

URACAN RESOURCES LTD.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
First Quarter Report – October 31, 2011

The following discussion is management's assessment and analysis of the results and financial condition of Uracon Resources Ltd. ("Uracon" or "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes. The preparation of financial data is in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated. Previously the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's fiscal 2011 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's transition date was August 1, 2010, fiscal 2010 comparative information included in this MD&A has not been restated.

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 January 26, 2012.

Overview

Uracon is a uranium exploration company that trades on the TSX Venture Exchange under the symbol URC. Uracon is in the business of exploring and developing bulk tonnage, near-surface uranium deposits with its two 100%-owned Canadian projects in Quebec and Saskatchewan. Drilling programs completed since 2007 have consistently produced positive results. 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

- Discovery of a new mineralized zone (Joel zone) 2 kilometres southeast of the A4 zone with up to 21 metres of 0.032% U₃O₈ (325ppm or 0.65 lbs/t) in surface channeling
- Discovery of extensive areas of uranium mineralizations on the Pontbriand claims
- 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%)

North Shore Properties (Quebec)

The North Shore property consists of 15 non-contiguous claim blocks covering 1,002.3 km² located in the Havre St. Pierre, Aguanish and Natashquan corridor along the North Shore of the Gulf of St. Lawrence. The blocks consist of three distinct claim groups: Pontbriand, Costebelle, and Lac Turgeon.

Pontbriand Claim Group

The Pontbriand Claim Group consists of 4 separate areas; Pontbriand A, B, C, and D and covers a total of approximately 160 square kilometres. The main highway in the area passes through the A and D claim groups, with all the Pontbriand claims being located within 19 kilometres of the highway. In addition the main hydro power transmission lines for the area pass through the claims. Pegmatites hosted by metasediments are the main uranium host on the Pontbriand claims.

Exploration work completed during 2011 consisted of mapping, prospecting and channel sampling of the areas initially discovered in 2010, as well as along strike from the 2010 channels. Additional areas with radiometric anomalies were prospected and mapped throughout the claim group.

Highlights of the 2011 channel sampling include 17 metres of 0.039% U₃O₈ (388 ppm or 0.78 lbs/t) at the Pontbriand B South Zone, 12 metres of 0.038% U₃O₈ (384 ppm or 0.77 lbs/t) and 5 metres of 0.030% U₃O₈ (297ppm or 0.59 lbs/t) at

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the Pontbriand C Zone, and 10 metres grading 0.025% U3O8 (248 ppm or 0.5 lbs/t) at the South JF Zone (Pontbriand A), in saw channel samples.

Based on the results of the 2011 channel sampling and mapping, the Company has commenced planning for follow up work to consist of additional sampling and mapping as well as diamond drill testing of various target areas. This work is expected to be carried out between the 1st and 3rd quarter of 2012

Costebelle Claim Group

The Costebelle Claim Group consists of 7 groups of claims (Costebelle A through Costebelle G) totaling 1,099 claims covering a total area of 59,533.29 hectares (595.33 Km²).

The summer/fall drill program completed a total of 23 diamond drill holes totaling 4,104.7 metres. Results from this drilling are still pending and will be released once all drill results have been received by the Company.

Exploration in the area of the Costebelle A4 and CC-11 zones has outlined additional drill ready targets within a few kilometres of the A4 and CC-11 zones. These new target areas have significantly increased the potential to define a significant uranium resource hosted in multiple target areas in close proximity to one another.

Prospecting and channel sampling between the A4, CC-11 and CC-10 zones encountered significant uranium mineralization in a target area called the Joel Zone. Work was focused on ground truthing a number of smaller airborne radiometric anomalies in this area approximately 2 kilometres southeast of the A4 zone and 0.6 kilometres northwest of the CC-11 zone. Significant results include 2 metres grading 0.247% U3O8 (2470 ppm or 4.94 lbs/t), 21 metres of 0.032% U3O8 (316 ppm or 0.63 lbs/t) and 3 metres grading 0.067% U3O8 (668 ppm or 1.34 lbs/t). All samples are saw cut channel samples. The width of the overall mineralized pegmatite body is not known at this time.

Previous exploration programs carried out only limited exploration work on the Costebelle B claim group, located approximately 20 kilometres northwest of the A4 zone and 55 kilometres northeast of the Double S zone. Mapping and prospecting with follow up channel sampling has outlined a new zone (210 Zone) extending over a 400 meter strike length along an azimuth 210 trend. Due to difficult access conditions field crews were not able to fully evaluate the claims during the summer's work program, however further work is being planned which will include line cutting and multiple landing areas for helicopter supported exploration. Significant results include 6 metres of 0.057% U3O8 (567 ppm or 1.13 lbs/t), 6 metres grading 0.023% U3O8 (234 ppm or 0.46 lbs/t), and 4 metres grading 0.030% U3O8 (296 ppm or 0.6 lbs/t), in saw channel samples. The width of the overall mineralized pegmatite body is not known at this time.

A map showing drill hole locations as well as drill hole coordinates and a complete listing of assay results are posted on UraCan's updated website: www.uraCan.ca.

Once all diamond drill results have been received, follow up drilling will be planned based on results. In addition, planning for follow up sampling and mapping of newly defined target areas is underway, and these areas are being assessed for their potential as diamond drill targets for the summer of 2012.

Lac Turgeon Claim Group

The Lac Turgeon Claim Group (Turgeon A) consists of a total of 416 claims totaling 22,225.56 hectares (222.26 km²). These claims cover the majority of the Lac Turgeon Intrusive Complex. The Lac Turgeon claim group hosts numerous uranium occurrences and deposits including the Double S, Middle Zone and TJ Zone.

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.

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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. 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 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 metres at the TJ Zone and 33 diamond drill holes totaling 7,072 metres at the Middle Zone were used to create the resource calculations. The TJ Zone is 3.0 kilometres northwest of the Double S Zone and 1.4 kilometres 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 U3O8 (M Kg)	Contained U3O8 (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	

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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 metres and 0.089% U₃O₈ over 10.5 metres. 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 metres of 0.174% U₃O₈. The other six drill holes intersected unmineralized metasediments and/or metagabbros with occasional pegmatite dykes. It is thought that the Grandroy area is near the margin of the Turgeon Intrusive Complex and the surrounding Wakeham Group metasediments and metagabbros.

Saskatchewan Properties

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

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

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.

Overall Performance and Results of Operations

Total assets decreased from \$28,231,940 at July 31, 2011 to \$27,455,234 at October 31, 2011. The most significant assets at October 31, 2011 were exploration and evaluation assets of \$22,596,857 (July 31, 2011: \$20,718,003), amounts receivable of \$3,825,138 (July 31, 2011: \$3,730,320) and cash and cash equivalents of \$883,207 (July 31, 2011: \$3,596,854). Exploration and evaluation assets are comprised of capitalized costs relating to the Company's North Shore and Saskatchewan properties, consisting of \$3,157,023 in acquisition costs and \$29,334,176 in exploration costs, partially offset by \$9,894,342 of recovered costs.

Cash and cash equivalents decreased by \$2,713,647 during the three months ended October 31, 2011. The items that contributed to the decrease were exploration and evaluation expenditures of \$1,396,964 and \$1,316,683 used in operating activities.

Summary of Quarterly Results

	Q1	Q4	Q3	Q2
	2012	2011¹	2011¹	2011¹
Interest income	\$ 7,281	\$ 14,750	\$ 15,473	\$ 4,023
Operating expenses	(303,704)	(299,232)	(443,489)	(292,247)
Stock-based compensation	-	(5,208)	(315,384)	(23,651)
Loss before income taxes	(296,423)	(289,690)	(743,400)	(311,875)
Deferred income tax recovery (expense)	151,861	513,839	(41,507)	4,189
Income (loss) for the period	\$ (144,562)	\$ 224,149	\$ (784,907)	\$ (307,686)
Basic and diluted loss per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)

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	Q1	Q4	Q3	Q2
	2011 ¹	2010 ²	2010 ²	2010 ²
Interest income	\$ 4,774	\$ 4,605	\$ 5,087	\$ 2,306
Operating expenses	(302,090)	(406,949)	(375,394)	(274,973)
Stock-based compensation	(2,766)	31,845	(310,755)	(9,349)
Write-down of mineral properties	-	(4,700,729)	-	-
Loss before income taxes	(300,082)	(5,071,228)	(681,062)	(282,016)
Deferred income tax recovery (expense)	(94,005)	1,411,274	98,870	68,276
Loss for the period	\$ (394,087)	\$ (3,659,954)	\$ (582,192)	\$ (213,740)
Basic and diluted loss per share	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.00)

¹ These amounts have been restated in accordance with IFRS

² These amounts have not been restated in accordance with IFRS as the Company's transition date from Canadian GAAP to IFRS was August 1, 2010

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 share-based compensation. The increased net loss in Q4 2010 was a result of the write-down of mineral properties as discussed in *Saskatchewan Properties* above. Interest expense fluctuated as a result of fluctuations in cash balances and the prime rate as discussed above.

Three months ended October 31, 2011 and 2010

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

- Consulting fees of \$81,997 (2010: \$87,297): Decreased mainly as a result of a consultant becoming an employee of the Company
- Salaries and benefits of \$44,580 (2010: \$30,363): Increased mainly as a result of a consultant becoming an employee of the Company
- Office and administration of \$43,068 (2010: \$64,404): Decreased as the Company's allocated portion of shared office costs (as discussed in *Related Party Transactions*) was reduced
- Marketing and advertising of \$38,161 (2010: \$63,487): Decreased due to a decrease in public relations expenditures
- Exploration costs of \$30,267 (2010: \$13,826): Increased due to demobilization expenditures incurred in the current quarter
- Professional fees of \$37,382 (2010: \$14,620): Increased due to an increase in accounting and legal fees incurred in the current quarter

During the three months ended October 31, 2011, the Company recorded interest income of \$7,281 (2010: \$4,774), 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.

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Liquidity and Capital Resources

As at October 31, 2011, the Company had working capital of \$4,169,343 (July 31, 2011: \$6,029,304). At October 31, 2011, the Company has cash and cash equivalents of \$883,207 to settle current liabilities of \$594,159. 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 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. 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.

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 are issued and outstanding, 10,720,000 options are outstanding and 18,809,817 warrants are outstanding.

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.

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. The Company is subject to significant risks including, but not limited to, the following:

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.

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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.

For additional information regarding the risks and uncertainties related to the Company and its business, please refer to the "Risk Factors" section of the Company's Annual Information Form dated January 30, 2012, available on SEDAR at www.sedar.com.

Critical Accounting Policies and Estimates

The Company has prepared its first unaudited condensed interim financial statements in accordance with IAS 34 using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on July 31, 2012, the Company's first annual IFRS reporting date, with significant accounting policies as described in Note 3 of the Company's unaudited condensed interim financial statements as at and for the three months ended October 31, 2011.

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.

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.

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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 this quarter.

Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosures. For a description of the significant accounting policies the Company has adopted under IFRS, including estimates and judgments used in applying those accounting policies, please refer to Note 2 and 3 of the accompanying unaudited condensed interim financial statements.

The adoption of IFRS resulted in certain changes to the financial statements of the Company previously reported under Canadian GAAP. Please refer to Note 14 of the accompanying unaudited condensed interim financial statements for a summary of the effect of the Company's transition to IFRS.

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.

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

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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.

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.

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 commenced diamond drilling in February 2011 and completed this phase in April 2011. Work focused on the Costebelle A4 and CC11 zones. A sampling and prospecting program and additional drilling that started in June 2011 and was completed in October 2011. Once all 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.