

Uranium City Resources Inc.
Third Quarter and Nine Months Ended
September 30, 2005
(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

<i>As at</i>	<i>September 30, 2005</i>	<i>December 31, 2004</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Current Assets		
Cash and cash equivalents <i>(Notes 2, 6 and 9)</i>	\$ 2,803,203	\$ 1,198,776
GST recoverable	70,532	11,273
Subscriptions receivable	-	25,000
	\$ 2,873,735	\$ 1,235,049
Mineral Properties and Deferred Expenditures <i>(Note 3)</i>		
	\$ 2,069,613	\$ 632,714
Capital Assets <i>(Note 4)</i>		
	46,726	32,832
Deferred Financing Fees <i>(Note 5)</i>		
	-	-
	\$ 4,990,074	\$ 1,900,595
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 195,237	\$ 29,260
Due to related company <i>(Note 6)</i>	115,832	115,635
	\$ 311,069	\$ 144,895
Long-term liabilities		
Future income taxes <i>(Note 8)</i>	\$ -	\$ 44,000
	\$ -	\$ 44,000
Shareholders' Equity		
Capital Stock <i>(Note 7)</i> :		
Common shares	\$ 5,340,690	\$ 474,010
Issued warrants	-	1,259,899
Deficit	(661,685)	(22,209)
	\$ 4,679,005	\$ 1,711,700
	\$ 4,990,074	\$ 1,900,595

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

	3 Months Ended September 30, 2005	9 Months Ended September 30, 2005
	(Unaudited)	(Unaudited)
Operating Expenses		
Office and general	\$ 28,270	\$ 77,938
Public relations	19,100	38,125
Professional fees	20,593	39,620
Shareholder information	33,821	53,987
Consulting	100,481	193,024
Financing costs	13,131	13,131
Stock-based compensation	267,651	267,651
Net Loss before Future Income Tax Recovery	\$ (483,047)	\$ (683,476)
Future income tax recovery <i>(Note 8)</i>	7,000	44,000
Net Loss	\$ (476,047)	\$ (639,476)
Deficit at the beginning of period	(185,638)	(22,209)
Deficit at end of period	\$ (661,685)	\$ (661,685)
Net Loss Per Share	(2.2)¢	(3.2)¢
Weighted Average Number of Shares (000's)	21,220	20,028

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Uranium City Resources Inc.

Statement of Cash Flow

	3 Months Ended September 30, 2005	9 Months Ended September 30, 2005
	(Unaudited)	(Unaudited)
Operations		
Net loss	\$ (476,047)	\$ (639,476)
Adjustments to reconcile net loss to cash flow from operating activities:		
Future income tax recovery	(7,000)	(44,000)
Amortization	3,243	7,139
Stock-based compensation	267,651	267,651
Net change in non-cash working capital items	22,860	162,718
Cash Used in Operating Activities	\$ (189,293)	\$ (245,968)
Financing		
Issuance of common shares on incorporation	\$ 4,976,783	\$ 5,091,783
Redemption of warrants	(1,695,000)	(1,285,000)
Redemption of flow-through warrants	(156,195)	(156,195)
Cost of issuances	(302,458)	(342,458)
Deferred financing costs	77,500	-
Due to related company	9,943	197
Cash Flow from Financing Activities	\$ 2,910,573	\$ 3,308,327
Investments		
Purchase of capital assets	\$ (3,760)	\$ (21,033)
Expenditures on deferred exploration	(1,013,564)	(1,436,899)
Cash Used in Investing Activities	\$ (1,017,324)	\$ (1,457,932)
Net Increase in Cash for the period	\$ 1,703,956	\$ 1,604,427
Cash and Cash Equivalents at beginning of period	1,099,247	1,198,776
Cash and Cash Equivalents at end of period	\$ 2,803,203	\$ 2,803,203

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 September 30, 2005

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 2004 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.

As the Company was incorporated on October 25th, 2004, no comparative figures are available or presented for the 3-month or 9-month periods ended September 30, 2004.

2. Cash and Cash Equivalents

The balance at September 30, 2005, contains \$Nil of cash held in escrow (\$517,766 at December 31, 2004). These funds were received from the private placements completed in December 2004 and January 2005 and were held in escrow pending the completion of the Company's listing of its securities on the TSX Venture exchange, with such listing completed on September 23, 2005.

3. Mineral Properties and Deferred Expenditures

	September 30, 2005	December 31, 2004
	<i>Unaudited</i>	<i>Audited</i>
Mineral Properties		
Balance at beginning of period	\$ 474,000	\$ -
Acquisitions costs	23,698	474,000
Balance at end of period	\$ 497,698	\$ 474,000
Deferred Exploration Expenditures		
Balance, beginning of period	\$ 158,714	\$ -
Deferred exploration expenditures	1,413,201	158,714
Balance at end of period	\$ 1,571,915	\$ 158,714
	\$ 2,069,613	\$ 632,714

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at September 30, 2005

4. Capital Assets

As at	September 30, 2005		December 31, 2004	
	(Unaudited)		(Audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,800	\$ -	\$ 1,800	\$ -
Building	16,200	365	16,200	-
Leasehold Improvements	1,267	285	-	-
Exploration equipment	37,216	9,106	\$ 17,449	2,617
	\$ 56,483	\$ 9,756	\$ 35,449	\$ 2,617
Net Book Value	\$ 46,727		\$ 32,832	

5. Deferred Financing Fees

Previously capitalized finance fees have now been charged to the Common shares account as share issue costs.

6. Related Party Transactions

The amount due to GLR's 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 and 9 months ended September 30, 2005, was \$70,314 and \$97,351, respectively (\$8,945 for the period ended December 31, 2004) and is included in the Due to related company account.

In addition to the GLR management fees noted above, the financial statements also include \$52,666 and \$163,172 for the 3 and 9 months ended September 30, 2005, respectively (\$16,945 - 2004), 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 September 30, 2005

7. 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	
Issued upon incorporation, October 25, 2004	1	\$ 10
Issued for mineral properties	12,000,000	474,000
Issued for financing fees	747,000	373,500
Financing fees	-	(373,500)
Balance at December 31, 2004	12,747,001	\$ 474,010
Issued upon exercise of special warrants	460,000	115,000
Issued upon deemed exercise of special warrants	4,680,000	1,695,000
Issued upon deemed exercise of special flow-through warrants	240,300	156,195
Issue costs of warrants exercised	-	(246,297)
Issued for Cash:		
Regular Units	1,568,105	862,458
Flow-through Units	4,182,846	2,509,708
Issue costs of shares issued	-	(493,035)
Stock-based compensation	-	267,651
Balance at September 30, 2005	23,878,252	\$ 5,340,690

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.

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at September 30, 2005

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.

Warrants

Private Placements -

The Issued Warrants from the Company's private placements that took place in December 2004 and January 2005, have now been exercised or deemed as exercised as a result of the Company's IPO.

A continuity of the Company's private placement warrant issues follows:

	Number of Warrants	Amount
Issue (redemption) date:		
December 9, 2004 – special warrants	760,000	\$ 190,000
December 9, 2004 – 1 st special warrants	2,280,000	570,000
December 9, 2004 – 1 st broker special warrants	228,000	-
December 30, 2004 – 2 nd special warrants	1,100,000	550,000
December 30, 2004 – 2 nd broker special warrants	110,000	-
December 30, 2004 – 2 nd special flow-through warrants	240,300	156,195
December 30, 2004 – 2 nd special broker warrants	24,030	-
Cost of warrant issues	-	(150,296)
Future tax liability	-	(56,000)
Balance at December 31, 2004	4,742,330	\$ 1,259,899
January 14, 2005 – 2 nd special warrants	1,000,000	500,000
January 14, 2005 – 2 nd special broker warrants	100,000	-
Cost of warrants issued	-	(40,000)
May 10, 2005 – Exercise of special warrants	(460,000)	(115,000)
July 20, 2005 – Deemed exercise of special warrants	(4,680,000)	(1,695,000)
July 20, 2005 – Deemed exercise of special flow-through warrants	(240,300)	(156,195)
July 20, 2005 – Deemed exercise of special broker warrants	(462,030)	-
Cost of warrants deemed exercised	-	246,296
Balance at September 30, 2005	-	\$ -

On July 20, 2005, the deemed exercise of 4,680,300 special warrants and 240,300 special flow-through warrants resulted in the issuance of 1,170,150 warrants (the "Regular Purchase Warrants"), each exercisable at \$0.75 until December 30, 2006.

Uranium City Resources Inc.

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As at September 30, 2005

On July 20, 2005, the deemed exercise of 228,030 special broker warrants resulted in the issuance of 228,000 warrants (the "Broker Warrants"), each exercisable at \$0.25 until December 9, 2006.

On July 20, 2005, the deemed exercise of 234,030 special broker warrants resulted in the issuance of 234,030 warrants (the "Broker Warrant Unit"). Each Broker Warrant Unit is exercisable until December 30, 2006 at a price of \$0.50 per unit and entitles the broker to one common share of the Company and ½ of one purchase warrant (the "Broker Warrant Purchase Warrant"). Each whole Broker Warrant Purchase Warrant is exercisable until December 30, 2006 at a price of \$0.75 and entitles the broker to one common share of the Company.

IPO -

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.

Outstanding Issued Warrants -

The outstanding Issued Warrants balance at September 30, 2005, 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
September 12, 2007	Broker Unit Warrant	575,095	\$ 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		7,958,226	\$ 0.59

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 September 30, 2005

	2005	
	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	\$ -	-
Transactions during the period:		
Granted	0.42	2,185,000
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding at September 30, 2005	\$ 0.42	2,185,000
Exercisable at September 30, 2005	\$ 0.42	2,185,000

The following table provides additional information about outstanding stock options at September 30, 2005.

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$0.25 - \$0.30	-	0.00	\$ -
0.31 - 0.50	2,185,000	5.00	0.42
0.51 - 0.65	-	0.00	-
	2,185,000	5.00	\$ 0.42

Stock-based compensation

The fair value of the stock options granted for the 9 months ended September 30, 2005 was \$267,651 (2004 – \$Nil), which amount has been expensed in the statement of operations.

The Company uses the Black-Scholes option pricing model to determine stock-based compensation expense. The table below summarizes the assumptions used with the Black-Scholes valuation model for determining the stock-based compensation costs for the stock options issue during the 9 months ended September 30, 2005:

	2005
Dividend yield	-
Expected volatility	20.0%
Risk-free interest rate	5.0%
Expected life (years)	5

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at September 30, 2005

8. Income Taxes

Future Income Taxes Recoverable

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

	2005	%	2004	%
Income taxes recoverable	\$ (44,000)	<u>(36.1)</u>	\$ (12,000)	<u>(36.1)</u>
Current income taxes	-		-	
Future income taxes recoverable	<u>\$ (44,000)</u>		<u>\$ (12,000)</u>	

Future Income Tax Liability

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities are:

	2005	2004
<i>Future tax asset:</i>		
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	\$ (56,000)	\$ (12,000)
<i>Future tax liability:</i>		
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through warrants subscribers	56,000	56,000
Future Income Tax Liability	<u>\$ -</u>	<u>\$ 44,000</u>