

Condensed Interim Financial Statements of

Uracan Resources Ltd.

Three months ended October 31, 2011 and 2010
(Expressed in Canadian dollars)
(Unaudited)

Uracan Resources Ltd.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	October 31, 2011	July 31, 2011	August 1, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 883,207	\$ 3,596,854	\$ 2,722,117
Amounts receivable (Note 4)	3,825,138	3,730,320	120,856
Prepaid expenses and deposits	55,157	75,394	91,991
	4,763,502	7,402,568	2,934,964
Equipment (Note 5)	94,875	111,369	121,843
Equipment under capital lease	-	-	25,052
Exploration and evaluation assets (Note 6)	22,596,857	20,718,003	19,820,024
Total assets	\$ 27,455,234	\$ 28,231,940	\$ 22,901,883
Liabilities			
Current liabilities			
Trade and other payables	\$ 594,159	\$ 1,074,441	\$ 820,802
Flow-through share premium	-	298,823	-
	594,159	1,373,264	820,802
Deferred income taxes (Note 10)	431,197	284,235	476,869
Decommissioning and restoration provision	75,000	75,000	75,000
Total liabilities	1,100,356	1,732,499	1,372,671
Equity			
Share capital	35,494,868	35,494,868	29,810,049
Reserves	6,540,866	6,540,866	5,992,926
Deficit	(15,680,856)	(15,536,293)	(14,273,763)
Total equity	26,354,878	26,499,441	21,529,212
Total liabilities and equity	\$ 27,455,234	\$ 28,231,940	\$ 22,901,883

Nature of operations and going concern (Note 1)

Commitments (Note 9)

Approved by the Board of Directors and authorized for issue on January 26, 2012:

"Gordon Keep" Director

"Jay Sujir" Director

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Uracan Resources Ltd.

Condensed Interim Statements of Comprehensive Loss
For the three months ended October 31, 2011 and 2010
(Expressed in Canadian dollars)
(Unaudited)

	2011	2010
Expenses		
Consulting	\$ 81,997	\$ 87,297
Salaries and benefits	44,580	30,363
Office and administration	43,068	64,404
Marketing and advertising	38,161	63,487
Exploration costs (Note 6)	30,267	13,826
Professional fees	37,382	14,620
Depreciation	16,494	14,982
Interest and penalties	4,185	-
Travel, meals and entertainment	4,177	7,643
Regulatory and transfer agent	1,904	1,382
Shareholder services	1,489	4,086
Share-based compensation (Note 7(c))	-	2,766
	(303,704)	(304,856)
Other Item		
Finance income	7,281	4,774
Loss before income taxes	(296,423)	(300,082)
Deferred income tax recovery (expense) (Note 10)	151,861	(94,005)
Net loss and comprehensive loss	(144,562)	(394,087)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding basic and diluted	132,799,223	108,203,589

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Uracan Resources Ltd.

Condensed Interim Statements of Equity

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares				Total
	Shares issued	Amount	Reserves	Deficit	equity
At August 1, 2010	108,203,589	\$ 29,810,049	\$ 5,992,926	\$ (14,273,763)	\$ 21,529,212
Share-based compensation	-	-	9,521	-	9,521
Net loss and comprehensive loss	-	-	-	(394,087)	(394,087)
At October 31, 2010	108,203,589	29,810,049	6,002,447	(14,667,850)	21,144,646
Private placement	24,595,634	5,976,892	81,757	-	6,058,649
Share issue costs	-	(401,093)	(4,176)	-	(405,269)
Deferred income tax effect on share issue costs	-	109,020	-	-	109,020
Share-based compensation	-	-	460,838	-	460,838
Net loss and comprehensive loss	-	-	-	(868,444)	(868,444)
At July 31, 2011	132,799,223	35,494,868	6,540,866	(15,536,294)	26,499,440
Net loss and comprehensive loss	-	-	-	(144,562)	(144,562)
At October 31, 2011	132,799,223	\$ 35,494,868	\$ 6,540,866	\$ (15,680,856)	\$ 26,354,878

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Uracan Resources Ltd.

Condensed Interim Statements of Cash Flows

For the three months ended October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

	2011	2010
Operating activities		
Net loss for the period	\$ (144,562)	\$ (396,884)
Items not involving cash:		
Depreciation	16,494	14,982
Deferred income taxes	(151,861)	96,802
Share-based compensation	-	2,766
Changes in non-cash working capital items:		
Amounts receivable	(94,818)	(17,942)
Prepaid expenses and deposits	20,237	5,670
Trade and other payables	(962,173)	(8,236)
	(1,316,683)	(302,842)
Investing activities		
Equipment expenditures	-	(6,811)
Exploration and evaluation asset expenditures	(1,396,964)	(1,015,354)
	(1,396,964)	(1,022,165)
Change in cash and cash equivalents during the period	(2,713,647)	(1,325,007)
Cash and cash equivalents, beginning of period	3,596,854	2,722,117
Cash and cash equivalents, end of period	\$ 883,207	\$ 1,397,110
Cash and cash equivalents is comprised of:		
Cash	\$ 233,207	\$ 580,230
Short-term deposits	650,000	816,880
	\$ 883,207	\$ 1,397,110
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these unaudited condensed interim financial statements

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(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 Uracan Resources Ltd. on July 27, 2006. The Company is publicly listed on the TSX Venture Exchange under the symbol URC and its head office is located at 2184 – 1055 Dunsmuir Street, Vancouver BC, V7X 2X8. The Company's principal business activity is the acquisition and exploration of uranium properties, with a focus in Quebec. The Company has not generated revenues from operations and is considered to be in the exploration stage.

While these unaudited condensed 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, 2011, the Company had working capital of \$4,169,343. The Company has incurred negative cash flows from operations, recorded a loss of \$144,562 for the three months ended October 31, 2011 and had an accumulated deficit of \$15,680,856 as at October 31, 2011. The Company's ability to continue as a going concern is dependent on timely collection of exploration tax credits outstanding from the Government of Quebec as discussed in Note 4, as well as management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund on-going 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 condensed 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 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

(a) *Statement of compliance*

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and as they are part of the Company's first IFRS annual reporting period, IFRS 1 - *First Time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied using the accounting policies the Company expects to adopt in its financial statements for the year ended July 31, 2012. Note 14 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended July 31, 2011.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and current as of January 26, 2012, the date the Audit Committee approved the statements on behalf of the Board of Directors. These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended July 31, 2011.

(b) *Basis of measurement*

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS (continued)

(c) *Significant accounting judgments and estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant judgments about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the determination of impairment of exploration and evaluation assets, useful lives for depreciation of equipment, the inputs used in the calculation of share-based compensation, the estimation of decommissioning and restoration provisions and the value of deferred income tax liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these unaudited condensed interim financial statements are described below:

(a) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

(b) *Equipment*

Equipment is recorded at cost less accumulated amortization. Amortization begins when the asset is put into service and is calculated annually using the straight-line method over the following terms:

Computer equipment – hardware	3 years
Computer equipment – software	1 year
Office equipment	5 years
Leasehold improvements	Life of the lease

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated amortization are removed from the balance, and any resulting gain or loss is reflected in the statement of comprehensive loss.

(c) *Exploration and Evaluation Assets*

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless future economic benefit is more likely than not to be realized. The Company capitalizes on a property by property basis, the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Exploration and Evaluation Assets (continued)*

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. Each of the Company's properties is considered to be a separate cash generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(d) *Leases*

Leases entered into are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and risks of ownership of property to the lessee are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with the related obligation. Equipment acquired under capital leases is being depreciated on the same basis as equipment in similar asset classes.

(e) *Financial Instruments*

Financial instruments are classified into one of the following categories: fair-value-through-profit-and-loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are measured in the statement of financial position at fair value, except for loans and receivables, held-to-maturity investments, and other financial liabilities, which are measured at amortized cost. Subsequent measurement of financial instruments measured at fair value is dependent upon initial classification as follows: (1) fair-value-through-profit-and-loss financial assets are measured at fair value with changes in fair value recognized in net income (loss); (2) available-for-sale financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income until the instrument is derecognized or impaired.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and trade and other payables. Cash and cash equivalents and amounts receivable are classified as loans and receivables. Trade and other payables are classified as other financial liabilities.

(f) *Loss per Share*

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. For this purpose, the "treasury stock method" is used which assumes proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Options and share purchase warrants outstanding as at October 31, 2011 are anti-dilutive and, therefore, have not been taken into account in the diluted per share calculations.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Income Taxes*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) *Decommissioning and Restoration Provision*

The Company recognizes, when the legal obligation is incurred, the fair value of an estimated liability for the future cost of restoring a site upon cessation of exploration activities. The Company records a corresponding increase in the carrying value of the related long-lived asset, which is amortized into the statement of operations over time. The liability is adjusted at the end of each period to reflect changes in the estimated future cash flows underlying the obligation.

(i) *Share Capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

(j) *Share-based payments*

The Company's share option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Flow-through Common Shares*

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the enterprise to renounce, or transfer to the investor the tax deductions associated with an equal value of qualifying resource expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. Any incremental proceeds, or "premium", are recorded as a liability, which is reduced and recorded as deferred tax expense as the Company incurs qualifying resource expenditures. The tax effect of the renunciation is recorded at the time the Company incurs the eligible expenditures, which may differ from the effective date of renunciation.

(l) *Foreign Exchange*

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining net loss for the year.

(m) *Recent Accounting Standards Not Yet Effective*

The International Accounting Standards Board ("IASB") intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 - *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. In November 2009 and October 2010, IFRS 9 (2009) and IFRS 9 (2010) were issued, respectively, which address the classification and measurement of financial assets and financial liabilities. IFRS 9 (2009) requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 (2009) and IFRS 9 (2010) are effective for the Company on August 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively. The Company does not expect a significant impact upon implementation of the standard.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10 - *Consolidated Financial Statements*, IFRS 11 - *Joint Arrangements*, IFRS 12 - *Disclosure of Interests in Other Entities*, IAS 27 - *Separate Financial Statements (2011)*, IFRS 13 - *Fair Value Measurement* and amended IAS 28 - *Investments in Associates and Joint Ventures (2011)*. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

4. AMOUNTS RECEIVABLE

	As at October 31, 2011	As at July 31, 2011	As at August 1, 2010
Quebec exploration tax credits	\$ 3,551,559	\$ 3,551,559	\$ -
Input tax credits (HST and QST)	268,663	162,194	120,856
Interest receivable	4,916	16,567	-
	\$ 3,825,138	\$ 3,730,320	\$ 120,856

During the year ended July 31, 2011, the Company recorded Quebec exploration tax credits of \$3,744,811 relating to the Company's exploration expenses incurred during fiscal 2010 to 2011. Of this amount, \$193,252 was received during the year ended July 31, 2011 and \$3,551,559 is due from the Quebec government and has been recorded as a component of amounts receivable on the balance sheet as at October 31, 2011.

5. EQUIPMENT

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

Cost	Computer equipment	Office equipment	Leasehold improvements	Exploration equipment	Total
Balance, August 1, 2010	\$ 60,896	\$ 116,093	\$ 4,684	\$ 46,775	\$ 228,448
Additions	16,320	-	3,305	30,344	49,969
Balance, July 31, 2011 and October 31, 2011	\$ 77,216	\$ 116,093	\$ 7,989	\$ 77,119	\$ 278,417

Accumulated amortization	Computer equipment	Office equipment	Leasehold improvements	Exploration equipment	Total
Balance, August 1, 2010	\$ 36,490	\$ 46,341	\$ 1,227	\$ 22,547	\$ 106,605
Additions	16,961	23,218	794	19,470	60,443
Balance, July 31, 2011	53,451	69,559	2,021	42,017	167,048
Additions	4,983	5,805	334	5,372	16,494
Balance, October 31, 2011	\$ 58,434	\$ 75,364	\$ 2,355	\$ 47,389	\$ 183,542

Carrying amount	Computer equipment	Office equipment	Leasehold improvements	Exploration equipment	Total
Balance, August 1, 2010	\$ 24,406	\$ 69,752	\$ 3,457	\$ 24,228	\$ 121,843
Balance, July 31, 2011	\$ 23,765	\$ 46,534	\$ 5,968	\$ 35,102	\$ 111,369
Balance, October 31, 2011	\$ 18,782	\$ 40,729	\$ 5,634	\$ 29,730	\$ 94,875

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS

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 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. Pursuant to the option agreement, the Company is required to make advance royalty payments of \$25,000 per quarter, which commenced January 1, 2008. As at October 31, 2011, the Company had paid Sheridan a total of \$400,000 in advance royalty payments. Additionally, 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.

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, 2011, 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 \$1,162,651 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.

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 comprehensive loss during 2010 and an additional \$30,267 was recorded as exploration costs in the statement of comprehensive loss during the three months ended October 31, 2011.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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

	Quebec	Saskatchewan		Total
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	
Acquisition costs:				
Balance, July 31, 2011	\$ 2,758,578	\$ 42,169	\$ 330,163	\$ 3,130,910
Cash paid	25,000	-	-	25,000
License renewal fees	1,113	-	-	1,113
Balance, October 31, 2011	2,784,691	42,169	330,163	3,157,023
Exploration costs:				
Balance, July 31, 2011	27,481,435	-	-	27,481,435
Air support and fuel	503,521	-	-	503,521
Assaying and analysis	57,264	-	-	57,264
Consultants	406,616	-	-	406,616
Drilling	372,874	-	-	372,874
Field supplies	422,268	-	-	422,268
Office and salaries	68,834	-	-	68,834
Travel and accomodation	21,364	-	-	21,364
Balance, October 31, 2011	29,334,176	-	-	29,334,176
Recovered costs:				
Balance, July 31, 2011 and October 31, 2011	(9,894,342)	-	-	(9,894,342)
Total costs, October 31, 2011	\$ 22,224,525	\$ -	\$ -	\$ 22,596,857

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	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
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	23,056,361	-	-	23,056,361
Air support and fuel	1,185,372	-	-	1,185,372
Assaying and analysis	307,477	-	-	307,477
Consultants	1,163,355	-	-	1,163,355
Drilling	644,574	-	-	644,574
Field supplies	830,706	-	-	830,706
Office and salaries	240,851	-	-	240,851
Travel and accomodation	52,739	-	-	52,739
Balance, July 31, 2011	27,481,434	-	-	27,481,434
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	\$ 20,345,671	\$ 42,169	\$ 330,163	\$ 20,718,003

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

7. EQUITY

(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

No common shares were issued during the three months ended October 31, 2011.

On December 24, 2010, the Company closed a non-brokered private placement of 22,595,634 units for gross proceeds of \$6,227,490. 11,571,634 units are flow-through units at a price of \$0.30 per unit, each unit consisting of one flow-through common share and one half of a common share purchase warrant, each whole warrant entitling the warrant holder to purchase one common share of the Company at a price of \$0.40 per share until December 23, 2012. 11,024,000 units are non-flow-through units at \$0.25 per unit, each unit consisting of one common share and one common share purchase warrant, entitling the warrant holder to purchase one common share of the Company at a price of \$0.40 per share until December 23, 2012.

On January 18, 2011, the Company closed an additional 2,000,000 units at \$0.25 per unit for additional proceeds of \$500,000. Each unit consists of one common share and one common share purchase warrant, each warrant entitling the warrant holder to purchase one common share of the Company at a price of \$0.40 per share until January 18, 2013.

(c) Share options

The Company has established a "rolling" Share 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 shares at the date of grant.

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

	Outstanding	Weighted average exercise price
Balance, July 31, 2010	9,980,000	\$ 0.34
Granted	2,875,000	0.22
Expired	(1,985,000)	(0.39)
Balance, July 31, 2011	10,870,000	\$ 0.30
Cancelled	(150,000)	(0.30)
Balance, October 31, 2011	10,720,000	\$ 0.30

No options were granted during the three months ended October 31, 2011. During the year ended July 31, 2011, 2,875,000 share options were granted to directors, officers, employees and consultants. The grant date fair value of the options using the Black-Scholes pricing model was \$477,276 using the following inputs:

Risk-free interest rate	2.57% - 3.65%
Expected life	5-10 years
Annualized volatility	75.00%
Dividend rate	0.00%
Forfeiture rate	0.00%

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

7. EQUITY (continued)

(c) Share options (continued)

The value of the share options that vested during the three months ended October 31, 2011 was nil (2010: \$9,521), of which nil (2010: \$2,766) was recorded as share-based compensation and nil (2010: \$6,755) capitalized to mineral properties on the balance sheet.

The following table summarizes information about the share options outstanding and exercisable at October 31, 2011:

Options outstanding	Options exercisable	Weighted average exercise price	Expiry Date	Weighted average remaining contractual life (years)
2,865,000	2,865,000	\$ 0.45	March 19, 2013	1.4
150,000	150,000	0.45	June 25, 2013	1.7
130,000	97,500	0.20	April 1, 2015	3.4
300,000	225,000	0.29	December 3, 2015	4.1
2,325,000	2,325,000	0.30	January 27, 2019	7.2
300,000	300,000	0.30	June 25, 2019	7.7
2,075,000	2,075,000	0.20	March 23, 2020	8.4
2,575,000	2,575,000	0.21	March 22, 2021	9.4
10,720,000	10,612,500	\$ 0.30		6.2

(d) Share purchase warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price
Balance, July 31, 2010	8,491,166	\$ 0.50
Issued	18,809,817	0.40
Expired	(8,491,166)	(0.50)
Balance, July 31, 2011 and October 31, 2011	18,809,817	\$ 0.40

No share purchase warrants were issued during the three months ended October 31, 2011. During the year ended July 31, 2011, 18,809,817 share purchase warrants were issued pursuant to the private placements as discussed in note 7(b). The warrants were valued using the Black-Scholes model, with an amount of \$77,581, net of issue costs, allocated to contributed surplus, using the following inputs:

Risk-free interest rate	1.81%
Expected life	2 years
Annualized volatility	25.00%
Dividend rate	0.00%

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

7. EQUITY (continued)

(d) Share purchase warrants (continued)

The following table summarizes information about share purchase warrants outstanding at October 31, 2011:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
16,809,817	\$ 0.40	December 23, 2012	1.1
2,000,000	0.40	January 18, 2013	1.2
18,809,817	\$ 0.40		1.2

8. RELATED PARTY TRANSACTIONS

- (a) During the three months ended October 31, 2011, the Company incurred consulting and legal fees of \$37,632 (2010: \$36,000) with companies or individuals related by way of directors and/or officers in common. Included in consulting fees was an amount of \$30,000 (2010: \$30,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun, and an amount of nil (2010: \$6,000) paid to JJS JR Enterprises Ltd. ("JJS"), whereby JJS provides the Company with the services of John Sutherland.
- (b) During the three months ended October 31, 2011, the Company incurred net expenses of \$53,954 (2010: \$56,130) 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 October 31, 2011 was an amount of \$20,337 (July 31, 2011: \$32,973) due to Goldgroup.
- (c) In addition to the payments noted above, during the three months ended October 31, 2011, key management personnel was paid salary of \$6,000 (2010: nil).

These transactions, occurring in the normal course of operations, are measured at fair value.

9. COMMITMENTS

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

2012	\$ 46,400
2013	63,300
2014	63,600
2015	65,100
2016	10,900
Total	\$ 249,300

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

10. INCOME TAXES

As at October 31, 2011, the Company had issued a total of 67,480,300 common shares on a flow-through basis for gross proceeds of \$24,396,090. 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, 2011, the Company had renounced the tax benefits on all 67,480,300 flow-through common shares and the related gross proceeds.

As at October 31, 2011, the future income tax liability was \$431,197. A deferred income tax recovery of \$151,861 was recorded during the three months ended October 31, 2011 (2010: expense of \$94,005) to reflect the deferred tax liability associated with incurring flow-through expenditures previously renounced under the look-back rule, partially offset by the deferred tax benefit associated with the Company's operating losses for the period.

11. FINANCIAL INSTRUMENTS

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, amounts receivable and trade and other payables.

Fair Value Measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- 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.

Cash, amounts receivable and trade and other payables are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

Financial Instrument Risk Exposure

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

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and cash equivalents and 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.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (continued)

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 October 31, 2011, the Company has cash and cash equivalents of \$883,207 to settle current liabilities of \$594,159. Refer to Note 1 for additional details of liquidity risk as it relates to the Company continuing as a going concern.

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.

13. 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. Refer to Note 1 for additional details of the Company's ability to continue as a going concern.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

14. FIRST TIME ADOPTION OF IFRS

In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these unaudited condensed interim financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. The effect of the Company's transition to IFRS is summarized as follows:

(a) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

i. *Share-based payments*

IFRS 1 permits the application of IFRS 2 - *Share-based Payments* ("IFRS 2"), to equity instruments granted on or before November 7, 2002, that had not vested by August 1, 2010 ("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.

ii. *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 as at the Transition Date are consistent with its Canadian GAAP estimates for the same date.

(b) Reconciliation of assets, liabilities and equity of the Company from those reported under Canadian GAAP to IFRS

At July 31, 2011	Canadian GAAP	Note (i)	Note (ii)	IFRS
Assets				
Current assets	\$ 7,402,568	\$ -	\$ -	\$ 7,402,568
Non-current assets	20,921,311	-	(91,939)	\$ 20,829,372
Total assets	\$ 28,323,879	\$ -	\$ (91,939)	\$ 28,231,940
Liabilities				
Current liabilities	\$ 1,074,441	\$ 298,823	\$ -	\$ 1,373,264
Non-current liabilities	686,091	(234,917)	(91,939)	\$ 359,235
Total liabilities	1,760,532	63,906	(91,939)	1,732,499
Equity				
Share capital	31,475,066	4,019,802	-	35,494,868
Reserves	6,540,866	-	-	6,540,866
Deficit	(11,452,585)	(4,083,708)	-	(15,536,293)
Total equity	26,563,347	(63,906)	-	26,499,441
Total liabilities and equity	\$ 28,323,879	\$ (0)	\$ (91,939)	\$ 28,231,940

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

14. FIRST TIME ADOPTION OF IFRS (continued)

- (b) Reconciliation of assets, liabilities and equity of the Company from those reported under Canadian GAAP to IFRS (continued)

At October 31, 2010	Canadian GAAP	Note (i)	Note (ii)	IFRS
Assets				
Current assets	\$ 1,622,229	\$ -	\$ -	\$ 1,622,229
Non-current assets	21,018,882	-	(46,548)	20,972,334
Total assets	\$ 22,641,111	\$ -	\$ (46,548)	\$ 22,594,563
Liabilities				
Current liabilities	\$ 804,043	\$ -	\$ -	\$ 804,043
Non-current liabilities	950,686	(258,264)	(46,548)	645,874
Total liabilities	1,754,729	(258,264)	(46,548)	1,449,917
Equity				
Share capital	25,647,209	4,162,840	-	29,810,049
Reserves	6,002,447	-	-	6,002,447
Deficit	(10,763,274)	(3,904,576)	-	(14,667,850)
Total equity	20,886,382	258,264	-	21,144,646
Total liabilities and equity	\$ 22,641,111	\$ -	\$ (46,548)	\$ 22,594,563

At August 1, 2010	Canadian GAAP	Note (i)	Note (ii)	IFRS
Assets				
Current assets	\$ 2,934,964	\$ -	\$ -	\$ 2,934,964
Non-current assets	20,013,467	-	(46,548)	19,966,919
Total assets	\$ 22,948,431	\$ -	\$ (46,548)	\$ 22,901,883
Liabilities				
Current liabilities	\$ 820,802	\$ -	\$ -	\$ 820,802
Non-current liabilities	1,030,633	(432,216)	(46,548)	551,869
Total liabilities	1,851,435	(432,216)	(46,548)	1,372,671
Equity				
Share capital	25,647,209	4,162,840	-	29,810,049
Reserves	5,992,926	-	-	5,992,926
Deficit	(10,543,139)	(3,730,624)	-	(14,273,763)
Total equity	21,096,996	432,216	-	21,529,212
Total liabilities and equity	\$ 22,948,431	\$ -	\$ (46,548)	\$ 22,901,883

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

14. FIRST TIME ADOPTION OF IFRS (continued)

(c) Reconciliation of comprehensive loss of the Company from those reported under Canadian GAAP to IFRS

Year ended July 31, 2011	Canadian GAAP	Note (i)	IFRS
Operating and general and administrative expenses	\$ (1,684,067)	\$ -	\$ (1,684,067)
Interest income	39,020	-	39,020
Loss before income taxes	(1,645,047)	-	(1,645,047)
Deferred income tax recovery	735,601	(353,085)	382,516
Net loss and comprehensive loss	\$ (909,446)	\$ (353,085)	\$ (1,262,531)

Three months ended October 31, 2010	Canadian GAAP	Note (i)	IFRS
Operating and general and administrative expenses	\$ (304,856)	\$ -	\$ (304,856)
Interest income	4,774	-	4,774
Loss before income taxes	(300,082)	-	(300,082)
Deferred income tax recovery (expense)	79,947	(173,952)	(94,005)
Net loss and comprehensive loss	\$ (220,135)	\$ (173,952)	\$ (394,087)

(d) Reconciliation of cash flows of the Company from those reported under Canadian GAAP to IFRS

There were no material differences between the statements cash flows presented under IFRS and Canadian GAAP for the three month period ended October 31, 2010 and the year ended July 31, 2011; thus no reconciliation is presented.

(e) Notes to the reconciliations of the Company from Canadian GAAP to IFRS

i. Flow-through shares

Under Canadian GAAP, share capital is recorded at net proceeds. When expenditures are renounced, a deferred tax liability is recognized and recorded to share capital.

Under IFRS, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium", are recorded as a liability. When expenditures are incurred, a deferred tax liability is recognized and the premium charge is reversed. The net amount is recognized as deferred income tax recovery.

Uracan Resources Ltd.

Notes to the Condensed Interim Financial Statements

October 31, 2011 and 2010

(Expressed in Canadian dollars)

(Unaudited)

14. FIRST TIME ADOPTION OF IFRS (continued)

(e) Notes to the reconciliations of the Company from Canadian GAAP to IFRS

ii. Income taxes

The Company capitalizes a portion of share-based compensation expense to the carrying value of exploration and evaluation assets. For Canadian tax purposes, these costs have no tax basis (as share-based compensation is not deductible for tax purposes). The addition of these costs constitutes an asset acquisition where the book value exceeds the tax basis of the assets acquired. Under Canadian GAAP, a future income tax liability amount was recognized to reflect the excess of the accounting value over the basis of these costs. Under IAS 12 Income Taxes, however, the capitalization of these share-based compensation expenses does not trigger the recognition criteria for deferred income tax purposes.

iii. Share-based compensation

Under Canadian GAAP, the fair value of share-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur. Under IFRS, a fair value measurement is required for each vesting installment within the option grant. Each installment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

As the difference between share-based compensation under IFRS and Canadian GAAP is immaterial, no adjustment has been made.