible grades of 1-2 g/t Au and 25 g/t Ag. While this by itself, mining of this "overburden" could potentially assist with mitigating the capital costs of accessing the higher grade material.

We believe this project is interesting in view of two primary considerations:

- ❶ ***The target can be pinpointed through previous work and can be tested in relatively short order.***
 - ❷ ***Should favorable results be forthcoming, the potential scale of a future project may be one which UC may have the ability to develop on its own.***
-

© Howlett Research Corp. All rights reserved. The material presented above is based on information and sources believed to be reliable but its accuracy or completeness cannot be guaranteed. Howlett Research Corp. accepts or assumes no liability for the foregoing material. There can be no assurances of the company reaching sales forecasts or projections as outlined in this report. Howlett Research Corp. has relied on management for information and data presented in this report and has not verified its accuracy. The analysis contained herein does not purport to be a complete study of the featured company and any views expressed are as of the date hereof and are subject to change without notice. This report contains and refers to forward looking information. Readers should be aware that forward looking statements are subject to significant known and unknown risks and uncertainties, and other factors that could cause actual results to differ materially from expected results. Any forward looking statements included in this report are made as of the date hereof and Howlett Research Corp. assumes no responsibility to update them or revise them to reflect new events or circumstances.

This report is for information only and is not intended as an offer or solicitation with respect to the purchase or sale of any security, nor should any information or opinions expressed in this report be construed as investment advice. Companies mentioned herein may carry a high investment risk; and readers should carefully review the companies thoroughly with their registered investment advisor or registered stockbroker. Howlett Research Corp. has accepted a cash fee of under \$10,000 from U.C. Resources Ltd. in preparing this report which represents the total consideration due. No other consideration has been paid or is payable by any person or entity. Howlett Research Corp. has not been involved in, nor does it envision participating in any transaction or investment banking business related to U.C. Resources Ltd. Howlett Research Corp. does not own shares of U.C. Resources Ltd. and does not trade in its shares.