



Uranium City Resources Inc.

**First Quarter and Three Months Ended
March 31, 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 March 31, 2006 and December 31, 2005

	2006 \$	2005 \$
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	1,962,142	2,200,644
GST recoverable	11,618	86,452
Prepaid expenses	127,296	10,904
	2,101,056	1,298,000
Mineral Properties and Deferred Expenditures <i>(Note 3)</i>	2,359,104	2,273,810
Capital Assets <i>(Note 4)</i>	42,985	44,723
	4,503,145	4,616,533
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	34,560	11,208
Due to manager <i>(Note 5)</i>	48,142	39,479
	82,702	50,507
Future income taxes <i>(Note 7)</i>	712,500	765,000
	795,202	765,000
Shareholders' Equity		
Capital Stock:		
Common shares <i>(Note 6(a))</i>	2,842,237	2,842,237
Contributed surplus <i>(Note 6(b))</i>	2,003,000	2,003,000
Deficit	(1,189,294)	(1,044,211)
	3,707,943	3,801,026
	4,503,145	4,616,533

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 March 31, 2006 and March 31, 2005**

	2006	2005
	\$	\$
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating Expenses		
Office and general	37,328	13,540
Public relations	39,794	12,476
Professional fees	-	10,316
Shareholder information	5,052	2,000
Consulting	63,409	63,876
Financing costs	-	-
Stock-based compensation	-	-
Net Loss before Future Income Tax Recovery	(145,583)	(102,208)
Future income tax recovery <i>(Note 7)</i>	52,500	37,000
Net Loss	(93,083)	(65,208)
Deficit at the beginning of period	(1,044,211)	(22,209)
Deficit at end of period	(1,137,294)	(87,417)
Net Loss Per Share	(0.4)¢	(0.5)¢
Weighted Average Number of Shares (000's)	23,878	13,042

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 Cash Flow
For the three months ended March 31, 2006 and March 31, 2005

	2006	2005
	\$	\$
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operations		
Net loss	(93,083)	(65,208)
Adjustments to reconcile net loss to cash flow from operating activities:		
Future income tax recovery	(52,500)	(37,000)
Amortization	1,738	2,590
Stock-based compensation	-	-
Net change in non-cash working capital items	(18,027)	127,809
Cash Flow from (Used in) Operating Activities	(161,872)	28,191
Financing		
Issuance of common shares on incorporation	-	-
Issuance of warrants, net of subscription receivable	-	500,000
Cost of issuances	-	(40,000)
Deferred financing costs	-	(77,500)
Due to manger <i>(Note 5)</i>	8,664	(78,993)
Cash Flow from Financing Activities	8,664	303,507
Investments		
Purchase of capital assets	-	(17,294)
Expenditures on deferred exploration	(85,294)	(91,729)
Cash Flow Used in Investing Activities	(85,294)	(109,003)
Net Increase (decrease) in Cash for the period	(238,502)	222,695
Cash and Cash Equivalents at beginning of period	2,200,644	1,198,776
Cash and Cash Equivalents at end of period	1,962,142	1,421,471

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 March 31, 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. On October 25th, 2004, UCR was incorporated by GLR Resources Inc. ("GLR").

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 March 31, 2006, consists \$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

	March 31, 2006 \$	December 31, 2005 \$
	<i>Unaudited</i>	<i>Audited</i>
Mineral Properties		
Balance at beginning of period	497,698	474,000
Acquisitions costs	63	23,698
Balance at end of period	497,761	497,698
Deferred Exploration Expenditures		
Balance, beginning of period	1,776,112	158,714
Deferred exploration expenditures	85,231	1,617,398
Balance at end of period	1,861,343	1,776,112
	2,359,104	2,273,810

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at March 31, 2006

4. Capital Assets

As at	March 31, 2006		December 31, 2005	
	(Unaudited)		(Audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	1,800	-	1,800	-
Exploration equipment	37,215	12,590	37,215	11,020
Office furniture, fixtures and equipment	17,467	908	17,467	739
	56,483	13,498	56,482	11,759
Net Book Value	42,985		44,723	

5. Related Party Transactions

The amount due to the Company's manager, 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 ended March 31, 2006, was \$8,100 (2005 - \$6,700) and is included in the Due to manager account.

In addition to the GLR management fees noted above, these financial statements also include \$54,000 for the 3 months ended March 31, 2006 (2005 - \$40,000), 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 March 31, 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	\$
Balance at December 31, 2004	12,747,001	474,010
Deemed exercise of warrants	4,380,300	1,259,899
Issued for Cash:		
Regular Units	1,568,105	862,458
Flow-through Units	4,182,846	2,509,708
Special warrants	1,000,000	500,000
Issuance costs	-	(545,837)
Fair value of issued warrants	-	(1,312,000)
Future income taxes	-	(906,000)
Balance at December 31, 2005 and March 31, 2006	23,878,252	2,842,237

The Company completed the first and second tranche of its Initial Public Offering (the "IPO" or the "Issuance") on September 13 and September 30, 2005, respectively.

Tranche 1:

This closing consisted of the issuance of 1,141,440 non flow-through units (the "Regular Units") at a price of \$0.55 per unit and the issuance of 3,953,680 flow-through units (the "F-T Units") at a price of \$0.60, collectively the "Units", for total gross proceeds of \$3,000,000. Each Regular Unit consisted of 1 common share of the Company plus one non flow-through warrant (a "Regular Unit Warrant"). Each F-T Unit consisted of one common share of the Company plus one flow-through warrant (a "F-T Unit Warrant"), collectively the "Unit Warrants". Each Regular Unit Warrant entitles the holder to purchase one common share of the Company at \$0.55. Each F-T Unit Warrant entitles the holder to purchase one flow-through common share at \$0.60. All the Unit Warrants have an expiry of September 12, 2007.

Tranche 2:

This closing consisted of the issuance of 426,665 Regular Units at a price of \$0.55 per unit and the issuance of 229,166 F-T Units at a price of \$0.60 for total gross proceeds of \$372,165.

Cost of the Issuance amounted to \$463,261 including commissions of \$240,000 paid to the Northern Securities Inc. ("Northern"). Such costs have been recorded as a reduction to the balance of the common shares account.

Broker Unit Warrants:

In addition to the total Unit Warrants issued (5,750,951 units) to the public during the IPO, an additional 575,095 broker warrants (the "Broker Unit Warrants") were also issued. Each Broker Unit Warrant is non-transferable and entitles Northern to purchase one common share of the Company for \$0.55 until September 12, 2007.

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at March 31, 2006

Outstanding Issued Warrants -

The outstanding Issued Warrants balance at March 31, 2006, is comprised of the following items:

Date of Expiry	Type	No. of Warrants	Exercise Price \$
December 9, 2006	Broker Warrant	228,000	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
Total		8,650,336	0.60

The following table provides additional information about outstanding issued warrants at March 31, 2006.

Range of Exercise Prices (\$)	No. of Warrants Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price(\$)
0.25 - 0.50	462,030	0.7	0.38
0.51 - 0.65	6,901,141	1.5	0.58
0.66 – 0.75	1,287,165	0.8	0.75
	8,650,336	1.1	0.60

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 March 31, 2006

	March 31, 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	-	-	0.42	2,185,000
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	0.42	2,185,000	0.42	2,185,000
Exercisable at end of period	0.42	2,185,000	0.42	2,185,000

The following table provides additional information about outstanding stock options at March 31, 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	-	0.0	-
	2,185,000	5.00	0.42

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 March 31, 2006 (\$)		As at December 31, 2005 (\$)	
	%	%	%	%
Income taxes at statutory rates	(52,500)	(36.1)	(435,700)	(36.1)
Non-deductible expenses for tax purposes:				
Stock-based compensation	-	-	249,500	20.7
Other	-	-	1,200	0.1
Future income taxes recoverable	(52,500)	(36.1)	(185,000)	(15.3)

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at March 31, 2006

Future Income Tax Liability

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

	2006 (\$)	2005 (\$)
Future tax asset:		
Opening balance	(197,000)	(12,000)
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(52,500)	(185,000)
Ending balance	(249,500)	(197,000)
Future tax liability:		
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
Future Income Tax Liability	712,500	765,000

8. Subsequent Events

In April 2006, the Company announced that it had entered into an agreement to raise up to \$4.3 million (the "Offering") by way of a brokered private placement on a best efforts basis with Northern Securities Inc. (the "Agent"). The Offering closed on April 20, 2006 and consisted of the issuance of 4,082,000 units (the "Units") priced at \$0.35 per Unit and 7,187,500 in flow-through units (the "Flow-through Units") at \$0.40 per Flow-through Unit raising gross proceeds of approximately \$4.3 million. Each Unit consisted of one common share and one-half of one common share purchase warrant (a "Warrant"). Each Flow-through Unit consisted of one flow-through common share and one-half of one Warrant. Each full Warrant entitles the holder to purchase one additional common share at \$0.45 until October 20, 2007.

The Agent received a cash commission equal to 7% of the aggregate gross proceeds raised under the Offering. In addition, the Company also granted to the Agent, 1,126,950 non-assignable warrants (the "Agent Warrants"). Each Agent Warrant will entitle the Agent to acquire one Unit at a price of \$0.35 per Unit for a period until October 20, 2007.

In addition, the Company announced and closed on its offering, on a non-brokered basis (the "Non-brokered Offering"), of 1,532,286 units (the "Non-brokered Units") at \$0.35 per Non-brokered Unit, raising net proceeds of approximately \$535,000. Each Non-brokered Unit consisted of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant a "Non-brokered Warrant"). Each Non-brokered Warrant entitles the holder to purchase one common share at a price of \$0.465 until October 25, 2007.