

UNIVERSAL URANIUM LTD.

FINANCIAL STATEMENTS

September 30, 2006 and 2005

D E V I S S E R G R A Y

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Universal Uranium Ltd.

We have audited the balance sheet of Universal Uranium Ltd. as at September 30, 2006 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at September 30, 2005 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report to the shareholders dated January 27, 2006.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

January 18, 2007

UNIVERSAL URANIUM LTD.
BALANCE SHEETS
As at September 30,

	2006 \$	2005 \$
A S S E T S		
Current assets		
Cash and deposits	3,447,508	293,529
Amounts receivable	15,969	26,361
Security deposits	34,670	23,000
Due from related party	-	12,729
Prepaid expense	29,062	2,504
	3,527,209	358,123
Equipment (Note 3)	50,482	29,508
Mineral properties (Note 4)	5,979,816	1,989,781
Reclamation bond (Note 4)	99,948	-
	9,657,455	2,377,412

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	359,979	40,108

SHAREHOLDERS' EQUITY

Share capital (Note 5)	14,396,515	7,027,925
Contributed surplus (Note 5)	1,606,078	665,500
Deficit	(6,705,117)	(5,356,121)
	9,297,476	2,337,304
	9,657,455	2,377,412

Continuing operations (Note 1)

Subsequent events (Note 7)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

The accompanying notes are an integral part of these financial statements.

UNIVERSAL URANIUM LTD.
STATEMENTS OF LOSS AND DEFICIT
For the Years Ended September 30,

	2006	2005
	\$	\$
	<u> </u>	<u> </u>
General and administrative expenses:		
Amortization	11,701	9,366
Bank charges	1,936	1,069
Consulting fees	120,586	74,311
Corporate and administration fees	13,625	8,427
Directors' fees	12,000	-
Filing and transfer agent fees	77,146	39,345
Legal & accounting fees	54,372	62,448
Management fees	114,280	80,000
Office rent, services and supplies	58,859	27,289
Property investigation	3,148	1,979
Salaries and Benefits	76,077	16,414
Shareholders' communication & promotion	313,895	59,092
Travel, meals & entertainment	99,373	37,972
	<u>(956,998)</u>	<u>(417,712)</u>
Other (expenses):		
Interest income	36,026	734
Investment income	42,557	-
Foreign exchange gain (loss)	<u>(293)</u>	<u>(584)</u>
Loss before other items	(878,708)	(417,562)
Other items:		
Stock-based compensation	(452,500)	(665,500)
Write-off of mineral property costs	-	(272,500)
Write-off of uncollectible GST receivable	<u>(17,788)</u>	<u>-</u>
Net loss for the year	(1,348,996)	(1,335,562)
Deficit - beginning of the year	(5,356,121)	(4,000,559)
Deficit - end of the year	<u><u>(6,705,117)</u></u>	<u><u>(5,356,121)</u></u>
Loss per share	<u><u>(0.05)</u></u>	<u><u>(0.09)</u></u>
Weighted average – number of shares outstanding	<u><u>27,342,135</u></u>	<u><u>15,179,726</u></u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL URANIUM LTD.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30,

	2006 \$	2005 \$
Cash provided by (used for):		
Operating Activities		
Net loss for the year	(1,348,996)	(1,355,562)
Adjustment which do not affect cash:		
Amortization	11,701	9,366
Stock-based compensation	452,500	665,500
Write-down of mineral property costs	-	272,500
Write-off of uncollectible prior years' GST	17,788	-
	(867,007)	(408,196)
Net changes in non-cash working capital items:		
Amounts receivable	(7,396)	(13,738)
Prepays	(26,558)	105,796
Accounts payable	122,150	34,097
	(778,811)	(282,041)
Financing Activities		
Issue of share capital	7,613,237	1,171,400
Share issue costs	(625,144)	-
Repayment (advance) of related party loan	12,729	(207,657)
	7,000,822	963,743
Investing Activities		
Mineral property costs	(2,923,739)	(377,781)
Reclamation bonding	(99,948)	-
Equipment purchased	(32,675)	(35,597)
Security deposits	(11,670)	(17,250)
	(3,068,032)	(432,628)
Increase in cash	3,153,979	249,074
Cash - beginning of year	293,529	44,455
Cash - end of year	3,447,508	293,529
Supplementary disclosures:		
Interest income received	36,026	734
Investment income received	42,557	-

Refer also to Notes 4 and 5 for disclosure of common shares issued pursuant to the terms of mineral property acquisition agreements and for share issuance costs.

The accompanying notes are an integral part of these financial statements.

UNIVERSAL URANIUM LTD.
Consolidated Schedule of Deferred Mineral Property Costs

	Costs incurred during the year ended September 30, 2005 \$	Additions during the current year \$	Deferred balance, September 30, 2006 \$
Lisbon Valley			
Acquisition costs	1,829,492	56,080	1,885,572
Exploration costs			
Assays and sampling	-	802	802
Claims and staking maintenance	46,358	53,657	100,015
Consultants	49,469	52,224	101,693
Drilling	-	1,036,617	1,036,617
Field work	686	67,980	68,666
Field office and administration	2,880	22,253	25,133
Geophysical	-	38,460	38,460
Legal	37,345	22,760	60,105
Maps and reports	6,730	2,755	9,485
Reclamation costs	-	30,512	30,512
Site visits	9,422	23,126	32,548
Vehicle rental	7,399	21,994	29,393
	1,989,781	1,429,220	3,419,001
Silver Spruce (Labrador)			
Acquisition costs	-	45,000	45,000
Exploration costs			
Claims staking and maintenance	-	150,431	150,431
Contract magnetics	-	274,864	274,864
Drafting and mapping	-	5,355	5,355
Field work and supplies	-	52,188	52,188
Field administration	-	5,111	5,111
SSR – management fees	-	53,876	53,876
Radiometrics	-	278,980	278,980
Transport (mobilization)	-	11,965	11,965
	-	877,770	877,770
Artillery (Mohave)			
Acquisition costs	-	1,156,585	1,156,585
Exploration costs			
Claims staking and recording	-	23,294	23,294
Consultants	-	6,302	6,302
Field administration	-	7,179	7,179
Legal	-	39,459	39,459
	-	1,232,819	1,232,819

The accompanying notes are an integral part of these financial statements.

UNIVERSAL URANIUM LTD.
Consolidated Schedule of Deferred Mineral Property Costs

	Costs incurred during the year ended September 30, 2005 \$	Additions during the current year \$	Deferred balance, September 30, 2006 \$
Jamestown/Marshall Pass			
Acquisition costs	-	22,600	22,600
Deferred expenses	-	-	-
Claims staking and maintenance	-	21,701	21,701
Consultants	-	2,866	2,866
Drafting and mapping	-	953	953
Field administration	-	412	412
Field work and supplies	-	12,794	12,794
	<u>-</u>	<u>61,326</u>	<u>61,326</u>
Tripple Uranium properties			
Advances	-	56,111	56,111
Air Charters	-	42,532	42,532
Claims and maintenance	-	98,172	98,172
Consultants	-	57,113	57,113
Equipments and tools	-	14,151	14,151
Field administration	-	9,667	9,667
Field work and supplies	-	25,034	25,034
Site visits	-	23,831	23,831
Sub-contracts	-	31,179	31,179
Wages and labour	-	31,110	31,110
	<u>-</u>	<u>388,900</u>	<u>388,900</u>
TOTAL MINERAL PROPERTY COSTS	<u>1,989,781</u>	<u>3,990,035</u>	<u>5,979,816</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL URANIUM LTD.
Notes to Financial Statements
September 30, 2006 and 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in the Province of British Columbia and its principal business activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$6.7 million at September 30, 2006. The ability of the Company to continue as a going-concern depends upon its capacity in the near-term to raise additional equity financing and ultimately to develop profitable commercial operations.

There can be no assurance that the company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of expenses incurred during the period. Actual results could differ from those estimates.

Financial Instruments

The Company's financial instruments consist of current assets and current liabilities the fair values of which approximate their carrying amounts due to the short-term nature of these instruments.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of share issuance.

Stock-based Compensation

The Company follows the Recommendations of the Canadian Institute of Chartered Accountants ("CICA") for the recognition of stock-based compensation which requires that all stock option-based awards made to consultants and employees be recognized and measured using a fair value-based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital and the related contributed surplus originally recognized when the options were granted, is transferred to share capital.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Mineral Properties

The Company records its interests in mineral properties and all direct expenditures incurred on them at cost. All direct and indirect costs relating to the acquisition of these properties are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production or charged to operations in the year of abandonment or sale. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral properties is based on cash paid, the value of any common share consideration issued and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Equipment

Equipment consists of office and computer equipment which is recorded at cost and amortized over its estimated useful economic life on the declining-balance basis at the rates of 20% and 30% per annum.

Asset Retirement Obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustment will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates. At September 30, 2006, the Company does not have any determinable asset retirement obligations.

Income taxes

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is anti-dilutive and is not disclosed.

Translation of Foreign Currencies

The Company translates the results of foreign operations as follows; monetary items are translated at the rate of exchange in effect at the balance sheet date, non-monetary items at average rates in effect during the period in which they are incurred and expenses are translated at average rates in effect during the period, except for amortization, which is translated using historical rates. Gains and losses resulting from the translation of foreign exchange rates are included in the determination of income.

3. EQUIPMENT

	Year ended September 30, 2006		
	Cost	Accumulated	Net
	\$	\$	\$
Computer equipment	25,343	11,492	13,851
Office equipment	46,694	11,335	35,359
Leasehold improvements	2,114	842	1,272
	<u>74,151</u>	<u>23,669</u>	<u>50,482</u>

	Year ended September 30, 2005		
	Cost	Accumulated	Net
	\$	\$	\$
Computer equipment	17,795	6,649	11,146
Office equipment	23,682	5,320	18,362
	<u>41,477</u>	<u>11,969</u>	<u>29,508</u>

4. MINERAL PROPERTIES

Lisbon Valley

San Juan County, Utah, USA

The Company has an option to acquire a 100% interest in two mining lease agreements comprising 302 unpatented lode mining claims, which will be acquired by the reimbursement of \$156,735 in previous acquisition costs (paid), the issue of 3,500,000 shares (issued) and the payment of US\$400,000 (50,000 paid) prior to production and the requirement to pay a minimum of US\$100,000 per year once production is attained, which is to be credited against sliding scale royalty based upon the value of uranium recovered. Annual fees of approximately US\$40,000 are also due to government agencies.

A reclamation bond of \$99,948 (US\$84,000) has been posted with the State of Utah.

Silver Spruce Properties, Labrador, Canada

On January 18, 2006 the Company optioned from Silver Spruce Resources (SSE) the right to earn a majority interest in a 4,963 claim property (approximately 124,000 hectares / 300,000 acres), located in the Central Mineral Belt (CMB) of Labrador, Canada. Under the terms of the agreement, Universal can earn a 60-per-cent interest by spending \$2-million on exploration over a three year period, with a minimum of \$500,000 to be incurred in the first year (spent) and \$750,000 in each of the following two years. During the earn-in period SSE will be the operator.

The Company paid a \$45,000 finder's fee to an arms-length third party.

4. MINERAL PROPERTIES (continued)

Artillery Peak Mohave County, Arizona, USA

On February 14, 2006, the Company announced that it had acquired an option to purchase a 100% interest in 36 unpatented lode mining claims, under the following terms:

Date	Cash \$	Shares	Exploration Commitment \$
Execution	100,000 (paid)	150,000 (issued)	
April 18, 2006	150,000 (paid)	500,000 (issued)	
February 20, 2007	200,000	500,000	250,000
February 20, 2008	250,000	850,000	750,000
February 20, 2009	600,000	1,000,000	1,750,000
February 20, 2010			3,000,000
	<u>1,300,000</u>	<u>3,000,000</u>	<u>5,750,000</u>

The Company is also to issue 1,000,000 non-transferable share purchase warrants to purchase 1,000,000 common shares at \$0.88 per share prior to February 20, 2009 (issued) and to pay a royalty of 3% on production, although the Company retains an option to reacquire 1% of the royalty for \$1,500,000. The Company has also subsequently staked an additional 36 contiguous claims comprising 1,647 acres.

Jamestown & Marshall Pass Sacuache and Boulder County, Colorado, USA

On September 1, 2006, the Company acquired an option to purchase a 100% interest in 88 unpatented lode mining claims by the initial payment of US\$30,000 (paid) and issue of 67,000 shares (issued). Under the option, the Company will also pay US\$30,000 upon receipt of a drilling permit and issue of 66,500 common shares within six months. Annual property payments of US\$10,000 are due on each anniversary date of the agreement for the first five year period, with annual US\$40,000 amounts payable between the sixth and tenth anniversary dates. The Company is also required to incur US\$400,000 in exploration work on the property within three years.

Subsequent to September 30, 2006, the Company optioned a 60% interest in this property in consideration for cash payments of \$100,000 over three years, the issuance of 1.2 million common shares of the optionee company and the completion of US\$1.1 million of exploration work within three years of the date of the option.

Tripple Uranium properties, Central Mineral Belt Labrador, Canada

On September 13, 2006, the Company acquired an option to earn a 60% interest in 2,727 claims (comprising approximately 165,000 acres) by initially reimbursing 60% of staking costs incurred of \$98,172 (paid), issuing 250,000 common shares (issued), and spending a total of \$1,050,000 on exploration over a three year period as follows: \$200,000 the first year (incurred), \$350,000 the second year and \$500,000 in the third year. In connection with this agreement the Company also must issue an additional 350,000 shares within ten days after the company's shares trade above \$0.75 for twenty consecutive trading days.

5. SHARE CAPITAL

a) Authorized: Unlimited number of common shares

b) Issued and outstanding:

	2006		2005	
	Number of Shares	\$	Number of Shares	\$
Balance, beginning of year	20,037,932	7,027,925	11,687,218	4,246,525
Issued for cash:				
Private placements	11,037,499	7,572,875	3,350,714	796,400
Options exercised	175,000	43,000	-	-
Warrants exercised	97,443	58,994	1,500,000	375,000
Issued for mineral properties	650,000	525,000	3,500,000	1,610,000
Finder's fee	146,210	93,575	-	-
Financing issue costs				
Agents' commissions	-	(515,542)	-	-
Broker warrants	-	(238,078)	-	-
Finders' fees	5,409	(16,632)	-	-
Finance fees	25,000	(45,000)	-	-
Legal fees & other costs	-	(109,602)	-	-
Balance, end of year	32,174,493	14,396,515	20,037,932	7,027,925

c) Stock options:

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	Sept. 30, 2005	Granted	Exercised	Expired / Cancelled	Sept. 30, 2006
12/29/2009	0.20	1,100,000	-	(150,000)	-	950,000
8/15/2010	0.52	150,000	-	-	(150,000)	-
9/10/2010	0.52	3,500	-	-	-	3,500
6/21/2011	0.52	750,000	-	(25,000)	-	725,000
1/16/2011	0.71	-	230,000	-	(40,000)	190,000
5/08/2011	0.67	-	260,000	-	-	260,000
6/13/2011	0.67	-	740,000	-	(100,000)	640,000
7/21/2011	0.67	-	100,000	-	-	100,000
		2,003,500	1,330,000	(175,000)	(290,000)	2,868,500
Weighted average exercise price		0.34	0.68	0.25	0.60	0.48

At September 30, 2006 the weighted-average remaining useful life of outstanding stock options was 5.0 years.

** no stock options were outstanding at September 30, 2004*

5. **SHARE CAPITAL** (continued)

c) Stock options: (continued)

The exercise prices of all share purchase options granted during the year were equal to the market price at the grant date. Using an option pricing model with the assumption noted below, the estimated fair value of all options granted during the 2005 and 2004 have been reflected in the statements of operations as follows:

	Years ended September 30,	
	2006	2005
	\$	\$
Exploration		
Engineering	-	-
Environmental, socioeconomic and land	-	-
Geological	85,450	424,750
Operations and administration	367,050	240,750
Total compensation cost recognized in operations, credited to contributed surplus	452,500	665,500

The weighted average assumptions used to estimate the fair value of options granted during the period were:

	2006	2005
Risk-free interest rate	4.5	4.5
Expected life	5	5
Vesting period	-	-
Expected volatility	70.5 %	143 %
Expected dividend yield	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

e) Contributed Surplus

Contributed Surplus, September 31, 2004	\$	Nil
Changes during 2005		
Non-cash stock-based compensation		665,500
Contributed surplus, September 31, 2005		665,500
Changes during 2006		
Non-cash stock-based compensation		452,500
Fair value of vendor warrants allocated to Mohave mineral property		250,000
Fair value of broker warrants issued for private placements		238,078
Contributed surplus, September 31, 2006		1,606,078

5. **SHARE CAPITAL (continued)**

f) Share purchase warrants

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	Granted	Exercised	Sept. 30, 2005	Granted	Exercised	Expired / Cancelled	Sept. 30, 2006
8/03/2005	0.25	1,500,000	(1,500,000)	-	-	-	-	-
10/03/2005	0.70	350,714	-	350,714	-	(36,000)	(314,714)	-
10/18/2006	0.55	-	-	-	1,140,201	(61,443)	-	1,078,758
3/01/2006	0.88	-	-	-	1,000,000	-	-	1,000,000
3/06/2008	1.00	-	-	-	3,067,832	-	-	3,067,832
3/06/2008	1.00	-	-	-	25,000	-	-	25,000
3/08/2008	0.75	-	-	-	613,566	-	-	613,566
4/28/2008	1.00	-	-	-	1,313,417	-	-	1,313,417
4/28/2008	0.75	-	-	-	262,683	-	-	262,683
		1,850,714	(1,500,000)	350,714	7,422,699	(97,443)	(314,714)	7,361,256
Weighted average exercise price		0.34	.25	.70	0.89	0.61	0.70	0.89

6. **INCOME TAXES**

The Company has various mineral property cost and loss carryforward pools which, at September 30, 2006 and subsequent to year end, are in the process of being verified with regulatory authorities, but which are expected to exceed the current carrying amount of deferred property costs. Accordingly, the Company believes that no liabilities for future income taxes exist in respect to deferred property costs and that it instead has net future tax assets at September 30, 2006. Such tax assets would not be recognized due to the fact that their future realization is not considered to be more likely than not. The details of the unrecognized net tax assets will be disclosed upon their substantiation with Canadian taxation authorities.

7. **SUBSEQUENT EVENTS**

In addition to items described elsewhere in these notes, the following has occurred since September 30, 2006:

- On October 18, 2006, 1,078,758 share purchase warrants with an exercise price of \$0.55 expired unexercised
- On November 15, 2006, the Company announced the granting of 200,000 incentive stock options to a director and a consultant at an exercise price of \$0.46 per share. These options have a fair value of \$75,000.
- The Company completed a brokered private placement financing by issuing 2,700,000 flow through shares at \$0.75 per share. The Company paid a cash commission of 7.5% of gross proceeds and issued the Agent 25,000 common shares and 270,000 share purchase options exercisable at \$0.75 for a period of one year.
- The Company signed an option agreement with UraniumCore Company (OTCBB: UCCO) whereby UraniumCore can earn a 60% interest in the Company's 88 unpatented claims in Colorado by payment to the Company of \$100,000 over three years, issuing to the Company 1,200,000 shares of UraniumCore and performing \$1,100,000 on exploration over three years.