



**Uranium City Resources Inc.**

**Second Quarter and Six Months Ended  
June 30, 2006**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

**Uranium City Resources Inc.**  
**Balance Sheet**  
**As at June 30, 2006 and December 31, 2005**

	2006 \$	2005 \$
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents <i>(Note 2)</i>	5,869,395	2,200,644
Accounts receivable and advances to contractors	79,400	-
Interest receivable	14,374	-
GST recoverable	36,836	86,452
Prepaid expenses	-	10,904
	<b>6,000,005</b>	<b>1,298,000</b>
<b>Mineral Properties and Deferred Expenditures</b> <i>(Note 3)</i>	<b>2,650,710</b>	<b>2,273,810</b>
<b>Capital Assets</b> <i>(Note 4)</i>	<b>116,441</b>	<b>44,723</b>
	<b>8,767,156</b>	<b>4,616,533</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	44,937	11,208
Due to manager <i>(Note 5)</i>	27,845	39,479
	<b>72,782</b>	<b>50,507</b>
Future income taxes <i>(Note 7)</i>	631,990	765,000
	<b>704,772</b>	<b>765,000</b>
<b>Shareholders' Equity</b>		
Capital Stock:		
Common shares <i>(Note 6(a))</i>	7,339,035	2,842,237
Contributed surplus <i>(Note 6(b))</i>	2,117,258	2,003,000
Deficit	<b>(1,393,909)</b>	<b>(1,044,211)</b>
	<b>8,062,384</b>	<b>3,801,026</b>
	<b>8,767,156</b>	<b>4,616,533</b>

*The accompanying notes are an integral part of these financial statements.*

*These financial statements have been approved by the Company's directors.*

**Uranium City Resources Inc.**

**Statement of Operations and Deficit  
For the three months ended June 30, 2006 and June 30, 2005**

(Unaudited)

	<i>3 months ended June 30</i>		<i>6 months ended June 30</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	\$	\$	\$	\$
<b>Interest Income</b>	<b>34,053</b>	-	<b>34,053</b>	-
<b>Operating Expenses</b>				
Office and general	76,634	36,126	113,962	49,667
Public relations	28,573	6,550	68,367	19,026
Professional fees	30,828	8,712	30,828	19,027
Shareholder information	42,548	18,166	47,600	20,166
Consulting	78,337	28,667	141,746	92,543
Financing costs	-	-	-	-
Stock-based compensation	114,258	-	114,258	-
<b>Net Loss before Future Income Tax Recovery</b>	<b>(337,125)</b>	<b>(98,221)</b>	<b>(482,708)</b>	<b>(200,429)</b>
Future income tax recovery <i>(Note 7)</i>	80,510	-	133,010	37,000
<b>Net Loss</b>	<b>(256,615)</b>	<b>(98,221)</b>	<b>(349,698)</b>	<b>(163,429)</b>
Deficit at the beginning of period	(1,137,294)	(87,417)	(1,044,211)	(22,209)
Deficit at end of period	<b>(1,393,909)</b>	<b>(185,638)</b>	<b>(1,393,909)</b>	<b>(185,638)</b>
<b>Net Loss Per Share</b>	<b>(0.8)¢</b>	<b>(0.8)¢</b>	<b>(1.2)¢</b>	<b>(1.3)¢</b>
<b>Weighted Average Number of Shares (000's)</b>	<b>32,800</b>	<b>13,005</b>	<b>28,364</b>	<b>12,877</b>

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**Uranium City Resources Inc.**

**Statement of Cash Flow**  
**For the three months ended June 30, 2006 and June 30, 2005**

**(Unaudited)**

	<b>3 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operations</b>				
Net loss	<b>(256,615)</b>	(98,221)	<b>(349,698)</b>	(163,429)
Adjustments to reconcile net loss to cash flow from operating activities:				
Future income tax recovery	<b>(80,510)</b>	-	<b>(133,010)</b>	(37,000)
Amortization	<b>5,695</b>	1,306	<b>7,433</b>	3,896
Stock-based compensation	<b>114,258</b>	-	<b>114,258</b>	-
Net change in non-cash working capital items	<b>43,685</b>	37,049	<b>25,657</b>	164,858
<b>Cash Flow from (Used in)</b>	<b>(173,487)</b>	(59,866)	<b>(335,360)</b>	(31,675)
<b>Financing</b>				
Issuance of common shares	<b>4,841,932</b>	115,000	<b>4,841,932</b>	115,000
Issuance (redemption) of warrants	-	(115,000)	-	385,000
Cost of issuances	<b>(345,135)</b>	-	<b>(345,135)</b>	(40,000)
Deferred financing costs	-	-	-	(77,500)
Due to manger <i>(Note 5)</i>	<b>(45,298)</b>	69,248	<b>(36,634)</b>	(9,746)
<b>Cash Flow from Financing</b>	<b>4,451,499</b>	69,248	<b>4,460,163</b>	372,754
<b>Investments</b>				
Purchase of capital assets	<b>(79,152)</b>	-	<b>(79,152)</b>	(17,273)
Expenditures on deferred exploration	<b>(291,607)</b>	(331,606)	<b>(376,900)</b>	(423,335)
<b>Cash Flow Used in Investing</b>	<b>(370,759)</b>	(331,606)	<b>(456,052)</b>	(440,608)
<b>Net Increase (decrease) in Cash for</b>	<b>3,907,253</b>	(322,224)	<b>3,668,751</b>	(99,529)
<b>Cash and Cash Equivalents at beginning of period</b>	<b>1,962,142</b>	1,421,471	<b>2,200,644</b>	1,198,776
<b>Cash and Cash Equivalents at end of period</b>	<b>5,869,395</b>	1,099,247	<b>5,869,395</b>	1,099,247

*The accompanying notes are an integral part of these financial statements.*

*These financial statements have been approved by the Company's directors.*

# Uranium City Resources Inc.

## Notes to the Financial Statements (Unaudited)

As at June 30, 2006

### General

Uranium City Resources Inc. ("UCR", or the "Company") is incorporated in the Province of Ontario. Its principal business activity is that of a junior mineral exploration company actively focussed primarily on uranium exploration in Canada.

### 1. Summary of Significant Accounting Policies

These unaudited interim financial statements follow the same accounting policies and their methods of application as the 2005 audited financial statements.

Not all disclosure required by generally accepted accounting principles for annual financial statements are present, and accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements.

### 2. Cash and Cash Equivalents

The balance at June 30, 2006, consists \$4.8 million (2005 - \$1.6 million) of funds held in Guaranteed Investment Certificates ("GIC's") that become due in less than one year. All GIC's are available prior to maturity in minimum withdrawals of \$100,000 with no interest penalty.

### 3. Mineral Properties and Deferred Expenditures

	June 30, 2006 \$	December 31, 2005 \$
	<i>Unaudited</i>	<i>Audited</i>
<b>Mineral Properties</b>		
Balance at beginning of period	497,698	474,000
Acquisitions costs	63	23,698
Balance at end of period	497,761	497,698
<b>Deferred Exploration Expenditures</b>		
Balance, beginning of period	1,776,112	158,714
Deferred exploration expenditures	376,837	1,617,398
Balance at end of period	2,152,949	1,776,112
	<b>2,650,710</b>	<b>2,273,810</b>

**Uranium City Resources Inc.**

**Notes to the Financial Statements (Unaudited)**

**As at June 30, 2006**

**4. Capital Assets**

<b>As at</b>	<b>June 30, 2006</b>		<b>December 31, 2005</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Cost</b>	<b>Accumulated Amortization</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	1,800	-	1,800	-
Exploration equipment	116,367	18,116	37,215	11,020
Office furniture, fixtures and equipment	17,467	1,077	17,467	739
	<b>135,634</b>	19,193	<b>56,482</b>	<b>11,759</b>
<b>Net Book Value</b>	<b>116,441</b>		<b>44,723</b>	

**5. Related Party Transactions**

The amount due to the Company's manager, GLR Resources Inc. ("GLR"), is non-interest bearing and without fixed terms of repayment.

Under the terms of the purchase and sale agreement UCR has appointed GLR as the manager of all its exploration, development and mining operations in, on or under the mineral properties that were acquired from GLR. As manager, GLR is to receive from the Company a fee equal to 5% of all amounts paid to third parties pursuant to drilling contracts, 10% of all other expenditures incurred directly or indirectly in connection with such exploration and development operations and 3% of all expenditures incurred after commencement of production. The fee due to GLR as manager for the 3 months and 6 months ended June 30, 2006, was \$19,308 (2005 - \$20,411) and \$27,405 (2005 - \$27,037), respectively.

In addition to the GLR management fees noted above, these financial statements also include \$24,600 (2005 - \$78,086) and \$ 47,748 (2005 - \$138,932) for the 3 months and 6 months ended June 30, 2006, respectively, in deferred expenditures, consulting costs and general and administrative expenses incurred with directors and/or officers of the Company or corporations controlled by or related to them.

## Uranium City Resources Inc.

### Notes to the Financial Statements (Unaudited)

As at June 30, 2006

#### 6. Capital Stock

##### *Share Capital*

UCR's authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding Common share capital is as follows:

	Number of Shares	\$
<b>Balance at December 31, 2005</b>	<b>23,878,252</b>	<b>2,842,237</b>
Issued for Cash:		
Regular Units	5,622,015	1,966,932
Flow-through Units	7,187,500	2,875,000
Issuance costs	-	(345,134)
Fair value of issued warrants		
Future income taxes		
<b>Balance at June 30, 2006</b>	<b>36,687,767</b>	<b>7,339,035</b>

During the second quarter of 2006, the Company completed a non-brokered private placement of 1,532,286 units at \$0.35 per unit, raising gross proceeds of \$536,300. Each unit consisted of one common share and one-half of one common share purchase warrants. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.465 until October 25, 2007.

The Company also completed a brokered private placement of 4,082,000 units priced at \$0.35 per unit and 7,187,500 flow-through units priced at \$0.40 per flow-through unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at a price of \$0.45 until October 20, 2007. In addition, the agent was paid a cash commission of 7% of the aggregate gross proceeds and was granted 1,126,950 warrants exercisable at a price of \$0.35 per warrant until October 20, 2007.

Also during the second quarter of 2006, 7,729 broker warrants were exercised resulting in approximately \$1,900 in gross proceeds to the Company.

**Uranium City Resources Inc.**

**Notes to the Financial Statements (Unaudited)**

**As at June 30, 2006**

***Outstanding Issued Warrants -***

The outstanding Issued Warrants balance at June 30, 2006, is comprised of the following items:

<b>Date of Expiry</b>	<b>Type</b>	<b>No. of Warrants</b>	<b>Exercise Price \$</b>
December 9, 2006	Broker Warrant	220,271	0.25
December 30, 2006	Regular Purchase Warrant	1,170,150	0.75
December 30, 2006	Broker Unit Warrant	234,030	0.50
December 30, 2006	Broker Unit Warrant	117,015	0.75
September 12, 2007	Broker Unit Warrant	1,150,190	0.55
September 12, 2007	Regular Unit Warrant	1,370,606	0.55
September 12, 2007	Flow-through Unit Warrant	4,380,345	0.60
October 20, 2007	Regular Purchase Warrant	2,041,000	0.45
October 20, 2007	Flow-through Unit Warrant	3,593,750	0.35
October 20, 2007	Agent Warrants	1,126,950	0.35
October 25, 2007	Regular Purchase Warrants	766,143	0.465
<b>Total</b>		<b>16,170,450</b>	<b>0.52</b>

The following table provides additional information about outstanding issued warrants at June 30, 2006.

<b>Range of Exercise Prices (\$)</b>	<b>No. of Warrants Outstanding</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Weighted Average Exercise Price(\$)</b>
0.25 - 0.50	7,982,144	0.9	0.43
0.51 - 0.65	6,901,141	1.2	0.58
0.66 – 0.75	1,287,165	0.5	0.75
	<b>16,170,450</b>	<b>0.9</b>	<b>0.52</b>

***Options***

UCR has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. A continuity of the unexercised options to purchase common shares is as follows:

**Uranium City Resources Inc.**

**Notes to the Financial Statements (Unaudited)**

**As at June 30, 2006**

	June 30, 2006		December 31, 2005	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period	0.42	2,185,000	-	-
Transactions during the period:				
Granted	0.54	300,000	0.42	2,185,000
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
<b>Outstanding at end of period</b>	<b>0.43</b>	<b>2,485,000</b>	0.42	2,185,000
<b>Exercisable at end of period</b>	<b>0.43</b>	<b>2,485,000</b>	0.42	2,185,000

The following table provides additional information about outstanding stock options at June 30, 2006.

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.25 - 0.40	-	0.0	-
0.41 - 0.50	2,185,000	2.5	0.42
0.51 - 0.75	300,000	3.5	0.54
	<b>2,485,000</b>	<b>2.5</b>	<b>0.43</b>

**7. Income Taxes**

***Future Income Taxes Recoverable***

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	As at June 30, 2006 (\$)		As at December 31, 2005 (\$)	
	%	%	%	%
<b>Income taxes at statutory rates</b>	<b>(174,257)</b>	<b>(36.1)</b>	(435,700)	(36.1)
Non-deductible expenses for tax purposes:				
Stock-based compensation	41,247	8.5	249,500	20.7
Other	-	-	1,200	0.1
<b>Future income taxes recoverable</b>	<b>(133,009)</b>	<b>(27.6)</b>	(185,000)	(15.3)

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at June 30, 2006

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***Future Income Tax Liability***

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities as at June 30, 2006 and December 31, 2005, are:

	<b>2006</b>	<b>2005</b>
	<b>(\$)</b>	<b>(\$)</b>
<b><i>Future tax asset:</i></b>		
Opening balance	(197,000)	(12,000)
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(133,010)	(185,000)
Ending balance	(330,010)	(197,000)
<b><i>Future tax liability:</i></b>		
Opening balance	962,000	56,000
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through warrants subscribers	-	906,000
Ending balance	962,000	962,000
<b><i>Future Income Tax Liability</i></b>	<b>631,990</b>	<b>765,000</b>