

# URACAN RESOURCES LTD.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
Third Quarter Report – April 30, 2011 and 2010

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The following discussion is management's assessment and analysis of the results and financial condition of Uracon Resources Ltd. ("Uracon" or "Company") and should be read in conjunction with the accompanying unaudited interim financial statements for the three and nine months ended April 30, 2011 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 June 22, 2011.

## Overview

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

With only 55 of 1000 square km explored on the Quebec property, Uracon has discovered over 44 million lbs. U<sub>3</sub>O<sub>8</sub> since 2006. The 2009 and 2010 Drilling Programs have produced positive results, as discussed below. 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.

## Recent Highlights

- Commencement in March, 2011 of a 10,000 metre diamond drill program on the Costebelle claim group designed to expand on the positive results from the fall 2010 drill program
- Completion on December 24, 2010, of a non-brokered private placement for gross proceeds of \$6,227,490, and on January 18, 2011 of an additional \$500,000
- Completion in November, 2010 of an additional 16 hole, 2,075 meter fall drill program on the Costebelle claim group, following up on the 20 hole, 3,023 meter winter 2010 program, which indicated grades of uranium mineralization approximately twice the grades seen at the Double S zone

## North Shore Properties (Quebec)

### Costebelle Claim Group

On March 1, 2011, the Company announced that it had commenced a 10,000 meter diamond drill program on the Costebelle claim group. This 2 drill exploration program will focus on two areas of the property; the Costebelle A4 and CC11 zones. The CC11 zone represents a new discovery in 2010, emphasizing the potential for the North Shore Property to host additional significant uranium mineralization. In addition, several other target areas will be drilled this winter to follow up results from the 2010 mapping and prospecting program.

During December 2010, the Company announced assay results completed during its 2010 fall drilling campaign. The 16 hole, 2,075 meter fall drill program was designed to follow up exploration targets outlined during the winter 2010 drill program at the A4 zone, as well as drilling targeted surface sampling results from the 2010 work program. This drilling focused on two areas of the property: the Costebelle A4 and CC11 zones, part of the Company's 100% owned North Shore project in Quebec. The grades of uranium mineralization seen at the A4 zone to date are approximately twice the grades seen at the Double S zone.

Drilling has also confirmed that uranium mineralization at the Costebelle A4 zone continues down dip from the surface channel samples and previous drill holes. The area with drill results received to date occurs along an approximately 500 meter length within an overall potential strike length of approximately 1,500 meters, as defined by airborne radiometrics,

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surface mapping and channel sampling along with previous drilling. Mineralization is open along strike and to depth starting from surface throughout this area. Mineralization has been extended to approximately 200 meters down dip from the surface outcrop mineralization.

A summary of selected mineralized zones from the returned assays are as follows:

Area	Drill Hole	From (m)	To (m)	Length (m)	U3O8%	U3O8 ppm
A4	CA4-10-21	32.65	47.9	15.25	0.024	236
A4	CA4-10-21	73.6	94.25	20.65	0.017	168
A4	CA4-10-22	17.6	77.25	59.65	0.026	265
A4	CA4-10-25	78.4	91.2	12.8	0.037	371
A4	CA4-10-27	19.5	45	25.5	0.016	155
A4	CA4-10-27	53.5	63.9	10.4	0.019	185
A4	CA4-10-30	1.8	15.65	13.85	0.012	118
CC11	CC11-10-01	2.6	15.45	12.85	0.025	246
CC11	CC11-10-02	7.85	22.5	14.65	0.023	231
CC11	CC11-10-03	10.1	14.2	4.1	0.027	272
CC11	CC11-10-03	24.3	37.7	13.4	0.015	149
CC11	CC11-10-04	7.5	19	11.5	0.053	532

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 25.95 meters of 480 ppm (0.048% or 0.96 lbs/t) U3O8 in CA4-10-7, 33.9 meters of 230 ppm (0.023% or 0.46 lbs/t) U3O8 in CA4-10-11, 41 meters of 197 ppm (0.020% or 0.39 lbs/t) in CA4-10-10, and 15.85 meters of 331 ppm (0.033% or 0.66 lbs/t) U3O8 in CA4-10-4, 8.4 meters of 0.046% (0.92 lbs/t) in CA4-10-2, and 13.55 meters of 0.038% U3O8 (0.76 lbs/t) U3O8 in CA4-10-15.

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.

## Double S Zone

In June, 2010, the Company completed an updated National Instrument 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.

## **SRK-I Double S Inferred Resource Table within Whittle Pit shell**

Cutoff U3O8 %	Tonnes ('000)	Average U3O8%	Contained U3O8 (Kg)	Contained U3O8 (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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### 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% U<sub>3</sub>O<sub>8</sub>, 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% U<sub>3</sub>O<sub>8</sub>, 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.

### **Total Combined Double S, Middle Zone and TJ Inferred Resource Table**

<b>Zone</b>	<b>Cutoff Grade U<sub>3</sub>O<sub>8</sub>%</b>	<b>Average Grade U<sub>3</sub>O<sub>8</sub>%</b>	<b>Tonnes (MT)</b>	<b>Contained U<sub>3</sub>O<sub>8</sub> (Mkg)</b>	<b>Contained U<sub>3</sub>O<sub>8</sub> (Mlbs)</b>
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

### Grandroy Zone

During the summer of 2009, nine drill holes were completed, two of which contained significant uranium mineralization. Results included 0.213% U<sub>3</sub>O<sub>8</sub> over a core length of 5.4 meters and 0.089% U<sub>3</sub>O<sub>8</sub> 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 of 20 meters of 0.174% U<sub>3</sub>O<sub>8</sub>. 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 km<sup>2</sup> (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 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 \$16,391 was recorded as exploration costs in the statement of operations, comprehensive loss and deficit during the nine months ended April 30, 2011.

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The following table summarizes the capitalized costs associated with the Company's mineral properties as at April 30, 2011:

	Quebec		Saskatchewan		Total
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property		
<b>Acquisition costs:</b>					
Balance, July 31, 2010	\$ 2,540,862	\$ 42,169	\$ 330,163	\$ 2,913,194	
Cash paid	75,000	-	-	75,000	
Shares issued	-	-	-	-	
License renewal fees	43,201	-	-	43,201	
<b>Balance, April 30, 2011</b>	<b>2,659,063</b>	<b>42,169</b>	<b>330,163</b>	<b>3,031,395</b>	
<b>Exploration costs:</b>					
Balance, July 31, 2010	23,102,909	-	-	23,102,909	
Air support and fuel	939,385	-	-	939,385	
Assaying and analysis	221,949	-	-	221,949	
Consultants	892,499	-	-	892,499	
Drilling	588,996	-	-	588,996	
Field supplies	587,459	-	-	587,459	
Office and salaries	157,973	-	-	157,973	
Travel and accomodation	38,633	-	-	38,633	
<b>Balance, April 30, 2011</b>	<b>26,529,802</b>	<b>-</b>	<b>-</b>	<b>26,529,802</b>	
<b>Recovered costs:</b>					
Balance, July 31, 2010	(6,149,531)	-	-	(6,149,531)	
Quebec exploration tax credits	(193,252)	-	-	(193,252)	
<b>Balance, April 30, 2011</b>	<b>(6,342,783)</b>	<b>-</b>	<b>-</b>	<b>(6,342,783)</b>	
<b>Total costs, April 30, 2011</b>	<b>\$ 28,995,613</b>	<b>\$ 42,169</b>	<b>\$ 330,163</b>	<b>\$ 23,218,414</b>	

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.

### Overall Performance and Results of Operations

Total assets increased from \$22,948,431 at July 31, 2010 to \$29,341,555 at April 30, 2011. The most significant assets at April 30, 2011 were mineral properties of \$23,218,414 (July 31, 2010: \$19,866,572) and cash and cash equivalents of \$5,548,680 (July 31, 2010: \$2,722,117). The mineral properties are capitalized costs relating to the Company's North Shore and Saskatchewan properties, consisting of \$3,031,395 in acquisition costs and \$26,529,802 in exploration costs, partially offset by \$6,342,783 of recovered costs.

Cash and cash equivalents increased by \$2,826,563 during the nine months ended April 30, 2011. The items that contributed the most to the increase were net proceeds on private placements of \$6,322,221 and \$193,252 in Quebec exploration tax credits received, partially offset by mineral property expenditures of \$2,588,095, purchases of property, plant and equipment of \$8,475 and \$1,092,340 used in operating activities.

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### **Three Months Ended April 30, 2011 and 2010**

The most significant expenses incurred during the three months ended April 30, 2011 were as follows:

- Stock-based compensation of \$315,384 (2010: \$310,755): Due to the Black-Scholes fair value of options vested in the quarter
- Interest and penalties of \$130,025 (2010: \$18,132): Due to the outstanding unspent flow-through funds previously renounced under the look-back rule
- Consulting fees of \$79,852 (2010: \$105,500): Decreased as certain consulting agreements were re-negotiated
- Marketing and advertising of \$65,974 (2010: \$39,819): Increased as the Company engaged the services of a new public relations firm

During the three months ended April 30, 2011, the Company recorded interest income of \$15,473 (2010: \$5,087), which consisted entirely of interest earned on the Company's cash and cash equivalents. The Company's cash and cash equivalents 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.

### **Nine Months Ended April 30, 2011 and 2010**

The most significant expenses incurred during the nine months ended April 30, 2011 were as follows:

- Stock-based compensation of \$341,801 (2010: \$329,445): Due to the Black-Scholes fair value of options vested in the period
- Consulting fees of \$256,147 (2010: \$311,817): Decreased as certain consulting agreements were re-negotiated
- Marketing and advertising of \$203,332 (2010: \$143,210): Increased as the Company engaged the services of a new public relations firm
- Office and administration of \$162,028 (2010: \$194,247): Remained relatively consistent

During the nine months ended April 30, 2011, the Company recorded interest income of \$24,270 (2010: \$9,588), which consisted entirely of interest earned on the Company's cash and cash equivalents. The Company's cash and cash equivalents 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.

### **Liquidity and Capital Resources**

As at April 30, 2011, the Company had working capital of \$4,232,610 (July 31, 2010: \$2,114,162). 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.

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## Summary of Quarterly Results

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest income	\$ 15,473	\$ 4,023	\$ 4,774	\$ 4,605
Operating expenses	(443,489)	(292,247)	(302,090)	(406,949)
Stock-based compensation	(315,384)	(23,651)	(2,766)	31,845
Write-down of mineral properties	-	-	-	(4,700,729)
Loss before income taxes	(743,400)	(311,875)	(300,082)	(5,071,228)
Future income tax recovery	109,049	76,896	79,947	1,411,274
Loss for the period	\$ (634,351)	\$ (234,979)	\$ (220,135)	\$ (3,659,954)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Interest income	\$ 5,087	\$ 2,306	\$ 2,195	\$ 8,563
Operating expenses	(375,394)	(274,973)	(379,060)	(389,756)
Stock-based compensation	(310,755)	(9,349)	(9,341)	(4,874)
Loss before income taxes	(681,062)	(282,016)	(386,206)	(386,067)
Future income tax recovery	98,870	68,276	100,536	53,426
Loss for the period	\$ (582,192)	\$ (213,740)	\$ (285,670)	\$ (332,641)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Net loss remained relatively consistent throughout the past eight quarters, with the exception of Q3 2011, Q4 2010 and Q3 2010. The main reason for the increase in net loss during Q3 2011 and Q3 2010 was the granting of options and related stock-based compensation recorded in the statement of operations. The increased net loss in Q4 2010 was a result of the write-down of mineral properties as discussed in *Saskatchewan Properties* above. Interest expense fluctuated as a result of fluctuations in cash balances and the prime rate as discussed above.

## Related Party Transactions

- During the nine months ended April 30, 2011, the Company incurred consulting and legal fees of \$172,694 (2010: \$174,032) with companies or individuals related by way of directors and/or officers in common. Included in consulting fees was an amount of \$90,000 (2010: \$126,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun, and an amount of \$10,000 (2010: \$18,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland. Included in accounts payable at April 30, 2011 was an amount of \$24,811 (July 31, 2010: nil) due to GVCC.
- During the nine months ended April 30, 2011, the Company incurred net expenses of \$137,727 (2010: \$134,845) to Goldgroup Mining Inc. ("Goldgroup"), a company with an officer in common. This amount relates to the Company's portion of the rent, administration staff salary and general office expenses shared between Goldgroup and Uracon. Included in accounts payable at April 30, 2011 was an amount of \$10,117 (July 31, 2010: \$22,483) due to Goldgroup.

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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 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. Critical accounting policies are as follows:

### *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**

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

### *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.

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.

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

At April 30, 2011, cash and cash equivalents 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 April 30, 2011.

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## *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, 132,799,223 common shares were issued and outstanding, 10,870,000 options were outstanding and 18,809,817 warrants were outstanding.

## **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 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 while continuing to seek additional opportunities in the natural resource sector.

The Company has commenced the winter 2011 exploration program at the North Shore Property. This work will focus primarily on additional drilling at the Costebelle A4 and CC11 zones as well as other targets in the Costebelle claim group.

Additional information relating to the Company is available on the Company's web site at [www.uracan.ca](http://www.uracan.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).