

Interim Financial Statements of

URACAN RESOURCES LTD.

Three and nine month periods ended
April 30, 2010 and 2009
(Unaudited)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, the Company discloses that its auditors have not reviewed the Company's unaudited financial statements for the three and nine month periods ended April 30, 2010 and 2009.

URACAN RESOURCES LTD.
Balance Sheets
(Unaudited)

	April 30, 2010	July 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 2,965,767	\$ 270,483
Short-term investments	-	2,506,000
Receivables	721,414	263,480
Prepays and deposits	107,946	8,567
	<u>3,795,127</u>	<u>3,048,530</u>
Property, plant and equipment (Note 3)	123,136	150,900
Equipment under capital lease (Note 4)	27,330	34,162
Mineral properties (Note 5)	<u>23,838,946</u>	<u>22,084,251</u>
	<u>\$ 27,784,539</u>	<u>\$ 25,317,843</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 316,028	\$ 1,975,949
Current portion of obligation under capital lease (Note 6)	5,854	21,764
	<u>321,882</u>	<u>1,997,713</u>
Future income tax liability (Note 10)	3,080,781	2,099,125
Asset retirement obligation	<u>50,000</u>	<u>50,000</u>
	<u>3,452,663</u>	<u>4,146,838</u>
Shareholders' equity		
Share capital (Note 7(b))	25,242,115	21,821,479
Contributed surplus (Note 7(b))	5,972,946	5,151,109
Deficit	<u>(6,883,185)</u>	<u>(5,801,583)</u>
	<u>24,331,876</u>	<u>21,171,005</u>
	<u>\$ 27,784,539</u>	<u>\$ 25,317,843</u>

Nature of operations and going concern (Note 2)
Subsequent events (Note 7(d))

Approved by the Board of Directors:

"Gordon Keep" Director

"Jay Sujir" Director

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Statements of Operations, Comprehensive Loss and Deficit
(Unaudited)

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2010	2009	2010	2009
Expenses				
Consulting	\$ 105,500	\$ 82,503	\$ 311,817	\$ 252,568
Depreciation	14,534	14,598	42,824	43,337
Interest and penalties	18,132	92,867	(32,176)	109,699
Marketing and advertising	39,819	9,888	143,210	33,309
Office and administration	74,249	58,811	194,247	160,075
Professional fees	37,118	54,326	78,950	99,115
Recruitment fees	-	-	-	72,000
Regulatory and transfer agent	13,994	14,929	21,006	20,822
Repairs and maintenance	-	-	3,672	-
Salaries and benefits	22,854	51,871	130,201	157,763
Shareholder services	28,845	51,860	103,899	140,022
Stock-based compensation (Note 7(c))	310,755	3,197	329,445	543,773
Travel, meals and entertainment	20,349	34,317	31,777	50,431
	<u>686,149</u>	<u>469,167</u>	<u>1,358,872</u>	<u>1,682,914</u>
Other Items				
Interest income	5,087	10,239	9,588	35,389
Loss on disposal of equipment	-	-	-	(8,334)
Write-off of leasehold improvements (Note 9)	-	-	-	(26,396)
Write-off of deferred rent (Note 9)	-	-	-	18,292
	<u>(681,062)</u>	<u>(458,928)</u>	<u>(1,349,284)</u>	<u>(1,663,963)</u>
Loss before income taxes				
Future income tax recovery (Note 10)	98,870	85,593	267,682	305,952
	<u>(582,192)</u>	<u>(373,335)</u>	<u>(1,081,602)</u>	<u>(1,358,011)</u>
Net loss and comprehensive loss for the period				
Deficit, beginning of period	<u>(6,300,993)</u>	<u>(5,095,607)</u>	<u>(5,801,583)</u>	<u>(4,110,931)</u>
Deficit, end of period	<u>\$ (6,883,185)</u>	<u>\$ (5,468,942)</u>	<u>\$ (6,883,185)</u>	<u>\$ (5,468,942)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>108,203,589</u>	<u>90,971,257</u>	<u>101,635,228</u>	<u>83,387,578</u>

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Statements of Cash Flows
(Unaudited)

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net loss for the period	\$ (582,192)	\$ (373,335)	\$ (1,081,602)	\$ (1,358,011)
Items not involving cash:				
Consulting	-	-	-	25,763
Depreciation	14,534	14,598	42,824	43,337
Future income taxes	(98,870)	(85,593)	(267,682)	(305,952)
Loss on sale of property, plant and equipment	-	-	-	8,334
Shareholder services	727	13,852	20,483	25,966
Stock-based compensation	310,755	3,197	329,445	543,773
Write-off of leasehold improvements	-	-	-	26,396
Write-off of deferred rent	-	-	-	(18,292)
Changes in non-cash working capital items:				
Receivables	241,802	(113,631)	(457,934)	155,103
Prepays and deposits	(65,559)	5,644	(99,379)	90,050
Accounts payable and accrued liabilities	(35,141)	1,543,804	(1,885,971)	(1,004,899)
Cash provided by (used in) operating activities	<u>(213,944)</u>	<u>1,008,536</u>	<u>(3,399,816)</u>	<u>(1,768,432)</u>
FINANCING ACTIVITIES				
Issuance of shares	-	-	5,094,700	5,727,500
Share issue costs	-	-	(47,817)	(373,401)
Cash provided by financing activities	<u>-</u>	<u>-</u>	<u>5,046,883</u>	<u>5,354,099</u>
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	(17,321)	(8,227)	(168,599)
Recovery of property, plant and equipment previously written off	-	-	-	35,000
Proceeds on sale of property, plant and equipment	-	-	-	2,500
Purchase of short-term investments	-	(4,506,000)	-	(4,506,000)
Proceeds on redemption of short-term investments	-	500,000	2,506,000	500,000
Equipment under capital lease, net	(5,570)	(4,565)	(15,910)	(13,039)
Mineral property costs, net of accounts payable	(1,183,935)	(2,291,986)	(3,223,073)	(4,498,185)
Recovery of mineral property costs	882,508	2,664,629	1,789,427	4,019,314
Cash Provided by (used in) investing activities	<u>(306,997)</u>	<u>(3,655,243)</u>	<u>1,048,217</u>	<u>(4,629,009)</u>
Change in cash during the period	(520,941)	(2,646,707)	2,695,284	(1,043,342)
Cash and cash equivalents, beginning of period	3,486,708	2,657,232	270,483	1,053,867
Cash and cash equivalents, end of period	<u>\$ 2,965,767</u>	<u>\$ 10,525</u>	<u>\$ 2,965,767</u>	<u>\$ 10,525</u>
Cash and cash equivalents is comprised of:				
Cash	\$ 165,647	\$ 10,525	\$ 165,647	\$ 10,525
Short-term deposits	2,800,120	-	2,800,120	-
	<u>\$ 2,965,767</u>	<u>\$ 10,525</u>	<u>\$ 2,965,767</u>	<u>\$ 10,525</u>
Interest paid	\$ -	\$ 28,158	\$ -	\$ 44,990
Taxes paid	\$ -	\$ -	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 13)

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the three and nine month periods ended April 30, 2010 and 2009
(Unaudited)

1. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

The interim period financial statements of Uraacan Resources Ltd. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars. The preparation of interim financial statements is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. These interim period statements are unaudited and should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Recent Accounting Pronouncements

- (i) In December 2008, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, while section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted.

2. NATURE OF OPERATIONS AND GOING CONCERN

Uraacan Resources Ltd. (the "Company") was originally incorporated as 583860 B.C. Ltd. in the province of British Columbia on April 21, 1999. The Company changed its name to UFM Ventures Ltd. on March 4, 2004 and to Uraacan Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of properties in the uranium industry, with a focus in Quebec and Saskatchewan. The Company has not generated revenues from operations and is considered to be in the exploration stage.

While these financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions that cast significant doubt on the validity of this assumption. As at April 30, 2010, the Company had working capital of \$3,473,245. The Company has incurred negative cash flows from operations, recorded a loss of \$1,081,602 for the nine months ended April 30, 2010 and had an accumulated deficit of \$6,883,185 as at April 30, 2010. In addition to its ongoing operating requirements, the Company must secure sufficient funding for existing commitments including minimum exploration expenditures amounting to approximately \$4.0 million over a period ending August 28, 2013.

URACAN RESOURCES LTD.
Notes to the Financial Statements
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2. NATURE OF OPERATIONS AND GOING CONCERN (continued)

The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund ongoing operating expenditures and the Company's development plan. These interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes information about the Company's property, plant and equipment:

	April 30, 2010		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 49,405	\$ 32,017	\$ 17,388
Furniture and fixtures	100,717	33,800	66,917
Office equipment	15,376	6,736	8,640
Leasehold improvements	4,684	1,060	3,624
Exploration equipment	46,775	20,208	26,567
	<u>\$ 216,957</u>	<u>\$ 93,821</u>	<u>\$ 123,136</u>
	July 31, 2009		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 41,178	\$ 20,958	\$ 20,220
Furniture and fixtures	100,717	18,692	82,025
Office equipment	15,376	4,430	10,946
Leasehold improvements	4,684	558	4,126
Exploration equipment	46,775	13,192	33,583
	<u>\$ 208,730</u>	<u>\$ 57,830</u>	<u>\$ 150,900</u>

4. EQUIPMENT UNDER CAPITAL LEASE

The following table summarizes information about the Company's equipment under capital lease:

	April 30, 2010	July 31, 2009
Equipment (cost)	\$ 45,550	\$ 45,550
Accumulated depreciation	<u>(18,220)</u>	<u>(11,388)</u>
Net book value	<u>\$ 27,330</u>	<u>\$ 34,162</u>

The equipment under capital lease is amortized on a straight-line basis over its economic life of 5 years.

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5. MINERAL PROPERTIES

North Shore Properties (Quebec)

On July 27, 2006, the Company signed an option agreement with Sheridan Platinum Group Limited ("Sheridan") whereby the Company purchased a 100% interest in the Lac Turgeon, Wee Gee, Pontbriand and Costabelle properties (the "North Shore Properties") located along the Quebec North Shore of the Gulf of St. Lawrence (the "Acquisition"). The Company paid Sheridan \$2,000,000 and issued Sheridan 350,000 common shares of the Company. The Company granted Sheridan a Net Smelter Royalty ("NSR") of 3% in the first 2 years after commencement of commercial production, increasing to 5% thereafter. With a payment of \$3,000,000 within the first 30 days after commencement of commercial production, the Company has the right to reduce the NSR to 1.5% for the entire term. Effective January 1, 2008, the Company began making advance royalty payments of \$25,000 per quarter. As at April 30, 2010, the Company had paid Sheridan a total of \$275,000 in advance royalty payments.

Saskatchewan Properties

a) Pipewrench Lake and Narrows Lake Properties

In 2006, the Company staked two claim blocks in the Pipewrench Lake and Narrows Lake areas in Saskatchewan. The Company has a 100% interest in these properties.

b) Foster Lake Property

On August 5, 2008, the Company entered into an option agreement with Bonaventure Enterprises Inc. ("Bonaventure") whereby the Company can acquire up to a 75% interest in a number of mineral claims in northern Saskatchewan (the "Foster Lake Property"). In order to earn its 75% interest, the Company must:

- make staged payments to Bonaventure totaling approximately \$299,000 over a three year period, which was reduced from \$870,000 during the year ended July 31, 2009 as the Company allowed certain non-core claims to lapse;
- issue a total of 1,250,000 common shares of the Company to Bonaventure over a four year period; and
- incur a minimum of \$5,000,000 in exploration expenditures on the Foster Lake Property over a period of five years.

As at April 30, 2010, the Company had paid Bonaventure \$180,138, had issued 500,000 common shares with a market value of \$150,000 to Bonaventure and had incurred \$1,131,172 in exploration expenditures on the Foster Lake Property. The next payment is due on August 5, 2010 in the amount of \$59,340. The next issuance of 250,000 shares is due on August 5, 2010.

The Foster Lake Property sits adjacent to the Company's Pipewrench Lake property. All payments, share issuances and exploration expenditures can be accelerated at the Company's option. Areas deemed non-prospective as a result of exploration work would be returned to Bonaventure. If the Company earns its interest, a joint venture will be formed to operate the mining project. If either party dilutes to a 10% interest or less, the interest will be converted to a 2% NSR, with an option for the Company to purchase 1% of the NSR for \$2,500,000.

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5. MINERAL PROPERTIES (continued)

The following table summarizes the capitalized costs associated with the Company's mineral properties:

	Quebec	Saskatchewan		Total
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	
Acquisition costs:				
Balance, July 31, 2009	\$ 2,420,869	\$ 42,119	\$ 185,713	\$ 2,648,701
Cash paid	75,000	-	49,450	124,450
Shares issued	-	-	95,000	95,000
License renewal fees	7,123	50	-	7,173
Balance, April 30, 2010	2,502,992	42,169	330,163	2,875,324
Exploration costs:				
Balance, July 31, 2009	19,311,597	3,538,796	945,261	23,795,654
Air support and fuel	698,975	-	-	698,975
Assaying and analysis	287,631	-	-	287,631
Consultants	998,249	1,660	-	999,909
Drilling	514,058	-	-	514,058
Field supplies	439,515	1,077	-	440,592
Office and salaries	121,241	5,741	2,111	129,093
Staking	-	21,556	183,800	205,356
Travel and accomodation	41,160	725	-	41,885
Balance, April 30, 2010	22,412,426	3,569,555	1,131,172	27,113,153
Recovered costs:				
Balance, July 31, 2009	(4,360,104)	-	-	(4,360,104)
Quebec exploration tax credits	(1,789,427)	-	-	(1,789,427)
Balance, April 30, 2010	(6,149,531)	-	-	(6,149,531)
Total costs, April 30, 2010	\$ 18,765,887	\$ 3,611,724	\$ 1,461,335	\$ 23,838,946

During the nine months ended April 30, 2010, the Company received refunds of \$1,789,427 from the Quebec government relating to the Company's exploration expenses incurred during fiscal 2009.

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5. MINERAL PROPERTIES (continued)

	Quebec	Saskatchewan		Total
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	
Acquisition costs:				
Balance, July 31, 2008	\$ 2,242,650	\$ 42,009	\$ -	\$ 2,284,659
Cash paid	100,000	-	130,688	230,688
Shares issued	-	-	55,000	55,000
License renewal fees	78,219	110	25	78,354
Balance, July 31, 2009	2,420,869	42,119	185,713	2,648,701
Exploration costs:				
Balance, July 31, 2008	13,577,928	3,369,672	-	16,947,600
Air support and fuel	921,291	401	297,490	1,219,182
Assaying and analysis	580,315	26,894	-	607,209
Consultants	1,868,531	97,331	404,754	2,370,616
Drilling	1,335,692	-	-	1,335,692
Environmental	50,000	-	-	50,000
Field supplies	806,902	30,645	222,297	1,059,844
Office and salaries	125,782	10,355	20,720	156,857
Travel and accomodation	45,156	3,498	-	48,654
Balance, July 31, 2009	19,311,597	3,538,796	945,261	23,795,654
Recovered costs:				
Balance, July 31, 2008	(371,216)	-	-	(371,216)
Quebec exploration tax credits	(3,988,888)	-	-	(3,988,888)
Balance, July 31, 2009	(4,360,104)	-	-	(4,360,104)
Total costs, July 31, 2009	\$ 17,372,362	\$ 3,580,915	\$ 1,130,974	\$ 22,084,251

6. OBLIGATION UNDER CAPITAL LEASE

The following table summarizes information about the Company's obligation under capital lease:

	April 30, 2010	July 31, 2009
Capital lease obligation with imputed interest rate of 20% per annum	\$ 5,854	\$ 21,764
Less: current portion	(5,854)	(21,764)
	\$ -	\$ -

URACAN RESOURCES LTD.
Notes to the Financial Statements
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6. OBLIGATION UNDER CAPITAL LEASE (continued)

The following is a schedule of future minimum lease payments under the capital lease expiring August 27, 2010, together with the balance of the obligation under capital lease:

Remaining total minimum lease payments	\$ 6,051
Amount representing interest at 20%	<u>(197)</u>
Balance of the obligation	<u><u>\$ 5,854</u></u>

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no par value

(b) Issued and fully paid common shares

	Number of Shares	Amount	Contributed surplus
Balance, July 31, 2008	67,037,532	\$ 17,894,534	\$ 4,182,240
Issued pursuant to private placements	23,010,000	5,378,801	311,199
Share issue costs	298,725	(346,847)	(23,709)
Warrants issued to brokers	-	(69,246)	69,246
Issued to Bonaventure (Note 5(b))	250,000	55,000	-
Exercise of stock options	375,000	50,247	(12,747)
Stock-based compensation	-	-	624,880
Income tax effect on flow-through share renouncement	<u>-</u>	<u>(1,141,010)</u>	<u>-</u>
Balance, July 31, 2009	90,971,257	\$ 21,821,479	\$ 5,151,109
Issued pursuant to private placement	16,982,332	4,618,320	476,380
Share issue costs	-	(43,346)	(4,471)
Issued to Bonaventure (Note 5(b))	250,000	95,000	-
Stock-based compensation (Note 7(c))	-	-	349,928
Income tax effect on flow-through share renouncement (Note 10)	<u>-</u>	<u>(1,249,338)</u>	<u>-</u>
Balance, April 30, 2010	<u><u>108,203,589</u></u>	<u><u>\$ 25,242,115</u></u>	<u><u>\$ 5,972,946</u></u>

On November 16, 2009, the Company completed a private placement for gross proceeds of \$5,094,700. Pursuant to the private placement the Company issued 16,982,332 units (of which 16,318,666 were flow-through) at \$0.30 per unit. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable into one common share at \$0.50 until May 16, 2011.

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Stock options (continued)

The Company has established a “rolling” Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant.

A summary of the changes in stock options is presented below:

	<u>Outstanding</u>	<u>Weighted average exercise price</u>
Balance, July 31, 2008	5,600,000	\$ 0.42
Granted	2,825,000	0.30
Exercised	(375,000)	(0.10)
Expired	<u>(25,000)</u>	<u>(0.53)</u>
Balance, July 31, 2009	8,025,000	\$ 0.39
Granted	2,455,000	0.21
Cancelled	<u>(150,000)</u>	<u>(0.40)</u>
Balance, April 30, 2010	<u><u>10,330,000</u></u>	<u><u>\$ 0.35</u></u>

During the nine month period ended April 30, 2010, the Company granted 2,455,000 stock options to directors, officers, employees and consultants. Using the fair value method for stock-based compensation, the value of the portion of stock options that vested during the nine months ended April 30, 2010 was \$349,928 (2009: \$650,506), of which \$329,445 (2009: \$543,773) was recorded as stock-based compensation, \$20,483 (2009: \$25,966) as shareholder services and \$nil (2009: \$25,763) as consulting fees in the statement of operations, comprehensive loss and deficit.

The following assumptions were used for the Black-Scholes valuation of stock options:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	0.80% - 3.78%	0.50% - 3.94%
Expected life	4.0 - 10 years	1.2 - 10 years
Annualized volatility	75%	75%
Dividend rate	0.00%	0.00%

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Stock options (continued)

The following table summarizes information about the stock options outstanding and exercisable at April 30, 2010:

<u>Outstanding</u>	<u>Exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>	<u>Remaining contractual life</u>
350,000	350,000	\$ 0.53	July 11, 2010	0.2 years
1,735,000	1,735,000	0.40	March 30, 2011	0.9 years
2,865,000	2,865,000	0.45	March 19, 2013	2.9 years
150,000	112,500	0.45	June 25, 2013	3.2 years
150,000	150,000	0.30	January 27, 2014	3.7 years
250,000	125,000	0.30	September 10, 2014	4.4 years
130,000	-	0.20	April 1, 2015	4.9 years
2,325,000	2,325,000	0.30	January 27, 2019	8.8 years
300,000	75,000	0.30	June 25, 2019	9.2 years
<u>2,075,000</u>	<u>2,075,000</u>	0.20	March 23, 2020	9.9 years
<u>10,330,000</u>	<u>9,812,500</u>			

(d) Warrants

A summary of the changes in warrants is presented below:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Balance, July 31, 2008	13,088,500	\$ 0.97
Issued	12,681,000	0.47
Expired	<u>(6,658,500)</u>	<u>(0.95)</u>
Balance, July 31, 2009	19,111,000	\$ 0.65
Issued	8,491,166	0.50
Expired	<u>(17,691,000)</u>	<u>(0.66)</u>
Balance, April 30, 2010	<u>9,911,166</u>	<u>\$ 0.50</u>

In connection with the private placement noted in note 7(b), the Company issued a total of 8,491,166 warrants to the unit holders, exercisable at \$0.50 per common share until May 16, 2011. A fair value of \$476,380 was calculated using the Black-Scholes pricing model and included in contributed surplus, using the following assumptions:

Risk-free interest rate	0.96%
Expected life	1.5 years
Annualized volatility	75%
Dividend rate	0.00%

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7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Warrants (continued)

The following table summarizes information about the warrants outstanding at April 30, 2010:

<u>Outstanding & exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
1,220,000	\$ 0.50	May 7, 2010
144,000	0.25	May 7, 2010
50,000	0.50	May 21, 2010
6,000	0.25	May 21, 2010
<u>8,491,166</u>	0.50	May 16, 2011
<u><u>9,911,166</u></u>		

On May 7, 2010, 1,364,000 share purchase warrants expired unexercised. On May 21, 2010, 56,000 share purchase warrants expired unexercised.

8. RELATED PARTY TRANSACTIONS

(a) During the nine months ended April 30, 2010 and 2009, the Company incurred the following costs with companies or individuals related by way of directors and/or officers in common:

	<u>2010</u>	<u>2009</u>
Consulting fees	\$ 144,000	\$ 116,000
Legal	31,032	29,318
Mineral properties	-	7,962
Professional fees	-	16,044

Included in consulting fees was an amount of \$126,000 (2009: \$98,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun, and an amount of \$18,000 (2009: \$18,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland.

(b) Included in accounts payable at April 30, 2010 was an amount of \$22,483 (July 31, 2009: receivable of \$3,829) due to (from) Goldgroup Resources Inc. ("Goldgroup"). This amount relates to 50% of the rent, administration staff salary and general office expenses. The office is shared by both companies and expenses are shared evenly.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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9. COMMITMENTS

During the year ended July 31, 2009, the Company moved its office to a new location and the lease agreement that was in place for the previous office was terminated as at September 30, 2008. All unamortized leasehold improvements associated with the previous lease were written off, which resulted in a charge to earnings of \$26,396. In addition, the Company wrote off its remaining deferred rent associated with the previous lease, which resulted in an amount of \$18,292 being recognized into income.

Effective October 1, 2008, GVCC has entered into a 7 year lease agreement for the Company's office premises. As noted in 8(b), Goldgroup and the Company share all office expenses evenly. The Company's approximate portion of the remaining minimum annual lease commitments are as follows:

2010	25,000
2011	102,500
2012	103,000
2013	105,500
2014	106,000
2015	108,400
2016	<u>18,200</u>
Total	<u><u>568,600</u></u>

On August 28, 2009, the Company entered into an investor relations agreement with Agoracom Investor Relations Corp. for consideration of \$3,000 per month for a term of one year.

10. INCOME TAXES

As at April 30, 2010, the Company had issued a total of 55,908,666 common shares on a flow-through basis for gross proceeds of \$20,924,600. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. As at April 30, 2010, the Company had renounced the tax benefits on all 55,908,666 flow-through common shares and the related \$20,924,600 of gross proceeds.

During the nine months ended April 30, 2010, the Company renounced the tax benefits on 16,318,666 flow-through common shares and the related \$4,895,600 gross proceeds resulting in an increase to the income tax liability of \$1,249,338, with a corresponding amount reducing share capital. As a result of the Company incurring operating losses and the income tax liability being revalued at each period end, the liability from renunciation of flow-through shares was reduced. As at April 30, 2010, the future income tax liability was \$3,080,781. A future income tax recovery of \$267,682 was also recorded during the nine months ended April 30, 2010 upon reversal of the valuation allowance on future income tax assets.

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11. FINANCIAL INSTRUMENTS

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities.

Cash and cash equivalents are designated as held-for-trading and therefore carried at fair value, with the unrealized gain or loss recorded in the statement of operations. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The fair values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and cash equivalents and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

The Company's cash and cash equivalents are held in bank accounts and are available on demand. Management has concluded that the company has adequate financial resources to settle obligations as at April 30, 2010.

Market Risk

The only significant market risk to which the Company is exposed is interest rate risk. The Company's bank accounts earn interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest is exposed to short-term rate fluctuations.

12. CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the company includes the components of shareholders' equity.

In order to facilitate the management of its capital requirements, the company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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12. CAPITAL MANAGEMENT (continued)

The company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the company may attempt to issue new shares, issue debt or acquire or dispose of assets.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine month period ended April 30, 2010, the Company issued 250,000 shares to Bonaventure with a fair value of \$95,000, as discussed in note 5(b).