



**Uranium City Resources Inc.**

**Second Quarter and Six Months Ended  
June 30, 2007**

**(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 June 30, 2007 and December 31, 2006**

	2007 \$	2006 \$
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents <i>(Note 2)</i>	7,760,527	2,312,062
Restricted cash <i>(Note 3)</i>	254,911	254,911
GST recoverable	57,763	125,498
Prepaid expenses and deposits	190,000	10,735
Due from related parties <i>(Note 6)</i>	25,654	25,654
Advances	15,997	1,206,925
	<b>8,304,852</b>	<b>3,935,785</b>
<b>Mineral Properties and Deferred Expenditures</b> <i>(Note 4)</i>	<b>6,212,157</b>	<b>5,107,290</b>
<b>Capital Assets</b> <i>(Note 5)</i>	<b>826,395</b>	<b>251,780</b>
	<b>15,343,404</b>	<b>9,294,855</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	265,786	461,119
Due to manager <i>(Note 6)</i>	66,515	223,889
	<b>332,301</b>	<b>685,008</b>
Future income taxes <i>(Note 9)</i>	1,185,867	1,284,000
	<b>1,518,168</b>	<b>1,969,008</b>
<b>Shareholders' Equity</b>		
Capital Stock:		
Common shares <i>(Note 7)</i>	12,421,086	5,564,897
Contributed surplus <i>(Note 8)</i>	3,680,941	3,051,708
Deficit	<b>(2,276,791)</b>	<b>(1,290,758)</b>
	<b>13,825,236</b>	<b>7,325,847</b>
	<b>15,343,404</b>	<b>9,294,855</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.**

**Statements of Loss, Comprehensive Loss and Deficit  
For the three months ended June 30, 2007 and June 30, 2006**

(Unaudited)

	<i>3 months ended June 30</i>		<i>6 months ended June 30</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	\$	\$	\$	\$
<b>Interest Income</b>	<b>49,507</b>	34,053	<b>64,257</b>	34,053
<b>Operating Expenses</b>				
Office and general	<b>68,407</b>	76,634	<b>122,852</b>	113,962
Public relations	<b>57,526</b>	28,573	<b>88,542</b>	68,367
Professional fees	<b>26,573</b>	30,828	<b>32,231</b>	30,828
Shareholder information	<b>10,432</b>	42,548	<b>22,525</b>	47,600
Consulting	<b>39,827</b>	78,337	<b>72,261</b>	141,746
Stock-based compensation	<b>749,322</b>	114,258	<b>810,013</b>	114,258
	<b>952,087</b>	371,178	<b>1,148,423</b>	516,761
<b>Net Loss before Future Income Tax Recovery</b>	<b>(902,580)</b>	(337,125)	<b>(1,084,166)</b>	(482,708)
Future income tax recovery <i>(Note 9)</i>	<b>54,483</b>	80,510	<b>98,133</b>	133,010
<b>Net Loss</b>	<b>(848,097)</b>	(256,615)	<b>(986,033)</b>	(349,698)
Deficit at the beginning of period	<b>(1,428,694)</b>	(1,137,294)	<b>(1,290,758)</b>	(1,044,211)
Deficit at end of period	<b>(2,276,791)</b>	(1,393,909)	<b>(2,276,791)</b>	(1,393,909)
<b>Net Loss Per Share</b>	<b>2.2¢</b>	(0.8)¢	<b>2.6¢</b>	(1.2)¢
<b>Weighted Average Number of Shares (000's)</b>	<b>38,580</b>	32,800	<b>38,201</b>	28,364

*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 Cash Flow For the three months ended June 30, 2007 and June 30, 2006

(Unaudited)

	3 months ended June 30		6 months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operations</b>				
Net loss	(848,097)	(256,615)	(986,033)	(349,698)
Adjustments to reconcile net loss to cash flow from operating activities:				
Future income tax recovery	(54,483)	(80,510)	(98,133)	(133,010)
Amortization	27,247	5,695	52,343	7,433
Stock-based compensation	749,322	114,258	810,013	114,258
Net change in non-cash working capital items:				
GST recoverable	12,715	(25,219)	67,735	49,617
Prepaid expenses and deposits	-	58,525	10,735	(57,870)
Advances	2,521		1,000,928	
Payables and accrued liabilities	40,584	10,379	(195,332)	33,910
Due to manager <i>(Note 6)</i>	54,823	(45,298)	(157,374)	(36,634)
<b>Cash Flow from (Used in)</b>	<b>(15,368)</b>	<b>(218,785)</b>	<b>504,882</b>	<b>(371,994)</b>
<b>Financing</b>				
Issuance of common shares	6,101,462	4,841,932	6,675,409	4,841,932
Cost of issuances	-	(345,135)	-	(345,135)
<b>Cash Flow from Financing</b>	<b>6,101,462</b>	<b>4,496,797</b>	<b>6,675,409</b>	<b>4,496,797</b>
<b>Investments</b>				
Purchase of capital assets	(213,327)	(79,152)	(662,175)	(79,152)
Expenditures on deferred exploration	(791,661)	(291,607)	(1,069,651)	(376,900)
<b>Cash Flow Used in Investing</b>	<b>(1,004,988)</b>	<b>(370,759)</b>	<b>(1,731,826)</b>	<b>(456,052)</b>
<b>Net Increase (decrease) in Cash for</b>	<b>5,081,106</b>	<b>3,907,253</b>	<b>5,448,465</b>	<b>3,668,751</b>
<b>Cash and Cash Equivalents at beginning of period</b>	<b>2,679,421</b>	<b>1,962,142</b>	<b>2,312,062</b>	<b>2,200,644</b>
<b>Cash and Cash Equivalents at end of period</b>	<b>7,760,527</b>	<b>5,869,395</b>	<b>7,760,527</b>	<b>5,869,395</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.

## Notes to the Financial Statements (Unaudited)

For the 6 months ended June 30, 2007 and  
For the 6 months ended 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. Basis of Presentation and Significant Accounting Policies

These unaudited interim financial statements follow the same accounting policies and their methods of application as the 2006 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.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the "going concern" assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

Certain prior year amounts have been reclassified to conform to account presentation in the current year.

### Financial Instruments, Comprehensive Income (Loss) and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855 – "Financial Instruments – Recognition and Measurement", 1530 – "Comprehensive Income" and 3865 – "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. Accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

#### (a) Financial Instruments – recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

#### (b) Comprehensive Income / (Loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

## Uranium City Resources Inc.

### Notes to the Financial Statements (Unaudited)

For the 6 months ended June 30, 2007 and  
For the 6 months ended June 30, 2006

---

#### (c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 – “Hedging Relationships”, and the hedging guidance in Section 1650 – “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

#### (d) Impact upon Adoption of Sections 1530, 3855, and 3865

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

#### Future Accounting Changes

Capital Disclosure and Financial Instruments – Disclosure and Presentation.

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – “Capital Disclosures”, Handbook Section 3862 – “Financial Instruments – Disclosure” and Handbook Section 3863 – “Financial Instruments – Presentation”. These new standards are effective for interim and annual financial statements for the Company’s reporting period beginning January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 – “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extend of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

## 2. Cash and Cash Equivalents

The balance at June 30, 2007 of \$7.8 million (2006 - \$5.9 million) includes \$1.4 million (2006 - \$4.8 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. Restricted Cash

The Company has made payments to *Saskatchewan Industry and Resources* for deficient exploration expenditures on some of its mineral properties. The Company will apply for a refund from the government of Saskatchewan as it incurs the exploration expenditures for which this restricted reserve was created.

**Uranium City Resources Inc.**

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

**For the 6 months ended June 30, 2007 and  
For the 6 months ended June 30, 2006**

**4. Mineral Properties and Deferred Expenditures**

	<b>June 30, 2007</b>	December 31, 2006
	<b>\$</b>	<b>\$</b>
	<i><b>Unaudited</b></i>	<i>Audited</i>
<b>Mineral Properties</b>		
Balance at beginning of period	<b>504,698</b>	497,698
Acquisitions costs	<b>14,319</b>	7,000
Balance at end of period	<b>519,017</b>	504,698
<b>Deferred Exploration Expenditures</b>		
Balance, beginning of period	<b>4,602,592</b>	1,776,112
Deferred exploration expenditures	<b>1,090,548</b>	2,826,480
Balance at end of period	<b>5,693,140</b>	4,602,592
	<b>6,212,157</b>	5,107,290

**5. Capital Assets**

<b>As at</b>	<b>June 30, 2007</b>		<b>December 31, 2006</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	569,755	39,568	79,152	7,915
Equipment	239,906	31,528	197,338	36,980
Office furniture, fixtures and equipment	120,178	34,148	19,834	1,449
	<b>931,639</b>	105,244	298,124	46,344
<b>Net Book Value</b>	<b>826,395</b>		251,780	

**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

## Uranium City Resources Inc.

### Notes to the Financial Statements (Unaudited)

For the 6 months ended June 30, 2007 and  
For the 6 months ended June 30, 2006

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 \$12,307 (2006 - \$19,308) and \$51,721 (2006 - \$27,405), respectively.

In addition to the GLR management fees noted above, these financial statements also include \$4,900 (2005 - \$24,600) and \$129,000 (2006 - \$47,748) 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.

#### 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	\$
<b>Balance at December 31, 2005</b>	<b>23,878,252</b>	<b>2,842,237</b>
Deemed exercise of warrants	4,380,300	1,259,899
Issued for cash:		
Regular units	5,614,286	1,965,000
Flow-through units	7,187,500	2,875,000
Issue costs of shares issued	-	(345,134)
Warrants exercised	432,292	128,502
Value transfer of exercised warrants	-	26,292
Fair value of issued warrants	-	(889,000)
Future income taxes	-	(1,038,000)
<b>Balance at December 31, 2006</b>	<b>37,112,330</b>	<b>5,564,897</b>
Issued for cash:		
Private placement (net of costs of issuance)	12,385,829	6,028,929
Options exercised	100,000	42,000
Warrants exercised	1,395,973	604,481
Value transfer of exercised options and warrants	-	180,779
<b>Balance at June 30, 2007</b>	<b>50,994,132</b>	<b>12,421,086</b>

## Uranium City Resources Inc.

### Notes to the Financial Statements (Unaudited)

For the 6 months ended June 30, 2007 and  
For the 6 months ended June 30, 2006

#### 2007

During the 6 months ended June 30, 2006, the Company completed a brokered private placement of 1,612,246 units at \$0.49 per unit (a "Unit") and 10,773,583 flow-through units at \$0.53 per unit (a "Flow-through Unit") for total gross proceeds of \$6.5 million. Each Unit and Flow-through Unit consisted of 1 common share of the Company together with 1 share purchase warrant (a "Warrant"). Each Warrant is exercisable into 1 common share of the Company until May 25, 2009 for \$1.00. In addition, the agent was paid a cash commission equal to 7% of the gross proceeds and was granted 1,114,724 agent units (each an "Agent Unit"). Each Agent Unit is exercisable at a price of \$0.49 until May 25, 2009 and consists of one common share of the Company together with one Warrant.

The Company also raised proceeds of \$42,000 and \$604,481 with the exercise of 100,000 options and 1,395,973 warrants, respectively.

#### 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.

#### Outstanding Issued Warrants -

The outstanding Issued Warrants balance at June 30, 2007, is comprised of the following items:

Date of Expiry	Type	No. of Warrants	Exercise Price \$
September 12, 2007	Broker Warrant	459,512	0.55
September 12, 2007	Broker Unit Warrant	631,466	0.55
September 12, 2007	Unit Warrant (regular issue)	1,368,606	0.55
September 12, 2007	Unit Warrant (flow-through issue)	4,358,345	0.60
October 20, 2007	Warrant (regular issue)	1,929,751	0.45
October 20, 2007	Warrant (flow-through issue)	3,593,750	0.45
October 20, 2007	Agent's Warrant	490,385	0.35

## Uranium City Resources Inc.

### Notes to the Financial Statements (Unaudited)

**For the 6 months ended June 30, 2007 and  
For the 6 months ended June 30, 2006**

May 25, 2009	Warrant (regular issue)	10,773,583	1.00
May 25, 2009	Warrant (flow-through issue)	1,612,246	1.00
May 25, 2009	Agent's Unit	1,114,724	0.49
May 25, 2009	Agent's Warrant	1,114,724	1.00
<b>Total</b>		<b>27,447,092</b>	<b>0.75</b>

The following table provides additional information about outstanding issued warrants at June 30, 2007.

Range of Exercise Prices (\$)	No. of Warrants Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price(\$)
0.25 - 0.50	7,128,610	0.6	0.45
0.51 - 0.65	6,817,929	0.2	0.58
0.66 – 1.00	13,500,553	1.9	1.00
	<b>27,447,092</b>	<b>1.1</b>	<b>0.75</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:

	June 30, 2007		December 31, 2006	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period	0.43	2,585,000	0.42	2,185,000
Transactions during the period:				
Granted	0.50	1,950,000	0.48	400,000
Exercised	0.42	(100,000)	-	-
Forfeited	-	-	-	-
Expired	0.43	(700,000)	-	-
<b>Outstanding at end of period</b>	<b>0.47</b>	<b>3,735,000</b>	<b>0.43</b>	<b>2,585,000</b>
<b>Exercisable at end of period</b>	<b>0.47</b>	<b>3,735,000</b>	<b>0.43</b>	<b>2,585,000</b>

The following table provides additional information about outstanding stock options at June 30, 2007.

**Uranium City Resources Inc.**

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

**For the 6 months ended June 30, 2007 and  
For the 6 months ended June 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	2.7	0.36
0.41 - 0.50	3,385,000	3.3	0.47
0.51 - 0.75	250,000	3.8	0.52
	<b>3,735,000</b>	<b>3.3</b>	<b>0.47</b>

**8. Contributed Surplus**

A summary of the changes in the Company's contributed surplus as at June 30, 2007, is set out below:

	Amount (\$)
<b>Balance at January 1, 2006</b>	<b>2,003,000</b>
Fair value of issued warrants	889,000
Value transfer of warrants exercised	(26,292)
Stock-based compensation	186,000
<b>Balance at December 31, 2006</b>	<b>3,051,707</b>
Value transfer of exercised warrants and options	(180,779)
Stock-based compensation	810,013
<b>Balance at June 30, 2007</b>	<b>3,680,941</b>

**9. 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, 2007 (\$)	%	As at December 31, 2006 (\$)	%
<b>Income taxes at statutory rates</b>	<b>(391,384)</b>	<b>(36.1)</b>	(276,550)	(36.1)
Financing fees deductible for tax purposes	-	-	(307,200)	(40.1)
Non-deductible expenses for tax purposes:				
Stock-based compensation	292,415	27.0	67,150	8.8
Other	-	-	(2,400)	(0.3)
<b>Future income taxes recoverable</b>	<b>(98,969)</b>	<b>(9.1)</b>	(519,000)	(67.7)

Uranium City Resources Inc.

Notes to the Financial Statements (Unaudited)

For the 6 months ended June 30, 2007 and  
For the 6 months ended June 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, 2007 and December 31, 2006, are:

	<b>2007</b>	<b>2006</b>
	<b>(\$)</b>	<b>(\$)</b>
<b><i>Future tax asset:</i></b>		
Opening balance	<b>(716,000)</b>	(197,000)
Net loss before future income tax recovery capitalized as part of exploration expenditures for income tax purposes	<b>(98,969)</b>	(519,000)
Ending balance	<b>(814,969)</b>	(716,000)
<b><i>Future tax liability:</i></b>		
Opening balance	<b>2,000,000</b>	962,000
Foregone future tax savings from renunciation of Canadian Exploration Expenditures to flow-through warrants subscribers	<b>836</b>	1,038,000
Ending balance	<b>2,000,836</b>	2,000,000
<b><i>Future Income Tax Liability</i></b>	<b>1,185,867</b>	1,284,000