

Interim financial statements of

URACAN RESOURCES LTD.

Three months ended October 31, 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 interim financial statements for the three month periods ended October 31, 2010 and 2009.

URACAN RESOURCES LTD.

Balance Sheets

(expressed in Canadian dollars)

(unaudited)

	October 31, 2010	July 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 1,397,110	\$ 2,722,117
Receivables	138,799	120,856
Prepays and deposits	86,320	91,991
	1,622,229	2,934,964
Property, plant and equipment (Note 3)	138,724	121,843
Equipment under capital lease	-	25,052
Mineral properties (Note 4)	20,880,158	19,866,572
	\$ 22,641,111	\$ 22,948,431
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 804,043	\$ 820,802
	804,043	820,802
Future income tax liability (Note 8)	875,686	955,633
Asset retirement obligation	75,000	75,000
	1,754,729	1,851,435
Shareholders' equity		
Share capital (Note 5(b))	25,647,209	25,647,209
Contributed surplus (Note 5(b))	6,002,447	5,992,926
Deficit	(10,763,274)	(10,543,139)
	20,886,382	21,096,996
	\$ 22,641,111	\$ 22,948,431

Nature of operations and going concern (Note 1)

Commitments (Note 7)

Subsequent event (Note 11)

Approved by the Board of Directors:

"Gordon Keep" Director

"Jay Sujir" Director

See accompanying notes to the unaudited interim financial statements

URACAN RESOURCES LTD.

Statements of Operations, Comprehensive Loss and Deficit

For the three months ended October 31

(expressed in Canadian dollars)

(unaudited)

	2010	2009
Expenses		
Consulting	\$ 87,297	\$ 102,596
Depreciation	14,982	13,627
Exploration costs	13,826	-
Interest and penalties	-	5,547
Marketing and advertising	63,487	54,218
Office and administration	64,404	59,254
Professional fees	14,620	38,824
Regulatory and transfer agent	1,382	2,457
Salaries and benefits	30,363	65,679
Shareholder services	4,086	30,611
Stock-based compensation (Note 5(c))	2,766	9,341
Travel, meals and entertainment	7,643	6,247
	304,856	388,401
Other Items		
Interest income	4,774	2,195
Loss before income taxes	(300,082)	(386,206)
Future income tax recovery (Note 8)	79,947	100,536
Net loss and comprehensive loss for the period	(220,135)	(285,670)
Deficit, beginning of period	(10,543,139)	(5,801,583)
Deficit, end of period	\$ (10,763,274)	\$ (6,087,253)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	108,203,589	90,971,257

See accompanying notes to the unaudited interim financial statements

URACAN RESOURCES LTD.

Statements of Cash Flows

For the three months ended October 31

(expressed in Canadian dollars)

(unaudited)

	2010	2009
Operating activities		
Net loss for the period	\$ (220,135)	\$ (285,670)
Items not involving cash:		
Depreciation	14,982	13,626
Future income taxes	(79,947)	(100,536)
Stock-based compensation (Note 5(c))	2,766	11,020
Changes in non-cash working capital items:		
Receivables	(17,942)	55,976
Prepays and deposits	5,670	(25,196)
Accounts payable and accrued liabilities	(8,236)	62,434
	(302,842)	(268,346)
Financing activities		
Issuance of shares	-	100,000
	-	100,000
Investing activities		
Purchase of property, plant and equipment	(6,811)	-
Proceeds on redemption of short-term investments	-	2,506,000
Equipment under capital lease, net	-	(5,041)
Mineral property costs, net of accounts payable	(1,015,354)	(1,873,476)
	(1,022,165)	627,483
Change in cash and cash equivalents during the period	(1,325,007)	459,137
Cash and cash equivalents, beginning of period	2,722,117	270,483
Cash and cash equivalents, end of period	\$ 1,397,110	\$ 729,620
Cash and cash equivalents is comprised of:		
Cash	\$ 580,230	\$ 729,620
Short-term deposits	816,880	-
	\$ 1,397,110	\$ 729,620
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying notes to the unaudited interim financial statements

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Uracan 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 Uracan Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of Uranium properties, 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 unaudited interim 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 October 31, 2010, the Company had working capital of \$818,186. The Company has incurred negative cash flows from operations, recorded a loss of \$220,135 for the three months ended October 31, 2010 and had an accumulated deficit of \$10,763,274 as at October 31, 2010. As at October 31, 2010, the Company has sufficient cash to finance its operations; however to proceed with its intended exploration programs it will need to secure the necessary financing.

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. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future. These unaudited 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.

2. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

These unaudited interim financial statements 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.

Changes in and Initial Adoption of Accounting Policies

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.

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

2. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Changes in and Initial Adoption of Accounting Policies (continued)

Business Combinations (continued)

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. Effective August 1, 2010, the Company early adopted all of these sections, with no impact to the unaudited interim financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

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

	October 31, 2010		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 60,896	\$ 40,633	\$ 20,263
Furniture and fixtures	100,717	43,872	56,845
Office equipment	15,376	8,274	7,102
Leasehold improvements	4,684	1,394	3,290
Exploration equipment	77,121	25,897	51,224
	<u>\$ 258,794</u>	<u>\$ 120,070</u>	<u>\$ 138,724</u>

	July 31, 2010		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 60,896	\$ 36,490	\$ 24,406
Furniture and fixtures	100,717	38,836	61,881
Office equipment	15,376	7,505	7,871
Leasehold improvements	4,684	1,227	3,457
Exploration equipment	46,775	22,547	24,228
	<u>\$ 228,448</u>	<u>\$ 106,605</u>	<u>\$ 121,843</u>

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

4. 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 October 31, 2010, the Company had paid Sheridan a total of \$300,000 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"), subsequently amended on July 28, 2010, 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 five year period, which was reduced from \$870,000 during the year ended July 31, 2009 as the Company allowed certain claims to lapse;
- issue a total of 1,250,000 common shares of the Company to Bonaventure over a six year period; and
- incur a minimum of \$5,000,000 in exploration expenditures on the Foster Lake Property over a period of seven years.

As at October 31, 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 \$1,132,053 in exploration expenditures on the Foster Lake Property.

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.

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

4. MINERAL PROPERTIES (continued)

Saskatchewan Properties (continued)

No work was carried out on the Saskatchewan properties since the beginning of fiscal 2009 and the properties are currently on care and maintenance. As such, the Company wrote down the properties to their acquisition cost amount of \$372,332. Exploration costs of \$4,700,729 were recorded as a write-down of mineral properties in the statement of operations, comprehensive loss and deficit during Q4 2010 and an additional \$13,826 was recorded as exploration costs in the statement of operations, comprehensive loss and deficit during the three months ended October 31, 2010.

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

	Quebec	Saskatchewan		
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	Total
Acquisition costs:				
Balance, July 31, 2010	\$ 2,540,862	\$ 42,169	\$ 330,163	\$ 2,913,194
Cash paid	25,000	-	-	25,000
Shares issued	-	-	-	-
License renewal fees	2,080	-	-	2,080
Balance, October 31, 2010	2,567,942	42,169	330,163	2,940,274
Exploration costs:				
Balance, July 31, 2010	23,102,909	-	-	23,102,909
Air support and fuel	279,802	-	-	279,802
Assaying and analysis	72,804	-	-	72,804
Consultants	257,732	-	-	257,732
Drilling	145,661	-	-	145,661
Field supplies	175,189	-	-	175,189
Office and salaries	45,798	-	-	45,798
Travel and accomodation	9,520	-	-	9,520
Balance, October 31, 2010	24,089,415	-	-	24,089,415
Recovered costs:				
Balance, July 31, 2010 and October 31, 2010	(6,149,531)	-	-	(6,149,531)
Total costs, October 31, 2010	\$ 20,507,826	\$ 42,169	\$ 330,163	\$ 20,880,158

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

5. 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, 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, net of future income taxes	-	(30,483)	(4,471)
Issued to Bonaventure (Note 4)	250,000	95,000	-
Stock-based compensation (Note 5(c))	-	-	369,908
Income tax effect on flow-through share renouncement	-	(857,107)	-
Balance, July 31, 2010	108,203,589	\$ 25,647,209	\$ 5,992,926
Stock-based compensation (Note 5(c))	-	-	9,521
Balance, October 31, 2010	108,203,589	\$ 25,647,209	\$ 6,002,447

(c) Stock options

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:

	Outstanding	Weighted average exercise price
Balance, July 31, 2009	8,025,000	\$ 0.39
Granted	2,455,000	0.21
Expired	(350,000)	(0.53)
Cancelled	(150,000)	(0.40)
Balance, July 31, 2010	9,980,000	\$ 0.34
Cancelled	(250,000)	(0.30)
Balance, October 31, 2010	9,730,000	\$ 0.34

No stock options were granted during the three months ended October 31, 2010 or 2009.

The value of the outstanding stock options that vested during the three months ended October 31, 2010 was \$9,521 (2009: \$11,020), of which \$2,766 (2009: \$9,341) was recorded as stock-based compensation and \$nil (2009: \$1,679) as shareholder services in the statement of operations, and \$6,755 (2009: \$nil) capitalized to mineral properties on the balance sheet.

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Stock options (continued)

The following table summarizes information about the stock options outstanding and exercisable at October 31, 2010:

Outstanding	Exercisable	Weighted average exercise price	Expiry Date	Weighted average remaining contractual life (years)
1,735,000	1,735,000	0.40	March 30, 2011	0.4
2,865,000	2,865,000	0.45	March 19, 2013	2.4
150,000	150,000	0.45	June 25, 2013	2.7
150,000	150,000	0.30	January 27, 2014	3.2
130,000	32,500	0.20	April 1, 2015	4.4
2,325,000	2,325,000	0.30	January 27, 2019	8.2
300,000	150,000	0.30	June 25, 2019	8.7
2,075,000	2,075,000	0.20	March 23, 2020	9.4
9,730,000	9,482,500	0.34		5.2

(d) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
Balance, July 31, 2009	19,111,000	\$ 0.65
Issued	8,491,166	0.50
Expired	(19,111,000)	(0.65)
Balance, July 31, 2010 and October 31, 2010	8,491,166	\$ 0.50

The following table summarizes information about the warrants outstanding at October 31, 2010:

Outstanding and exercisable	Exercise price	Expiry date
8,491,166	\$ 0.50	May 16, 2011

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

6. RELATED PARTY TRANSACTIONS

- (a) During the three months ended October 31, 2010 the Company incurred consulting fees of \$36,000 (2009: \$48,000) with companies or individuals related by way of directors and/or officers in common.

Included in consulting fees was an amount of \$30,000 (2009: \$42,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun, and an amount of \$6,000 (2009: \$6,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland.

- (b) Included in accounts receivable at October 31, 2010 was an amount of \$289 (July 31, 2009: payable of \$23,563) due to (from) Goldgroup Mining 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.

7. COMMITMENTS

Effective October 1, 2008, GVCC has entered into a 7 year lease agreement for the Company's office premises. As noted in 6(b), Goldgroup and the Company share all office expenses evenly. The Company's approximate portion of the remaining minimum annual lease commitments per fiscal year are as follows:

2011	77,300
2012	103,000
2013	105,500
2014	106,000
2015	108,400
2016	18,200
Total	518,400

8. INCOME TAXES

As at October 31, 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 October 31, 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.

As at October 31, 2010, the future income tax liability was \$875,686. A future income tax recovery of \$79,947 was recorded during the three months ended October 31, 2010 (2009: \$100,536) to reflect the future tax benefit associated with the Company's operating losses for the period.

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

9. 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).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At October 31, 2010, cash and cash equivalents of \$1,397,110 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 October 31, 2010. Additional information regarding liquidity risk is disclosed in note 1.

URACAN RESOURCES LTD.

Notes to the interim financial statements

October 31, 2010 and 2009

(expressed in Canadian dollars)

(unaudited)

9. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (continued)

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.

10. 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.

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. Additional information regarding capital management is disclosed in note 1.

11. SUBSEQUENT EVENT

On December 16, 2010, the Company announced a non-brokered private placement of up to 13,500,000 units at a price of \$0.30 per unit for gross proceeds of \$4,050,000. Each unit will consist of one common share and one half of a common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of \$0.40 per share for a period of 2 years from closing. Finder's fees of up to 5% of the gross proceeds of the offering may be paid. A significant portion of the private placement, yet to be determined, will be completed on a flow-through basis. Proceeds will be used to continue development of the Company's Canadian properties, and for working capital.