

URACAN RESOURCES LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations Annual Report – July 31, 2011

The following discussion is management's assessment and analysis of the results and financial condition of Urcan Resources Ltd. ("Urcan" or "Company") and should be read in conjunction with the accompanying financial statements for the years ended July 31, 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 November 18, 2011.

Overview

Urcan is a uranium exploration company that trades on the TSX Venture Exchange under the symbol URC. Urcan is in the business of exploring and developing bulk tonnage, near-surface uranium deposits with its two 100%-owned Canadian projects in Quebec and Saskatchewan. Drilling programs completed since 2007 have consistently produced positive results, as discussed below. The project has excellent infrastructure with provincial highways and power lines running through the property, inexpensive hydro power, and deep sea port access. In 2010/2011, Quebec was voted the #4 mining jurisdiction in the world by the Fraser Institute Mining Survey.

Recent Highlights

- Completion in September 2011 of an upgraded indicated and inferred resource on the Double S Zone of 6.858 million lbs. U3O8 indicated (21.504 million tonnes at an average grade of 0.014%) and 16.328 million lbs U3O8 inferred (59.960 million tonnes at an average grade of 0.012%), and a total combined inferred resource at Double S, TJ and the Middle Zones of 37.095 million lbs. U3O8 (140.649 million tonnes at an average grade of 0.012%)
- Completion in June 2011 of an 18 hole, 3,156 meter 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 a 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 June 23, 2011, the Company announced initial assay results from the drilling completed during its winter 2011 drilling campaign on the Costebelle claim group. This exploration program focused on two areas of the property; the Costebelle A4 and CC11 zones. The 18 hole, 3,156 meter drill program was designed to follow up exploration targets outlined during the 2010 drill programs at the 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.

The area with drill results received to date occurs along an approximately 600 meter length within an overall anomaly with a potential strike length of approximately 1,500 meters. This anomaly is defined by airborne and ground radiometrics, surface mapping and channel sampling along with previous drilling.

Mineralization is open along strike, with significant portions of the radiometric anomaly remaining to be tested by drilling. Mineralization has been extended to approximately 200 meters down dip from the surface outcrop mineralization and remains open in most areas of the A4 zone.

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Uranium mineralization at the A4 zone occurs as broad multiple stacked mineralized zones hosted by pegmatite dykes and sills with drilled thicknesses ranging up to 59.65 meters. The true thickness of these zones is unknown at this time but is thought to be similar to drilled thickness.

A total of 2,576 meters in 14 diamond drill holes was completed on the A4 zone during March and April 2011. Uraacan's winter drilling objective was to further identify the extent of mineralization encountered in drill results and surface results outlined during both the 2010 drill programs.

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	CA4-11-35	27.0	31.5	4.5	0.019	194
A4	CA4-11-35	82.1	84.5	2.4	0.039	387
A4	CA4-11-37	58.5	72.6	14.1	0.019	189
A4	CA4-11-37	154.5	165.4	10.9	0.026	264
A4	CA4-11-38	105	122.6	17.6	0.025	252
A4	CA4-11-40	97.5	115.1	17.6	0.020	198
A4	CA4-11-42	55	98.5	43.5	0.019	193
A4	CA4-11-42	128.5	148.1	19.6	0.022	223
A4	CA4-11-42	155.15	165.65	10.5	0.048	483
A4	CA4-11-45	6	31.3	25.3	0.018	182
A4	CA4-11-45	93	117	24	0.021	208
A4	CA4-11-45	133.5	138.3	4.8	0.044	443
A4	CA4-11-46	37.5	52.5	15	0.034	337

A total of 580 meters in 4 diamond drill holes was completed on the CC11 zone during winter 2011. Mapping, airborne and surface geophysical work outlined a potential 1,200 meter long pegmatite body. Mineralization at CC11 remains open along strike.

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
CC11	CC11-11-05	2	14.5	12.5	0.032	322
CC11	CC11-11-06	74.5	75.7	1.2	0.020	202
CC11	CC11-11-07	153.5	160.4	6.9	0.013	126

A total of 1,660.75 meters in 12 diamond drill holes was completed during the 2010 fall drilling campaign, which 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.

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	CA4-10-21	169.5	175.5	6	0.023	234
A4	CA4-10-22	17.6	77.25	59.65	0.026	265
A4	CA4-10-23	15.5	17.6	2.1	0.014	144
A4	CA4-10-24*	14.6	16.1	1.5	0.022	219
A4	CA4-10-25	78.4	91.2	12.8	0.037	371
A4	CA4-10-26	13.5	18	4.5	0.014	138
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

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A total of 414 meters in 4 diamond drill holes was completed during October and November 2010 at the CC11 zone. Drilling was targeted on surface channel results outlined as part of a mapping and sampling program on the area. Mapping, airborne and surface geophysical work outlined a potential 1200 meter long pegmatite body. Drilling was carried out over an 800 meter strike length of this pegmatite. The drilling encountered significant uranium mineralization in all drill holes.

The table below summarizes the results from the drill program at CC11:

Area	Drill Hole	From (m)	To (m)	Length (m)	U3O8 %	U3O8 ppm
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

A map showing the A4 and CC11 drill hole locations as well as drill hole coordinates and a complete listing of assay results are posted on Uracon's updated website: www.uracon.ca.

Double S Zone

In September 2011, the Company completed an updated National Instrument 43-101 compliant indicated and inferred resource calculation on the Double S Zone. The updated Double S mineralized zone hosts an indicated resource of 21.5 million tonnes at an average grade of 0.014% U3O8 containing 3.11 million kilograms (6.86 million pounds) of U3O8 and an inferred resource of 59.96 million tonnes at an average grade of 0.012% U3O8 containing 7.41 million kilograms (16.33 million pounds) of U3O8 using a 0.010% cutoff.

The Double S Zone still remains open in all directions. Only the Double S Zone has had economic parameters applied to the resource with a whittle shell. Details of the updated Double S resource estimate are as follows:

A summary of the SRK-I Double S Indicated and Inferred Resources within Whittle Pit shell are as follows:

Classification	Cutoff Grade (%)	Tonnes ('000)	Average U3O8%	Contained U3O8 (lbs)
Indicated	0.01	21,504	0.014	6,858,000
Inferred	0.01	59,960	0.012	16,328,000

The geologic model and grade block model was prepared by SRK Consulting (Canada) Inc. of Vancouver, British Columbia using Data Mine Studio 2® and GEMS® software. The resource estimation was reclassified and verified by Marek Nowak P. Eng., who is an independent Qualified Person for the purposes of NI 43-101. The full technical report is available on SEDAR.

SRK used a Whittle pit optimizer to evaluate the reasonableness of economic extraction of each resource block based on certain optimization parameters selected from comparable projects. The optimization parameters include: ore mining and processing costs of CDN\$14.50 per processed tonne, overall pit slope angles of 45 degrees, metallurgical recovery of 90%, and appropriate dilution and offsite costs and royalties. A uranium price of US\$75 per pound of uranium oxide was considered. The reader is cautioned that the results from the conceptual pit optimization work are used solely for the purpose of reporting Mineral Resources that have "reasonable prospects" for economic extraction by an open pit and do not represent an attempt to estimate mineral reserves.

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

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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.

The combined overall resource at the Double S, TJ and Middle Zones contains a total indicated resource of 21.5 million tonnes at an average grade of 0.014% U₃O₈ containing 3.11 million kilograms (6.86 million pounds) of U₃O₈ using a 0.010% cutoff, and a total inferred resource estimate of 140.65 million tonnes at a weighted average grade of 0.012% U₃O₈ containing 16.826 million kilograms (37.095 million pounds) of uranium using a 0.010% cutoff. A map outlining the resource estimate areas is available at http://www.uracan.ca/i/maps/URC_north-shore-property.jpg.

A summary of the total combined Double S, Middle Zone and TJ Indicated and Inferred Resources are as follows:

Resource Type	Zone	Cutoff Grade U ₃ O ₈ %	Average Grade U ₃ O ₈ %	Tonnes (MT)	Contained U ₃ O ₈ (M Kg)	Contained U ₃ O ₈ (M lbs)	Resource Estimated By
Indicated Total	Double S	0.010	0.014	21.504	3.111	6.858	SRK
Inferred	Double S	0.010	0.012	59.960	7.406	16.328	SRK
Inferred	Middle	0.009	0.012	52.027	6.209	13.688	M Jutras
Inferred	TJ	0.009	0.011	28.662	3.211	7.079	M Jutras
Inferred Weighted Total			0.012	140.649	16.826	37.095	

Grandroy Zone

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 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, Uracan 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, Uracan 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. Uracan 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.

The Saskatchewan properties are currently on care and maintenance. The Company wrote down the properties to their acquisition cost amount of \$372,332 during the year ended July 31, 2010. 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 2010 and an additional \$16,722 was recorded as exploration costs in the statement of operations, comprehensive loss and deficit during the year ended July 31, 2011.

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The following table summarizes the capitalized costs associated with the Company's mineral properties as at July 31, 2011:

	Quebec	Saskatchewan		Total
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	
Acquisition costs:				
Balance, July 31, 2010	\$ 2,540,862	\$ 42,169	\$ 330,163	\$ 2,913,194
Cash paid	100,000	-	-	100,000
Shares issued	-	-	-	-
License renewal fees	117,716	-	-	117,716
Balance, July 31, 2011	2,758,578	42,169	330,163	3,130,910
Exploration costs:				
Balance, July 31, 2010	23,102,909	-	-	23,102,909
Air support and fuel	1,185,372	-	-	1,185,372
Assaying and analysis	307,477	-	-	307,477
Consultants	1,234,470	-	-	1,234,470
Drilling	644,574	-	-	644,574
Field supplies	830,706	-	-	830,706
Future income taxes	(25,724)	-	-	(25,724)
Office and salaries	240,851	-	-	240,851
Travel and accomodation	52,739	-	-	52,739
Balance, July 31, 2011	27,573,374	-	-	27,573,374
Recovered costs:				
Balance, July 31, 2010	(6,149,531)	-	-	(6,149,531)
Quebec exploration tax credits	(3,744,811)	-	-	(3,744,811)
Balance, July 31, 2011	(9,894,342)	-	-	(9,894,342)
Total costs, July 31, 2011	\$ 20,437,610	\$ 42,169	\$ 330,163	\$ 20,809,942

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 \$28,323,879 at July 31, 2011. The most significant assets at July 31, 2011 were mineral properties of \$20,809,942 (July 31, 2010: \$19,866,572), amounts receivable of \$3,730,320 (July 31, 2010: \$120,856) and cash and cash equivalents of \$3,596,854 (July 31, 2010: \$2,722,117). Mineral properties are comprised of capitalized costs relating to the Company's North Shore and Saskatchewan properties, consisting of \$3,130,910 in acquisition costs and \$27,573,374 in exploration costs, partially offset by \$9,894,342 of recovered costs.

Amounts receivable increased by \$3,609,464 during the year ended July 31, 2011, largely due to \$3,551,559 of Quebec exploration tax credits due from the Quebec government, based on exploration expenditures incurred by the Company. Cash and cash equivalents increased by \$874,737 during the year ended July 31, 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

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credits received, partially offset by mineral property expenditures of \$3,647,901, purchases of property, plant and equipment of \$26,435 and \$1,966,400 used in operating activities.

Years Ended July 31, 2011 and 2010

The most significant expenses incurred during the year ended July 31, 2011 were as follows:

- Stock-based compensation of \$347,009 (2010: \$297,600): Increased due to an increase in the fair value of options that vested in the period
- Consulting fees of \$339,805 (2010: \$407,352): Decreased as certain consulting agreements were re-negotiated
- Marketing and advertising of \$291,730 (2010: \$241,914): Increased as the Company engaged the services of a new public relations firm
- Office and administration of \$199,184 (2010: \$267,023): Decreased as the Company's allocated portion of shared office costs (as discussed in *Related Party Transactions*) was reduced.

During the year ended July 31, 2011, the Company recorded interest income of \$39,020 (2010: \$14,193), 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.

Fourth Quarter

The most significant expenses incurred during the three months ended July 31, 2011 were as follows:

- Marketing and advertising of \$88,398 (2010: \$98,704): Decreased due to a reduction in fees charged by the Company's public relations firm in the quarter
- Consulting fees of \$83,658 (2010: \$95,535): Decreased as certain consulting agreements were re-negotiated
- Office and administration of \$37,156 (2010: \$72,776): Decreased as the Company's allocated portion of shared office costs (as discussed in *Related Party Transactions*) was reduced
- Salaries and benefits of \$22,251 (2010: \$23,140): Remained relatively consistent

During the three months ended July 31, 2011, the Company recorded interest income of \$14,750 (2010: \$4,605), 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 July 31, 2011, the Company had working capital of \$6,328,127 (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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Selected Annual Information

	2011		2010		2009	
Total Assets, July 31	\$	28,323,879	\$	22,948,431	\$	25,317,843
Interest income		39,020		14,193		43,952
Expenses		(1,684,067)		(1,733,976)		(2,093,982)
Write-down of mineral properties		-		(4,700,729)		-
Loss before income taxes		(1,645,047)		(6,420,512)		(2,050,030)
Future income tax recovery		735,601		1,678,956		359,378
Loss for the year	\$	(909,446)	\$	(4,741,556)	\$	(1,690,652)
Basic and diluted loss per share	\$	(0.01)	\$	(0.05)	\$	(0.02)

Summary of Quarterly Results

	Q4 2011		Q3 2011		Q2 2011		Q1 2011	
Interest income	\$	14,750	\$	15,473	\$	4,023	\$	4,774
Operating expenses		(299,232)		(443,489)		(292,247)		(302,090)
Stock-based compensation		(5,208)		(315,384)		(23,651)		(2,766)
Loss before income taxes		(289,690)		(743,400)		(311,875)		(300,082)
Future income tax recovery		469,709		109,049		76,896		79,947
Loss for the period	\$	180,019	\$	(634,351)	\$	(234,979)	\$	(220,135)
Basic and diluted loss per share	\$	0.00	\$	(0.00)	\$	(0.00)	\$	(0.00)

	Q4 2010		Q3 2010		Q2 2010		Q1 2010	
Interest income	\$	4,605	\$	5,087	\$	2,306	\$	2,195
Operating expenses		(406,949)		(375,394)		(274,973)		(379,060)
Stock-based compensation		31,845		(310,755)		(9,349)		(9,341)
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
Loss for the period	\$	(3,659,954)	\$	(582,192)	\$	(213,740)	\$	(285,670)
Basic and diluted loss per share	\$	(0.03)	\$	(0.01)	\$	(0.00)	\$	(0.00)

Loss before income taxes 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

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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

(a) During the year ended July 31, 2011, the Company incurred consulting and legal fees of \$202,694 (2010: \$215,032) with companies or individuals related by way of directors and/or officers in common.

Included in consulting fees was an amount of \$120,000 (2010: \$160,000) 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: \$24,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland.

(b) During the year ended July 31, 2011, the Company incurred net expenses of \$182,442 (2010: \$176,335) to Goldgroup Mining Inc. ("Goldgroup"), a company with officers in common. This amount relates to the Company's portion of the rent, administration staff salary and general office expenses.

Included in accounts payable at July 31, 2011 was an amount of \$32,973 (July 31, 2010: \$22,483) due to Goldgroup.

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, 2011. Critical accounting policies are as follows:

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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.

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.

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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.

The key differences between the accounting policies the Company expects to apply in preparing its first consolidated IFRS financial statements and its current accounting policies under Canadian GAAP are as follows:

(a) Share-based payments

Canadian GAAP and IFRS both utilize the Black-Scholes fair value option pricing model to determine the value of share-based compensation. Under Canadian GAAP, there are two methods available to calculate the amount of expense to be recognized over the vesting period: 1) the total compensation is amortized on a straight-line basis over the longest vesting period or 2) each vesting tranche is treated as a separate grant and individually amortized straight-line, which front loads the expense recognition.

IFRS only permits the second method to be utilized and also requires an estimated forfeiture rate to be included as an assumption.

(b) Asset retirement obligation

Canadian GAAP requires that the future cost of asset retirement be discounted at the credit adjusted risk-free interest rate with the asset book value being increased by the discounted amount and a liability being recognized for the same amount. The credit adjusted risk-free interest rate is defined as the rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of the entity's credit standing. On the asset side, the discounted asset retirement amount is amortized over the life of the asset whereas the liability is increased or accreted at the credit adjusted risk-free rate so that, at the end of the project's life, the full liability for the rehabilitation work will have been recorded. Unless the anticipated cost of the asset retirement obligation changes due to more stringent requirements, improved technology or for other reasons, no further adjustment is made to the original asset retirement obligation except for ongoing amortization (asset side) or accretion (liability side).

IFRS requires that the asset retirement obligation be calculated using a discount rate equal to the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Further, re-measurement must be made at the end of each reporting period to give a best estimate of the obligation and includes recalculating using the discount rate at the balance sheet date. As interest rates fluctuate, the discounted asset retirement obligation will also change causing changes to both the amortization and accretion expense.

(c) Asset impairment

Canadian GAAP assesses impairment of an asset using a two-step approach where carrying values are first compared to undiscounted future cash flows expected to be derived from the asset, to determine if impairment

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exists. If impairment is determined to exist, carrying values are then compared to discounted expected future cash flows to determine the amount of impairment.

IFRS assesses the impairment of an asset using a one-step approach where asset carrying values are compared to the higher of value in use ("VIU") and fair value less costs to sell, to determine both if impairment exists, and the amount of impairment. VIU is defined as being equal to the discounted future pre-tax cash flows expected to be derived from the asset in its current state.

The use of discounted cash flows under IFRS to assess asset impairment may result in more frequent write-downs in the carrying value of assets since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported based on discounted cash flows under IFRS.

In addition, IFRS permits previous impairment losses to be reversed where circumstances change such that the impairment has been reduced. This differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

(d) Flow-through shares

Under Canadian GAAP flow-through instruments are accounted for as equity instruments only. Upon renunciation of expenditures for Canadian tax purposes, a taxable temporary difference at the issuer's applicable tax rate is recorded and charged to equity as a cost of issuance of flow through instruments.

Under IFRS, flow-through instruments are accounted for as combined instruments comprised of a liability component and an equity instrument upon issuance. Upon renunciation of expenditures for Canadian income tax purposes, the liability is reversed and a taxable temporary difference is recorded.

Transition elections

The Company will apply the following transition exceptions and exemptions to full retrospective application of IFRS:

Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from August 1, 2010 ("Transition Date"). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3. The Company will adopt IFRS 3 effective August 1, 2010, and there will be no adjustments required on the Transition Date.

Share-based payments

IFRS 1 permits the application of IFRS 2, Share-based Payments, to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. There were no unvested options as at the Transition Date; therefore, there is no adjustment required.

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates at the Transition Date are consistent with its Canadian GAAP estimates for the same date.

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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 July 31, 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 amounts receivable. The Company reduces its credit risk on cash and cash equivalents by maintaining its bank accounts and term deposits at large international financial institutions. Amounts receivable consists mainly of tax credits on exploration expenditures due from the Quebec government. As such, Management has concluded that the company has no significant credit risk. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

Cash and cash equivalents are held in bank accounts and term deposits and are available on demand. Amounts receivable consists mainly of tax credits on exploration expenditures due from the Quebec government, the amount of which is subject to adjustment and the timing of which is uncertain. At July 31, 2011, the Company has cash and cash equivalents of \$3,596,854 to settle current liabilities of \$1,074,441. Management has concluded that the company has adequate financial resources to settle obligations as at July 31, 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 commenced the 2011 exploration program in February 2011, consisting initially of diamond drilling at the Costebelle A4 and CC11 zones, along with a sampling and prospecting program and additional drilling that started in June 2011. Work is expected to be completed in fall 2011. Once results are received for the 2011 work program planning for additional work will be undertaken.

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.