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# INDEPENDENT RESEARCH



## UC Resources Ltd. (UC : TSX-V)

Date: February 15, 2007  
Price: \$0.485



### KEY INFORMATION

#### BALANCE SHEET (as at September 30, 2006)

Current Assets	\$ 1,346,341
Total Assets	8,152,750
Current Liabilities	399,711
Long-Term Debt	nil
Shareholders' Equity	7,753,039

#### SHARES OUTSTANDING (as at September 30, 2006)

Basic	**69.8 million
Options	6.2 million
Warrants	20.3 million
Fully-Diluted	96.3 million

\*\*management and insiders own approximately 15% of the basic shares issued and outstanding

### COMPANY OVERVIEW:

UC Resources Ltd. is a junior exploration company focused on gold and silver in the prolific Sierra Madre mineral belt of Mexico, one of North America's most active areas for silver and gold exploration. UC's flagship property is the Copalquin project, a 152,000 hectare land package hosting numerous shallow underground workings from past explorers that demonstrate the widespread mineralization across the property. Historic production from the Copalquin Mining District is estimated at over 250,000 ounces of gold and 11 million ounces of silver from just 336,000 tonnes mined, most of which occurred prior to 1910.

### Highlights:

- recently completed significant expansion to land base at its 100%-owned Copalquin property in Mexico
- commenced silver and gold production at La Yesca in January 2007
- actively seeking to acquire additional complementary mineral projects

### Copalquin Property

In March 2004, UC entered into a 50/50 joint venture agreement to explore the Copalquin property. Between October 2004 and January 2005, the company carried out an initial phase of drilling and reported several bonanza grade intersections from widely spaced target areas. Based on these drilling results, management believed that Copalquin could host a major epithermal gold-silver system.

In October 2005 the company finalized an option agreement to acquire 100% of the outstanding shares of a Mexican company whose sole asset is the Copalquin property. As part of this agreement, the company made payments totaling US\$550,000, and UC is required to incur exploration expenditures of US\$1 million by July 13, 2008. In addition, the company must pay a total of US\$300,000 on certain dates between July 13, 2006 and July 13, 2008.

Previous drilling results from 2004/2005 confirmed that the El Cometa and El Refugio zones at Copalquin host significant mineralization. The primary objective of Phase 2 drilling completed in June 2006 was to determine if these zones are part of a regionally extensive mineralized system. Although gold and silver grades from the Phase 2 program were lower than anticipated, management stated that results clearly confirmed that Cometa and Refugio represent parts of the same mineralized system. Satellite imaging, preliminary geological work and

geochemical surveys suggest potential extensions of the mineralized zones for up to 4 km to the east of Refugio and up to 2 km to the west of Cometa. Geological maps published by the Mexican Department of Mines show gold and silver occurrences extending even further along the projected extent of the known zones and suggest the target area for Phase 3 is about 10 km in length.

A third prospect known as La Soledad, the largest of the historic mines at Copalquin, was drilled during Phase 2 to determine whether or not the mineralized zone that was developed by the former La Soledad Mine (circa 1900) continues at depth below the existing mine workings. The first hole, which was drilled approximately 15-20 meters below the existing mine workings, encountered a 5.15 meter wide mineralized zone that averaged 44.6 g/t gold and 1,564 g/t silver. Based on these results, management's main objective for UC's Phase 3 drilling program is to delineate the extent of the high-grade silver and gold mineralization identified at La Soledad. This phase commenced in October 2006 and continued into early 2007 after some delays.

### **La Yesca & La Dura Projects**

In August 2006, UC completed the acquisition of Mexico-based Minera Silver Creek S.A. de C.V. The principal asset of Minera Silver Creek is the La Yesca mining project, which consists of a 600 hectare mining concession hosting two past producing mines. The project also includes a modern milling facility capable of milling 200 tonnes per day (tpd) of feed. Approximately 225,000 tonnes of tailings are available to process immediately, grading 2.0 gpt gold and 220 gpt silver.

Pursuant to the purchase of Minera Silver Creek, the company signed a letter of intent to acquire the MAR

production and exploration assets for US\$70,000. The MAR project consists of a 100 hectare mining exploitation concession, and contains an ore dump that is immediately ready to be processed. Minera Silver Creek is adding a 100 tpd milling facility to the MAR package for US\$120,000. This mill is a completely self-contained and portable unit that can be used at any of UC's future projects.

In late August 2006, UC signed a letter of intent to acquire 90% of the outstanding shares of Mexico based Minera El Alizal S.A. de C.V. (El Alizal) for a combination of US\$1 million and 3 million UC shares. The main asset of El Alizal is the La Dura mining project located in the Copalquin mining district, and is in very close proximity to UC's existing Copalquin project. The La Dura concession incorporates the La Dura epithermal vein system which was the principal source of material for a 60 tpd flotation concentrating plant located on the property.

In late January 2007, UC commenced production at its La Yesca facility. The initial feed rate of the plant is at 50 tpd and this is expected to be ramped up to the plant's design rate of 200 tpd over the course of the next few months. Estimated recovery rates are 70% for both gold and silver and management is confident that this rate can be increased to 80% as operations become more efficient.

UC appears poised to fully exploit the opportunities available at the Copalquin property. It is important to note that management is starting to follow through with plans to commence production and begin generating positive cash flow as early as possible rather than spend years in the exploration phase like many other junior mining companies. UC plans to continue to explore the Copalquin property in order to establish proven reserves that will add value to the company and attract institutional support.

### **UC Resources Ltd.**

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