



**Management's Discussions and Analysis**  
**of the Financial Condition and Results of Operations**  
**For the Nine Months Ended September 30, 2006**

**November 27, 2006**

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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*This discussion and analysis has been prepared based on information available to Uranium City Resources Inc. ("UCR" or the "Company") as at November 27, 2006. The MD&A of the operating results and financial condition of the Company for the nine months ended September 30, 2006, should be read in conjunction with the Company's financial statements and the related notes for the nine months then ended together with its audited financial statements for the period ended December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

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### CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

### Overall Performance

As at September 30, 2006, the Company had assets of \$8.8 million and a net equity position of \$8.1 million. This compares with assets of \$4.6 million and a net equity position of \$3.8 million at December 31, 2005.

Assets increased by approximately \$4.2 million from \$4.6 million at the end of the previous year as a result of the Company's cash position that increased by \$3.3 million to \$5.5 million mainly as a result of completing two private placements during the second quarter of 2006 (see [Review of Operations](#) of this MD&A). Receivables, prepaids and advances increased by \$58,000, mineral properties and deferred exploration expenditures increased by \$684,000 with increases to capital assets of \$128,000 making up the remaining increase.

During the 9 months ended September 30, 2006 (same period in 2005), the Company's cash increase of \$3.3 million (2005 – increase of \$1.6 million) was a result of cash flow from the financings of \$4.5 million (2005 - \$3.3 million) offset by cash used for operations of \$456,000 (2005 – \$246,000) together with cash used in investing activities of \$655,000 (2005 - \$1.5 million).

During the third quarter of 2006 (third quarter of 2005), the Company's cash decrease of \$332,000 (2005 – increase of \$1.7 million) was a result of cash used in financings activities of \$14,000 (2005 – cash flow of

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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financing activities of \$2.9 million) decreased by cash used for operations of \$120,000 (2005 – \$189,000) together with cash used for investing activities of \$198,000 (2005 - \$1.0 million).

For the six months June 30, 2006 and 2005, the Company posted losses. Net loss was \$350,000 or 1.2¢ per share, and \$163,000, or 1.3¢ per share, respectively. For the three months June 30, 2006 and 2005, the Company posted losses of \$257,000 or 0.8¢ per share, and \$98,000, or 0.8¢ per share, respectively.

### ***Review of Operations***

#### ***For the 3 months and 9 months ended September 30, 2006***

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.

#### ***Uranium Projects - Uranium City Mining District, Northern Saskatchewan***

The initial drilling campaign of 2006 was conducted at five separate targets; (i) Eagle Lake; (ii) Martin Lake; (iii) Moose Island; (iv) Quartzite Ridge and (v) Lorado. Drilling targets were selected based on compilation of geophysical and geochemical surveys. Results from the initial campaign were encouraging, given that the selected targets from the VTEM survey proved positive. Weakly mineralised rocks were intersected in a number of the five targets, with anomalous values of metals that are associated with mineralisation of the Uranium City Mining District. Follow up exploration work is warranted on a number of these targets as well as adjacent uranium properties. The exploration season for 2006 will continue throughout the summer from the Company's facilities in Uranium City, Northern Saskatchewan.

### ***Results of Operations***

The Company has not generated any operating revenue and therefore losses have been incurred throughout the third quarter of 2006 or for the nine months ended September 30, 2006.

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Nine Months ended September 30, 2006 and 2005:

For the nine months September 30, 2006 and 2005, the Company posted losses of \$1.6 million or 5.2¢ per share, and \$683,000, or 3.2¢ per share, respectively. The 9-month loss was comprised of the following expenditures: Office and general expenses of \$169,000 (2005 – \$85,000), public relations expenditures \$89,000 (2005 - \$38,000), professional and consulting costs of \$60,000 (2005 - \$233,000), shareholder information costs of \$49,000 (2005 - \$54,000) and stock-based compensation expenses of \$1.5 million (2005 - \$268,000). These losses were offset by future income tax recoveries of \$102,000 (2005 - \$44,000) and interest income of \$84,000 (2005 - \$7,000).

### Three Months ended September 30, 2006 and 2005:

For the three months September 30, 2006 and 2005, the Company posted losses of \$1.3 million or 3.5¢ per share, and \$476,000, or 2.2¢ per share, respectively. The 3-month loss was comprised of the following expenditures: Office and general expenses of \$55,000 (2005 – \$32,000), public relations expenditures \$21,000 (2005 - \$19,000), professional and consulting costs of \$60,000 (2005 - \$121,000) less a reallocation to capitalize management fees paid to date to GLR of \$173,000, shareholder information costs of \$2,000 (2005 - \$34,000) and stock-based compensation costs of \$1.3 million (2005 - \$268,000). These losses were increased by future income tax expenses of \$31,000 (2005 – decreased by future tax recoveries of \$7,000) offset by interest income of \$50,000 (2005 - \$3,000).

### Summary of Quarterly Results

	3 <sup>rd</sup> Quarter 2006	2 <sup>nd</sup> Quarter 2006	1 <sup>st</sup> Quarter 2006	4 <sup>th</sup> Quarter 2005
Total revenues	49,889	34,053	-	12,244
Net loss	1,291,464	256,615	93,083	382,526
Net loss per share, basic and diluted <sup>(2)</sup>	3.5¢	0.8¢	0.4¢	2.7¢
Total assets	8,833,603	8,767,156	4,503,145	4,616,533
Long-term debt	-	-	-	-
Shareholders' equity	8,117,077	8,062,384	3,707,943	3,801,026
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

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# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	3 <sup>rd</sup> Quarter 2005	2 <sup>nd</sup> Quarter 2005	1 <sup>st</sup> Quarter 2005	October 25 <sup>(1)</sup> , 2004 to December 31, 2004
Total revenues	3,446	3,525	-	-
Net loss	476,047	98,221	65,208	22,209
Net loss per share, basic and diluted <sup>(2)</sup>	2.2¢	0.8¢	0.5¢	0.3¢
Total assets	4,990,074	2,305,525	2,284,641	1,900,595
Long-term debt	-	-	-	-
Shareholders' equity	4,679,005	2,008,270	2,106,492	1,711,700
Cash dividends declared per common share	0.0¢	0.0¢	0.0¢	0.0¢

<sup>(1)</sup>Date of incorporation.

<sup>(2)</sup>Inclusion of outstanding warrants and options is anti-dilutive.

UCR's net loss for Q3-2006 versus Q2-2006 is \$1.0 million higher as a result of net increases in expenses for the quarter consisting of the following changes: decreases in office and general costs of \$22,000, public relations costs of \$8,000, consulting and professional fees of \$49,000 plus a further a decrease as a result of reallocating GLR management fees paid to-date to deferred expenditures of \$173,000, shareholder information of \$41,000 offset by increases in stock-based compensation costs of \$1.2 million, lower future income tax recoveries of \$112,000 and greater interest income of \$16,000.

UCR's net loss for Q2-2006 versus Q1-2006 is \$164,000 higher as a result of increased expenses for the quarter consisting of the following changes: increases in office and general costs of \$40,000, consulting and professional fees of \$46,000, shareholder information of \$38,000 and stock-based compensation costs of \$114,000 offset by lower public relations expenses of \$11,000, higher future income tax recoveries of \$28,000 and greater interest income of \$34,000.

The Company's net loss for Q1-2006 versus Q4-2005 is lower as a result of lower expenses for the quarter consisting of the following changes: increases in office and general costs of \$44,000, consulting and professional fees of \$9,900 and lower future income tax recoveries of \$89,000 offset by decreases in public relations and shareholder information costs of \$7,600 and stock-based compensation costs of \$423,000.

UCR's net loss for Q4-2005 decreased from Q3-2005 mainly as a result of lower consulting and professional fees (\$76,000), higher future income tax recoveries (\$134,000) offset by higher stock-based compensation costs (\$156,000).

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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All of the Company's expenses were greater than normal for Q3-2005 over Q2-2005 as the Company finalized and closed on its initial public offering.

### ***Liquidity and Capital Resources***

The Company's liquidity and solvency are critical information since UCR is not currently generating any income from its mineral properties.

The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop UCR's properties and, if successful, to place them in commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

### **During the 3 months and 9 months ended September 30, 2006**

As noted under the ***Review of Operations*** section of this MD&A, the Company completed both brokered and non-brokered financings raising gross proceeds of \$4.8 million.

### ***Transactions with Related Parties***

For the nine months ended September 30, 2006 and 2005, the following transactions involved related parties:

GLR charged management fees totalling \$41,000 (2005 - \$97,000). GLR is the Company's exploration, development and mining operations manager and former majority shareholder. The amounts due to GLR are non-interest bearing and without fixed payment terms.

R.J. Kasner Co. ("RJKC") charged the Company a total of \$72,000 (2005 - \$72,000) in respect of the services of Robert Kasner as President and CEO. Robert Kasner, also a director of the Company, beneficially owns RJKC. This agreement is automatically renewed each January 1 unless notice of termination is provided by one party to the other by September 1 in any year, in which case the agreement terminates on December 31 of that year.

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of \$39,000 (2005 - \$46,000) in respect of the services of Stephen Gledhill as Chief Financial Officer of the Company. Stephen Gledhill beneficially owns KCA. The term of this agreement is ongoing with either party able to terminate upon 30 days written notice to the other.

Glen C. Kasner Exploration Service charged the Company a total of \$31,500 (\$2005 - \$31,500) in respect of exploration management services. Glen Kasner is related to an officer and director of the Company. This

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

agreement is automatically renewed each January 1 unless notice of termination is provided by one party to the other by September 1 in any year, in which case the agreement terminates on December 31 of that year.

1353150 Ontario Limited ("1353150") charged the Company a total of \$15,000 (2005 - \$13,500) in respect of rent for UCR's premises in Kirkland Lake. Robert Kasner, the President and Chief Executive Officer and a director of the Company, beneficially owns 1353150. This lease expires on December 31, 2006.

### **Critical Accounting Estimates**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

### **Additional Disclosure for Venture Issuers Without Significant Revenue**

Mineral properties and deferred exploration expenditures for the period from July 1, 2006 to September 30, 2006 are detailed by property as follows:

<b>Property</b>	<b>Balance at July 1, 2006 (\$)</b>	<b>Acquisitions / (Dispositions) (\$)</b>	<b>Deferred Exploration Expenditures (\$)</b>	<b>Balance at September 30, 2006 (\$)</b>
Contact Lake	1,219,843	-	5,390	<b>1,225,233</b>
Inspiration Lake	394,777	-	-	<b>394,777</b>
Virgin Lake Adit	31,277	-	-	<b>31,277</b>
Eagle Lake	49,489	-	-	<b>49,489</b>
Fishhook	613,232	-	3,785	<b>617,017</b>
Nicholson	63,266	-	-	<b>63,266</b>
Right Lake	8,011	-	-	<b>8,011</b>
Eldorado Area	122,190	-	15,499	<b>137,689</b>
Gunnar Area	10,596	-	-	<b>10,596</b>
Tazin Lake	11,939	-	83	<b>12,022</b>
Mcintosh Bay	31,510	-	-	<b>31,510</b>
Neely Lake	8,407	-	-	<b>8,407</b>
Unallocated	86,173	-	282,231	<b>368,404</b>
<b>Total</b>	<b>2,650,710</b>	<b>-</b>	<b>306,998</b>	<b>2,957,698</b>

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral properties and deferred exploration expenditures for the period from April 1, 2006 to June 30, 2006 are detailed by property as follows:

Property	Balance at April 1, 2006 (\$)	Acquisitions / (Dispositions) (\$)	Deferred Exploration Expenditures (\$)	Balance at June 30, 2006 (\$)
Contact Lake	1,185,428	-	34,415	1,219,843
Inspiration Lake	394,777	-	-	394,777
Virgin Lake Adit	31,277	-	-	31,277
Eagle Lake	48,638	-	851	49,489
Fishhook	458,897	-	154,335	613,232
Nicholson	62,859	-	407	63,266
Right Lake	8,011	-	-	8,011
Eldorado Area	91,047	-	31,143	122,190
Gunnar Area	10,596	-	-	10,596
Tazin Lake	11,939	-	-	11,939
Mcintosh Bay	14,922	-	16,588	31,510
Neely Lake	8,407	-	-	8,407
Unallocated	32,306	-	53,867	86,173
<b>Total</b>	<b>2,359,104</b>	<b>-</b>	<b>291,606</b>	<b>2,650,710</b>

Mineral properties and deferred exploration expenditures for the period from January 1, 2006 to March 31, 2006 are detailed by property as follows:

Property	Balance at January 1, 2006 (\$)	Acquisitions / (Dispositions) (\$)	Deferred Exploration Expenditures (\$)	Balance at March 31, 2006 (\$)
Contact Lake	1,139,916	-	45,512	1,185,428
Inspiration Lake	395,194	-	(417)	394,777
Virgin Lake Adit	31,569	-	(292)	31,277
Eagle Lake	49,055	-	(417)	48,638
Fishhook	454,920	-	3,977	458,897
Nicholson	61,533	-	1,326	62,859
Right Lake	8,428	-	(417)	8,011
Eldorado Area	85,877	-	5,170	91,047
Gunnar Area	11,013	-	(417)	10,596
Tazin Lake	12,356	-	(417)	11,939
Mcintosh Bay	15,339	-	(417)	14,922
Neely Lake	8,610	-	(203)	8,407
Unallocated	-	63	32,243	32,306
<b>Total</b>	<b>2,273,810</b>	<b>63</b>	<b>85,231</b>	<b>2,359,104</b>

# Uranium City Resources Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### *Disclosure Of Outstanding Share Information*

The following table sets forth information concerning the outstanding securities of the Company as at November 27, 2006:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	36,719,474
Warrants	16,138,743
Options	2,585,000