

URACAN RESOURCES LTD.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Year End Report – July 31, 2010 and 2009

The following discussion is management's assessment and analysis of the results and financial condition of UraCan Resources Ltd. ("UraCan" or "Company") and should be read in conjunction with the accompanying audited financial statements for the year ended July 31, 2010 and related notes. The preparation of financial data is in accordance with Canadian generally accepted accounting principles ("GAAP") and all figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is November 24, 2010.

Overview

UraCan is a uranium exploration company that trades on the TSX Venture Exchange under the symbol URC. UraCan is in the business of exploring and developing bulk tonnage, near-surface uranium deposits with its projects in Quebec and Saskatchewan.

UraCan has outlined NI 43-101 compliant inferred resources (Double S, Middle Zone and TJ Zone) of 44 million pounds U₃O₈, 162 million tonnes averaging 0.012% U₃O₈, based on a cut off of 0.009% U₃O₈ at its 100%-owned uranium project on the North Shore of the St. Lawrence Seaway in eastern Quebec, Canada. The project has excellent infrastructure with provincial highways running through the property, inexpensive hydro power, and deep sea port access. Quebec has been voted the #1 top mining jurisdiction in the world since 2007 by the Fraser Institute Mining Survey, 2009.

Highlights

- Completion in June, 2010 of a NI 43-101 compliant technical report covering the inferred resource estimate completed on the Double S zone
- Commencement in March, 2010 of a multi hole, helicopter supported diamond drilling program on the Costebelle claim group, which indicated grades of uranium mineralization approximately twice the grades seen at the Double S zone
- Completion in November, 2009 of a private placement for gross proceeds of \$5,094,700

North Shore Properties (Quebec)

Double S Zone

In June, 2010, the Company completed an updated National Instrument NI 43-101 compliant inferred resource calculation on the Double S Zone. The mineralized zone hosts 81.464 million tonnes at an average grade of 0.013% U₃O₈ containing 23.185 million pounds of U₃O₈ using a 0.01% cutoff grade.

Details of the new resource estimate are as follows:

Table 1: SRK-I Double S Inferred Resource Table within Whittle Pit shell

Cutoff U ₃ O ₈ %	Tonnes ('000)	Average U ₃ O ₈ %	Contained U ₃ O ₈ (Kg)	Contained U ₃ O ₈ (lbs)
0.010	81,464	0.013	10,516,000	23,185,000
0.015	14,273	0.018	2,606,000	5,746,000

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Table 2: Double S Inferred Resource Comparison Table

Zone	Year	Cutoff Grade U3O8%	Average Grade U3O8%	Tonnes (MT)	Contained U3O8 (Mlbs)
Double S	2010	0.010	0.013	81.464	23.185
Double S	2008	0.009	0.012	74.215	19.970

Table 3: Total Combined Double S, Middle Zone and TJ Inferred Resource Table

Zone	Cutoff Grade U3O8%	Average Grade U3O8%	Tonnes (MT)	Contained U3O8 (M Kg)	Contained U3O8 (Mlbs)
Double S	0.010	0.013	81.464	10.516	23.185
Middle Zone	0.009	0.012	52.027	6.209	13.688
TJ	0.009	0.011	28.662	3.211	7.079
Weighted Total		0.012	162.153	19.936	43.952

The limited drilling conducted in 2009 contained both infill drilling, used to increase the confidence level of the resource, as well as drilling designed to test the mineralization potential on the periphery of the zone. Positive results indicate that while the overall size of the resource in the Double S zone has increased it also still remains open in all directions.

From January to September 2009, a total of 10,072.4 meters in 46 diamond drill holes was completed. Uracon's summer drilling objective was achieved by expanding the Double S zone mineralization to the southeast. The drilling intercepted significant near surface mineralization in the various zones with grades ranging from 96 ppm (0.010%) to 345 ppm (0.35%) U3O8.

Middle Zone and TJ Zone

In February 2009, the Company completed a NI 43-101 compliant inferred resource calculation on the TJ Zone and Middle Zone discoveries based on diamond drilling completed between January and September 2008. These two zones are thought to be extensions of the Double S Zone trend. The TJ Zone hosts a NI 43-101 compliant inferred resource of 28.66 million tonnes with an average grade of 0.011% U3O8, containing 7.0 million pounds of uranium. The Middle Zone hosts a NI 43-101 compliant inferred resource of 52.03 million tonnes averaging 0.012% U3O8, containing 13.7 million pounds of uranium. A total of 33 diamond drill holes totaling 6,791 meters at the TJ Zone and 33 diamond drill holes totaling 7,072 meters at the Middle Zone were used to create the resource calculations. The TJ Zone is 3.0 kilometers northwest of the Double S Zone and 1.4 kilometers northwest of the Middle Zone.

Costebelle Claim Group

In March, 2010, Uracon commenced a multi hole, helicopter supported diamond drilling program on the Costebelle claim group. A total of 3,023 meters in 20 diamond drill holes was completed during March and April of 2010. Uracon's winter drilling objective was to determine the extent of significant surface occurrences of uranium mineralization outlined during 2008 and 2009 at the Costebelle A4 zone. Highlights include 8.4 meters of 0.046% (0.92 lbs/t) in CA4-10-2, 13.55 meters of 0.038% U3O8 (0.76 lbs/t) U3O8 in CA4-10-15, and 4 meters of 0.062% U3O8 (1.24 lbs/t) and 3.8 meters of 0.055% U3O8 (1.1 lbs/t) in CA4-10-17. The grades of uranium mineralization seen at Costebelle A4 to date are approximately twice the grades seen at the Double S zone. Numerous other potentially significant mineralized zones in the Costebelle claim group remain to be drill tested.

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The winter drill program was designed to follow-up channel sampling results that were previously reported by the Company on November 25, 2009 and is intended to further define mineralization potential in the vicinity of Uracon's trenching in the Costebelle claims. The 2009 results included 12 meters grading 0.123% (1,233 ppm or 2.47 lbs/t) U₃O₈ (A4 Zone) and 6.5 meters of 0.074% (735 ppm or 1.47 lbs/t) U₃O₈ (H3 Zone) in saw channel samples. The mineralized zones at Costebelle are generally open in all directions as channel sampling was limited to areas of existing outcrop exposure, with shallow overburden cover overlaying large areas of the targeted airborne anomalies.

Grandroy Zone

The Company had expected to begin its winter drilling program earlier in the year on the Grandroy zone in the Turgeon A claims, but was delayed due to unseasonably warm weather in the North Shore area of Quebec.

During the summer of 2009, nine drill holes were completed, two of which contained significant uranium mineralization. Results included 0.213% U₃O₈ over a core length of 5.4 meters and 0.089% U₃O₈ over 10.5 meters. The drill assay results from these two holes confirm the grade and general trend of uranium mineralization encountered in channel saw cut sampling of historic trenches earlier this year of 20 meters of 0.174% U₃O₈. The other six drill holes intersected unmineralized metasediments and/or metagabbros with occasional pegmatite dykes. It is thought that the Grandroy area is near the margin of the Turgeon Intrusive Complex and the surrounding Wakeham Group metasediments and metagabbros.

Saskatchewan Properties

In September 2006, Uracon staked two mineral claims totalling approximately 2,056 hectares in the Pipewrench Lake and Narrows Lake area approximately 130 kilometers northwest of La Ronge, Saskatchewan. Subsequently, Uracon staked additional ground surrounding the existing claims, increasing the total area staked to 100 km² (collectively, the "Saskatchewan Property") and forming one contiguous group of claims. Uracon holds a 100% interest in the Saskatchewan Property.

On August 5, 2008, the Company entered into an option agreement with Bonaventure Enterprises Inc. whereby the Company can acquire up to a 75% interest in a number of mineral claims in northern Saskatchewan (the "Foster Lake Property"). The Foster Lake Property sits adjacent to the Company's Pipewrench Lake property

No work was carried out on the property during 2009 and 2010. The property is currently on care and maintenance. As such, the Company wrote down the properties to their acquisition cost amount of \$372,332. The exploration costs to date of \$4,700,729 were recorded as a write-down of mineral properties in the statement of operations, comprehensive loss and deficit for the year ended July 31, 2010.

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The following table summarizes the capitalized costs associated with the Company's mineral properties as at July 31, 2010:

	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	Total
Acquisition costs:				
Balance, July 31, 2009	\$ 2,420,869	\$ 42,119	\$ 185,713	\$ 2,648,701
Cash paid	100,000	-	49,450	149,450
Shares issued	-	-	95,000	95,000
License renewal fees	19,993	50	-	20,043
Balance, July 31, 2010	2,540,862	42,169	330,163	2,913,194
Exploration costs:				
Balance, July 31, 2009	19,311,597	3,538,796	945,261	23,795,654
Air support and fuel	983,287	-	-	983,287
Assaying and analysis	338,685	-	-	338,685
Consultants	1,369,939	1,660	-	1,371,599
Drilling	528,952	-	-	528,952
Environmental	25,000	-	-	25,000
Field supplies	638,984	1,077	-	640,061
Office and salaries	176,267	5,743	2,111	184,121
Staking	-	21,556	183,800	205,356
Travel and accomodation	54,951	725	-	55,676
Future income taxes	(324,753)	-	-	(324,753)
Write-down of Saskatchewan	-	(3,569,557)	(1,131,172)	(4,700,729)
Balance, July 31, 2010	23,102,909	-	-	23,102,909
Recovered costs:				
Balance, July 31, 2009	(4,360,104)	-	-	(4,360,104)
Quebec exploration tax credits	(1,789,427)	-	-	(1,789,427)
Balance, July 31, 2010	(6,149,531)	-	-	(6,149,531)
Total costs, July 31, 2010	\$ 19,494,240	\$ 42,169	\$ 330,163	\$ 19,866,572

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

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Overall Performance and Results of Operations

The following are highlights of selected financial data for the three years ended and as at July 31:

	2010	2009	2008
Total Assets, July 31	\$ 22,948,431	\$ 25,317,843	\$ 20,475,359
Interest income	14,193	43,952	177,067
Expenses	(1,733,976)	(2,093,982)	(1,833,388)
Write-down of mineral properties	(4,700,729)	-	-
Loss before income taxes	(6,420,512)	(2,050,030)	(1,656,321)
Future income tax recovery	1,678,956	359,378	1,298,811
Loss for the year	\$ (4,741,556)	\$ (1,690,652)	\$ (357,510)
Basic and diluted loss per share	\$ (0.05)	\$ (0.02)	\$ (0.01)

Total assets decreased from \$25,317,843 at July 31, 2009 to \$22,948,431 at July 31, 2010. The most significant assets at July 31, 2010 were mineral properties of \$19,866,572 (July 31, 2009: \$22,084,251) and cash and cash equivalents of \$2,722,117 (July 31, 2009: cash and short-term investments of \$2,776,483). The mineral properties are capitalized costs relating to the Company's North Shore and Saskatchewan properties, consisting of \$2,913,194 in acquisition costs and \$23,102,909 in exploration costs, partially offset by \$6,149,531 of recovered costs.

Cash and cash equivalents increased by \$2,451,634 during the year ended July 31, 2010. The items that contributed the most to the increase were net proceeds from private placements of \$5,046,883, proceeds on redemption of short-term investments of \$2,506,000 and \$1,789,427 of cost recoveries from the Quebec government related to exploration expenditures incurred during fiscal 2009, partially offset by \$3,065,012 used in operating activities and mineral property expenditures of \$3,784,181.

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.

The most significant expenses incurred during the year ended July 31, 2010 were as follows:

- Consulting fees of \$407,352 (2009: \$326,224): Increased as certain services formerly performed by staff were replaced by consultants
- Stock-based compensation of \$297,600 (2009: \$548,647): Decreased as the fair value of options vested during the year decreased
- Office and administration of \$267,023 (2009: \$222,071): Remained relatively consistent
- Marketing and advertising of \$241,914 (2009: \$105,685): Increased as the Company engaged the services of a new public relations firm
- Salaries and benefits of \$153,341 (2009: \$212,316): Decreased as certain services formerly performed by staff were replaced by consultants
- Shareholder services of \$138,734 (2009: \$168,003): Decreased due to a decrease in the fee charged by the Company's investor relations firm

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During the year ended July 31, 2010, the Company recorded interest income of \$14,193 (2009: \$43,952), which consisted entirely of interest earned on the Company's cash equivalents. The Company's investments earn interest at a variable rate that is tied to the Bank of Canada prime rate. Interest income for the most recent eight quarters, which was earned from cash in bank and short-term deposits, has fluctuated relative to the amount of cash the Company has maintained in its bank account and short-term deposits, and trended downwards as a result of the decrease in the Bank of Canada prime rate, then upwards during the last two quarters as a result of an increase in the prime rate.

Summary of Quarterly Results

	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Interest income	\$ 4,605	\$ 5,087	\$ 2,306	\$ 2,195
Expenses	375,104	686,149	284,322	388,401
Write-down of mineral properties	4,700,729	-	-	-
Loss before income taxes	(5,071,228)	(681,062)	(282,016)	(386,206)
Future income tax recovery	1,411,274	98,870	68,276	100,536
Income (loss) for the period	\$ (3,659,954)	\$ (582,192)	\$ (213,740)	\$ (285,670)
Basic and diluted income (loss) per share	\$ (0.03)	\$ (0.01)	\$ (0.00)	\$ (0.00)

	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Interest income	\$ 8,563	\$ 10,239	\$ 11,912	\$ 13,238
Expenses	394,630	469,167	861,334	368,851
Loss before income taxes	(386,067)	(458,928)	(849,422)	(355,613)
Future income tax recovery	53,426	85,593	105,016	115,343
Income (loss) for the period	\$ (332,641)	\$ (373,335)	\$ (744,406)	\$ (240,270)
Basic and diluted income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

Expenses remained relatively consistent throughout the past eight quarters, with the exception of Q3 2010 and Q2 2009. The reason for the increase in expenditures during these two quarters was the granting of option during the quarters and related stock-based compensation recorded in the statement of operations. Interest expense fluctuated as a result of fluctuations in cash balances and the prime rate as discussed above.

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Fourth Quarter

During the three months ended July 31, 2010, the Company recorded a loss of \$3,659,954 (2009: \$332,641). The increased net loss was mainly the result of the write-down of the Saskatchewan property, partially offset by the related future income tax recovery.

The most significant expenses incurred during the three months ended July 31, 2010 were marketing and advertising of \$98,704 (2009: \$72,376), consulting of \$95,535 (2009: \$73,656), office and administration of \$72,776 (2009: \$61,996) and shareholder services of \$34,835 (2009: \$27,981). The increase in expenses in 2010 was mainly the result of investor relations and public relations services performed in the quarter.

Liquidity and Capital Resources

As at July 31, 2010, the Company had working capital of \$2,114,162 (July 31, 2009: \$1,050,817). In management's opinion, this is sufficient to cover the Company's ongoing work programs and short-term obligations as they become due; however substantial additional capital would be required to put any of the Company's properties into commercial production.

The sources of funds currently available to the Company for its acquisition and exploration projects are solely due from equity financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Related Party Transactions

During the year ended July 31, 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	\$ 184,000	\$ 164,000
Legal	31,032	29,318
Mineral properties	-	7,963
Professional fees	-	16,522

Included in consulting fees was an amount of \$160,000 (2009: \$140,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun, and an amount of \$24,000 (2009: \$24,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland.

Included in accounts payable at July 31, 2010 was an amount of \$23,563 (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.

Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, including adverse movements in commodity prices, which are impossible to forecast. The

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Company seeks to counter these risks to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Industry

The Company is engaged in the acquisition and exploration of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

Uranium and Metal Prices

The price of uranium is affected by numerous factors beyond the control of the Company including producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of uranium has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may explore for have the same or similar price risk factors.

Dependence on Management

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Critical accounting policies and estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual financial statements for the year ended July 31, 2010.

Mineral properties

All costs directly related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations.

A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Management regularly reviews the net carrying value of each mineral property. Where events or changes in circumstances suggest impairment, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, value beyond proven and probable reserves, probability weighted outcomes and operating capital reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write down to the estimated fair value is expensed in the period. The Company presently has no proven or probable reserves. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying values are recoverable. If the carrying values exceed estimated recoverable values, then the property is written-down to estimated fair value, with the write down expensed in the period.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

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Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model in determining the fair value of options granted for stock-based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective price assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

Changes in and Initial Adoption of Accounting Policies

During the year ended July 31, 2010, the Company adopted the following significant accounting policies:

Goodwill and Intangible Assets

On August 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this standard did not have a material impact on the Company's financial statements.

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. The adoption of this standard did not have a material impact on the Company's financial statements. The required disclosures are included in note 10 to the financial statements.

Recent Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the company's financial reporting are summarized below:

Business Combinations

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.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of fiscal 2012, will contain IFRS compliant information on a comparative basis, as well as reconciliations for that quarter and as at the August 1, 2010 transition date.

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Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The three phases of the Company's transition plan to IFRS are as follows:

- Preliminary planning: This phase involves the development of the IFRS convergence plan, including the impact of IFRS on the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures.
- Detailed impact assessment: This phase involves a detailed review of the Company's current accounting policies and accounting policies that are expected to be implemented in preparing IFRS statements, along with quantification of key line items and disclosures, as well as the evaluation of the impact on operational elements.
- Implementation: This phase involves finalizing the accounting policy changes, implementation of additional internal controls, preparation and approval of completed IFRS financial statements and ongoing training of key personnel.

The Company has completed the preliminary planning phase and is currently working through the detailed impact assessment phase of the IFRS conversion plan. Quantification of the impact on line items and disclosures is currently underway.

Based on management's review of current processes, minimal impact is expected on information technology and data systems, and internal controls over financial reporting. Management's assessment indicates that there will be revisions to the Company's financial statement disclosures on adoption of IFRS, but there will be no major financial impact. However, IFRS, in particular related to the mining industry, are evolving in advance of the transition date, and such changes may alter management's current assessment.

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.

Fair Value Measurement

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).

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- Level 3 – inputs for the asset or liability that are not based on observable market data.

At July 31, 2010, cash and cash equivalents of \$2,722,117 and other less significant financial instruments were categorized as level 1.

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 and term deposits 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 term deposits and are available on demand. Management has concluded that the company has adequate financial resources to settle obligations as at July 31, 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.

Commodity Price Risk

Although the Company is an exploration company, it is subject to price risk from fluctuations in market prices of natural resource commodities since its future profitability is dependent on the market price of these commodities. The prices of commodities are affected by numerous factors beyond the Company's control. Fluctuations in the commodities' prices could result in future commercial production that is impracticable to the Company. Therefore, management regularly monitors natural resource commodity prices to determine the appropriate course of action to be taken by the Company.

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. At the date of this report, 108,203,589 common shares are issued and outstanding. There are 9,730,000 options outstanding which can be converted into 9,730,000 common shares and 8,491,166 warrants outstanding which can be converted into 8,491,166 common shares.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements

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and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

The Company is continuing to carry out its work programs on the North Shore Properties and Saskatchewan Properties while continuing to seek additional opportunities in the natural resource sector.

The Company has commenced the summer/fall 2010 exploration program at the North Shore Property. This work will focus primarily on additional drilling at the Costebelle A4 zone as well as other targets in the Costebelle claim group. In addition surface mapping and prospecting will continue in order to generate additional targets.

Additional information relating to the Company is available on the Company's web site at www.uracan.ca and on SEDAR at www.sedar.com.