



**Third Quarter and Nine Months Ended
September 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 Sheets

As at September 30, 2006 and December 31, 2005

	2006	2005
	\$	\$
	<i>(Unaudited)</i>	<i>(Audited)</i>
Assets		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	5,536,913	2,200,644
Accounts receivable and advances <i>(Note 3)</i>	82,952	-
Interest receivable	64,263	-
GST recoverable	18,711	86,452
Prepaid expenses	-	10,904
	5,702,839	1,298,000
Mineral Properties and Deferred Expenditures <i>(Note 4)</i>	2,957,698	2,273,810
Capital Assets <i>(Note 5)</i>	173,066	44,723
	8,833,603	4,616,533
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	39,916	11,208
Due to manager <i>(Note 6)</i>	13,620	39,479
	53,536	50,507
Future income taxes <i>(Note 8)</i>	662,990	765,000
	716,526	765,000
Shareholders' Equity		
Capital Stock:		
Common shares <i>(Note 7(a))</i>	7,143,405	2,842,237
Contributed surplus <i>(Note 7(b))</i>	3,659,045	2,003,000
Deficit	(2,685,373)	(1,044,211)
	8,117,077	3,801,026
	8,833,603	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.

**Statements of Operations and Deficit
(Unaudited)**

	<i>3 months ended September 30</i>		<i>9 months ended September 30</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	\$	\$	\$	\$
Interest Income	49,889	3,446	83,942	6,981
Operating Expenses				
Office and general	54,747	31,716	168,709	84,919
Public relations	20,599	19,100	88,966	38,125
Professional fees	5,211	20,593	36,039	39,620
Shareholder information	1,665	33,821	49,265	53,987
Consulting	(118,026)	100,481	23,720	193,024
Financing costs	-	13,131	-	13,131
Stock-based compensation	1,346,157	267,651	1,460,415	267,651
	1,310,353	486,493	1,827,114	690,457
Net Loss before Future Income Tax Recovery	(1,260,464)	(483,047)	(1,743,172)	(683,476)
Future income tax recovery <i>(Note 8)</i>	(31,000)	7,000	102,010	44,000
Net Loss	(1,291,464)	(476,047)	(1,641,162)	(639,476)
Deficit at the beginning of period	(1,393,909)	(185,638)	(1,044,211)	(22,209)
Deficit at end of period	(2,685,373)	(661,685)	(2,685,373)	(661,685)
Net Loss Per Share	(3.5)¢	(2.2)¢	(5.2)¢	(3.2)¢
Weighted Average Number of Shares (000's)	36,688	21,220	31,544	20,028

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Uranium City Resources Inc.

**Statements of Cash Flow
(Unaudited)**

	<i>3 months ended</i>		<i>9 months ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2006 (\$)</i>	<i>2005 (\$)</i>	<i>2006 (\$)</i>	<i>2005 (\$)</i>
Operations				
Net loss	(1,291,464)	(476,047)	(1,641,162)	(639,476)
Adjustments to reconcile net loss to cash flow from operating activities:				
Future income tax recovery	31,000	(7,000)	(102,010)	(44,000)
Amortization	7,816	3,243	15,249	7,139
Stock-based compensation	1,346,157	267,651	1,460,415	267,651
Net change in non-cash working capital items	(213,660)	22,860	(188,003)	162,718
Cash flow used in operating Activities	(120,151)	(189,293)	(455,511)	(245,968)
Financing				
Issuance of common shares	-	4,976,783	4,841,932	5,091,783
Issuance (redemption) of warrants	-	(1,851,195)	-	(1,441,195)
Cost of issuances	-	(302,458)	(345,135)	(342,458)
Deferred financing costs	-	77,500	-	-
Due to manger <i>(Note 6)</i>	(14,225)	9,943	(50,859)	197
Cash flow from (used in) financing Activities	(14,225)	2,910,573	4,445,938	3,308,327
Investments				
Purchase of capital assets	(64,441)	(3,760)	(143,592)	(21,033)
Expenditures on deferred Exploration	(133,665)	(1,013,564)	(510,566)	(1,436,899)
Cash flow used in investing	(198,106)	(1,017,324)	(654,158)	(1,457,932)
Net increase (decrease) in cash for the period	(332,482)	1,703,956	3,336,269	1,604,427
Cash and cash equivalents at beginning of period	5,869,395	1,099,247	2,200,644	1,198,776
Cash and cash equivalents at end of period	5,536,913	2,803,203	5,536,913	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, 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 September 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. Advances

The Company has not recorded some deferred expenditures that are in dispute with a contractor (2006 - \$54,451, 2005 - \$Nil). These amounts have been recorded as advances and the Company is currently reviewing its options which may include legal action.

4. Mineral Properties and Deferred Expenditures

	September 30, 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	683,825	1,617,398
Balance at end of period	2,463,437	1,776,112
	2,957,698	2,273,810

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at September 30, 2006

5. Capital Assets

As at	September 30, 2006		December 31, 2005	
	(Unaudited)		(Audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	1,800	-	1,800	-
Exploration equipment	178,440	25,757	37,215	11,020
Office furniture, fixtures and equipment	19,834	1,251	17,467	739
	200,074	27,008	56,482	11,759
Net Book Value	173,066		44,723	

6. 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 9 months ended September 30, 2006, was \$13,709 (2005 - \$70,315) and \$41,114 (2005 - \$97,351), respectively.

In addition to the GLR management fees noted above, these financial statements also include \$45,267 (2005 - \$52,666) and \$139,015 (2005 - \$163,172) for the 3 months and 9 months ended September 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 September 30, 2006

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	\$
Balance at December 31, 2005	23,878,252	2,842,237
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 exercised broker warrants	-	(195,630)
Balance at September 30, 2006	36,687,767	7,143,405

For the 3 months ended September 30, 2006

There was no capital activity during the quarter.

For the 9 months ended September 30, 2006

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 September 30, 2006

Outstanding Issued Warrants -

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

Date of Expiry	Type	No. of Warrants	Exercise Price \$
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
Total		16,170,450	0.52

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

Range of Exercise Prices (\$)	No. of Warrants Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price(\$)
0.25 - 0.50	7,982,144	0.6	0.43
0.51 - 0.65	6,901,141	1.0	0.58
0.66 – 0.75	1,287,165	0.2	0.75
	16,170,450	0.6	0.52

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, 2006

	September 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	0.49	400,000	0.42	2,185,000
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	0.43	2,585,000	0.42	2,185,000
Exercisable at end of period	0.43	2,585,000	0.42	2,185,000

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

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.25 - 0.40	100,000	3.4	0.36
0.41 - 0.50	2,185,000	2.0	0.42
0.51 - 0.75	300,000	3.2	0.54
	2,585,000	2.3	0.43

8. 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 Sept. 30, 2006 (\$)		As at December 31, 2005 (\$)	
	%	%	%	%
Income taxes at statutory rates	(629,220)	(36.1)	(435,700)	(36.1)
Non-deductible expenses for tax purposes:				
Stock-based compensation	527,210	30.2	249,500	20.7
Other	-	-	1,200	0.1
Future income taxes recoverable	(102,010)	(5.9)	(185,000)	(15.3)

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

As at September 30, 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 June 30, 2006 and December 31, 2005, are:

	2006	2005
	(\$)	(\$)
<i>Future tax asset:</i>		
Opening balance	(197,000)	(12,000)
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	(102,010)	(185,000)
Ending balance	(299,010)	(197,000)
<i>Future tax liability:</i>		
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
<i>Future Income Tax Liability</i>	662,990	765,000