Financial Statements of

# Uracan Resources Ltd.

Three and six months ended January 31, 2018
and 2017
(Expressed in Canadian dollars)
(Unaudited)

## NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of Uracan Resources Ltd. ("Uracan" or the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

# Uracan Resources Ltd.

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

| | | January 31, 2018 | | July 31, 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | **$** | **35,522** | $ | 40,826 |
| Amounts receivable (Note 3) | | **25,163** | | 7,149 |
| Prepaid expenses | | **6,932** | | 7,707 |
| | | **67,617** | | 55,682 |
| Exploration and evaluation assets (Note 4) | | **1,542,147** | | 1,542,147 |
| **Total assets** | **$** | **1,609,764** | $ | 1,597,829 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Amounts payable | **$** | **412,843** | $ | 340,492 |
| Notes payable (Note 5, 7) | | **305,000** | | 205,000 |
| Flow-through share premium (Note 6(e)) | | **-** | | 23,077 |
| Total liabilities | | **717,843** | | 568,569 |
| **Equity** | | | | |
| Share capital (Note 6) | | **39,747,478** | | 39,747,478 |
| Reserves (Note 6) | | **7,594,799** | | 7,594,799 |
| Deficit | | **(46,450,356)** | | (46,313,017) |
| Total equity | | **891,921** | | 1,029,260 |
| **Total liabilities and equity** | **$** | **1,609,764** | $ | 1,597,829 |

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on March 28, 2018:

"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 Loss and Comprehensive Loss
For the three and six months ended January 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended January 31, 2018 | Three months ended January 31, 2017 | Six months ended January 31, 2018 | Six months ended January 31, 2017 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Consulting (Note 7) | **$ 30,000** | $ 30,000 | **$ 60,000** | $ 60,000 |
| Maintenance and rehabilitation | **-** | - | **38,211** | - |
| Marketing and advertising | **280** | 280 | **460** | 460 |
| Office and administration | **909** | 1,903 | **1,600** | 3,185 |
| Professional fees | **3,688** | 8,050 | **9,392** | 9,220 |
| Regulatory and transfer agent | **4,092** | 5,193 | **5,932** | 8,886 |
| Salaries and benefits (Note 7) | **15,616** | 49,496 | **30,222** | 76,654 |
| Share-based compensation (Note 6(c)) | **-** | - | **-** | 428,070 |
| Shareholder services | **669** | 872 | **3,439** | 3,758 |
| Travel | **-** | - | **3,899** | - |
| | **(55,254)** | (95,794) | **(153,155)** | (590,233) |
| Other income - flow-through (Note 6(e)) | **-** | 36,373 | **23,077** | 109,866 |
| Impairment of exploration and evaluation assets (Note 4(b)) | **-** | (1,670,408) | **-** | (1,670,408) |
| Finance income | **56** | 1,032 | **74** | 1,431 |
| Finance expense | **(4,235)** | (1,431) | **(7,335)** | (2,111) |
| **Loss and comprehensive loss** | **(59,433)** | (1,730,228) | **(137,339)** | (2,151,455) |
| **Basic and diluted loss per share** | **$ (0.00)** | $ (0.02) | **$ (0.00)** | $ (0.02) |
| **Weighted average number of common shares outstanding basic and diluted** | **105,944,601** | 105,674,102 | **105,944,601** | 105,013,138 |

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

# Uracan Resources Ltd.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

| | Share capital | | Reserves | Deficit | Total |
|---|---|---|---|---|---|
| | Shares issued | Amount | | | equity |
| **At July 31, 2016** | 100,102,140 | $ 39,510,071 | $ 7,145,685 | $ (43,806,707) | $ 2,849,049 |
| Private placement: Flow-through | 5,138,461 | 280,000 | - | - | 280,000 |
| Private placement: Non flow-through | 704,000 | 34,151 | 1,049 | - | 35,200 |
| Flow-through share premium | - | (41,077) | - | - | (41,077) |
| Share issue costs | - | (26,041) | (79) | - | (26,120) |
| Share-based compensation | - | - | 428,070 | - | 428,070 |
| Loss and comprehensive loss | - | - | - | (2,151,455) | (2,151,455) |
| **At January 31, 2017** | 105,944,601 | 39,757,104 | 7,574,725 | (45,958,162) | 1,373,667 |
| Share issue costs | - | (9,626) | (12) | - | (9,638) |
| Share-based compensation | - | - | 20,086 | - | 20,086 |
| Loss and comprehensive loss | - | - | - | (354,855) | (354,855) |
| **At July 31, 2017** | 105,944,601 | 39,747,478 | 7,594,799 | (46,313,017) | 1,029,260 |
| Loss and comprehensive loss | - | - | - | (137,339) | (137,339) |
| **At January 31, 2018** | 105,944,601 | $ 39,747,478 | $ 7,594,799 | $ (46,450,356) | $ 891,921 |

*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 six months ended January 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss for the period | **$** | **(137,339)** | $ | (2,151,455) |
| Items not involving cash: | | | | |
| Impairment of exploration and evaluation assets | | **-** | | 1,670,408 |
| Share-based compensation | | **-** | | 428,070 |
| Flow-through share premium - other income | | **(23,077)** | | (109,866) |
| Finance expense - accrued | | **11,601** | | - |
| Changes in non-cash working capital items: | | | | |
| Amounts receivable | | **(18,014)** | | 11,393 |
| Prepaid expenses | | **775** | | 375 |
| Trade and other payables | | **60,750** | | (37,495) |
| | | **(105,304)** | | (188,570) |
| **Financing activities** | | | | |
| Proceeds on shares issued, net of share issuance costs | | **-** | | 289,079 |
| Issuance of notes payable | | **100,000** | | 60,000 |
| | | **100,000** | | 349,079 |
| **Investing activities** | | | | |
| Exploration and evaluation asset expenditures | | **-** | | (991,240) |
| | | **-** | | (991,240) |
| Change in cash during the period | | **(5,304)** | | (830,731) |
| Cash, beginning of period | | **40,826** | | 906,034 |
| **Cash, end of period** | **$** | **35,522** | $ | 75,303 |

Supplemental disclosure with respect to cash flows (Note 10)

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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 registered and records office is located at 2500 – 700 W. Georgia Street, Vancouver BC, V7Y 1B3. The Company operates in one reportable segment, being the acquisition and exploration of uranium properties. All of the Company's assets are located in Canada. 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 January 31, 2018, the Company had a working capital deficit of $650,226. The Company recorded a loss of $137,339 during the six months ended January 31, 2018, and had an accumulated deficit of $46,450,356 as at January 31, 2018. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund 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 conditions cast significant doubt as to the Company's ability to continue as a going concern.

## 2. BASIS OF PRESENTATION

*(a) Statement of compliance*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements. These unaudited condensed interim financial statements were approved by the board of directors on March 28, 2018.

*(b) Recent accounting standards*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

The Company has determined that there is no impact of adoption of IFRS 9 on its financial statements.

The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian dollars)

## 3. AMOUNTS RECEIVABLE

| | As at January 31, 2018 | As at July 31, 2017 |
|---|---|---|
| Input tax credits | **$ 20,705** | $ 2,692 |
| Other receivables | **4,457** | 4,457 |
| | **$ 25,163** | $ 7,149 |

## 4. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets 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 exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation assets located in Saskatchewan, Canada:

| | Clearwater Property |
|---|---|
| **Acquisition costs:** | |
| Balance, July 31, 2017 and January 31, 2018 | **$ 19,056** |
| **Exploration costs:** | |
| Balance, July 31, 2017 and January 31, 2018 | **1,523,091** |
| **Total costs:** | |
| Balance, July 31, 2017 and January 31, 2018 | **$ 1,542,147** |

### Saskatchewan Properties

#### a) Clearwater Project

In August 2014, Uracan signed a definitive option agreement (the "Forum Agreement") with Forum Uranium Corp. ("Forum"), whereby Uracan had the option to earn up to a 70% interest in Forum's Clearwater Project (the "Clearwater Project") in northern Saskatchewan.

During the six months ended January 31, 2018, Uracan and Forum agreed to terminate the Forum Agreement. Forum currently owns 75% and Uracan has earned a 25% interest after spending $1.5 million on exploration since August 2014.

#### b) Black Lake Project

In January, 2013, the Company entered into an agreement (the "Agreement") with UEX Corporation ("UEX") whereby the Company could earn into the Black Lake Project (the "Project") in the Athabasca Basin in northern Saskatchewan.

During the year ended July 31, 2017, the Company was unable to fund its minimum commitment under the Agreement and the option expired. As such, the Company recognized an impairment of $1,670,408 in the statement of loss and comprehensive loss in the year.

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

### c) Pipewrench Lake and Narrows Lake Properties

The Company holds four claim blocks in the Pipewrench Lake and Narrows Lake areas in Saskatchewan. The Company has a 100% interest in these properties, which are carried at $nil.

### d) Quebec Properties

The Company holds two non-contiguous claim blocks in the Baie Johan Beetz, Aguanish and Natashquan corridor along the North Shore of the Gulf of St. Lawrence. The blocks consist of two distinct claim groups: Costebelle and Lac Turgeon. The Company has a 100% interest in these properties, which are carried at $nil.

## 5. NOTES PAYABLE

During the six months ended January 31, 2018, notes payable of $100,000 were issued to a director of the Company. As at January 31, 2018, notes payable of $305,000 (July 31, 2017: $205,000) were outstanding to a director of the Company. The notes accrue interest at 6% per annum and are payable on demand. As at January 31, 2018, accrued interest on notes payable of $30,531 (July 31, 2017: $23,196) is included in amounts payable in the statement of financial position.

## 6. 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*

As at January 31, 2018, there were 105,944,601 common shares issued and outstanding.

No common shares were issued during the six months ended January 31, 2018.

*Issued during the year ended July 31, 2017*

During the year ended July 31, 2017, the Company closed a non-brokered private placement, consisting of 1,538,461 flow-through shares at a price of $0.065 per share for gross proceeds of $100,000. Cash share issue costs of $16,985 were incurred. A flow-through share premium liability of $23,077 was allocated to these flow-through funds.

During the year ended July 31, 2017, the Company closed the second tranche of a non-brokered private placement, consisting of 3,600,000 flow-through shares at a price of $0.05 per share for gross proceeds of $180,000, and 704,000 non flow-through units at a price of $0.05 per unit for gross proceeds of $35,200. Each non flow-through unit consists of one common share and one half of a warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until August 2, 2017. The warrants issued in connection with the non-brokered private placement were allocated a fair value of $1,049 on a relative fair value basis. Cash share issue costs of $18,773 were incurred, of which $18,682 and $91 were deducted from share capital and reserves respectively, based on the pro rata allocation of the fair value on issuance of the units to share capital and reserves (Note 6(d)). A flow-through share premium liability of $18,000 was allocated to the flow-through portion of this non-brokered private placement.

(Expressed in Canadian dollars)

**6. EQUITY** (continued)

*(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 maximum term of each option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any 3 month period. All other options vest at the discretion of the Board of Directors.

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

| | Outstanding | | Weighted average exercise price |
|---|---|---|---|
| Balance, July 31, 2016 | 4,045,000 | $ | 0.13 |
| Expired | (450,000) | | 0.13 |
| Granted | 6,150,000 | | 0.09 |
| Balance, January 31, 2017 | 9,745,000 | | 0.11 |
| Expired | (200,000) | | 0.13 |
| Granted | 400,000 | | 0.07 |
| Balance, July 31, 2017 | 9,945,000 | | 0.10 |
| Expired | (200,000) | | 0.09 |
| Balance, January 31, 2018 | 9,745,000 | $ | 0.10 |

No share options were granted during the six months ended January 31, 2018.

During the six months ended January 31, 2017, 6,150,000 share options were granted to directors, officers, consultants and charities of the Company, with an exercise price of $0.09 and an expiry date of September 29, 2026. The fair value of the share options granted was estimated on the date of the grant in the amount of $428,070 using the Black-Scholes option pricing model with the following assumptions: i) exercise price per share of $0.09; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.78%; iv) expected life of 10 years; v) no dividend yield.

The following table summarizes information about the share options outstanding and exercisable at January 31, 2018:

| Options outstanding | Exercise price | Expiry Date |
|---|---|---|
| 200,000 | 0.09 | June 30, 2018 |
| 285,000 | 0.13 | January 27, 2019 |
| 250,000 | 0.13 | March 23, 2020 |
| 310,000 | 0.13 | March 22, 2021 |
| 2,250,000 | 0.13 | March 3, 2024 |
| 300,000 | 0.16 | March 18, 2024 |
| 5,750,000 | 0.09 | September 29, 2026 |
| 400,000 | 0.07 | February 17, 2027 |
| 9,745,000 | | |

(Expressed in Canadian dollars)

## 6. EQUITY (continued)

*(d) Warrants*

No warrants were issued and 352,000 warrants with an exercise price of $0.10 expired during the six months ended January 31, 2018.

During the six months ended January 31, 2017, the Company issued 352,000 warrants in connection with the second tranche of a non-brokered private placement. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until August 2, 2017.

The fair value of the warrants issued in connection with the second tranche of a non-brokered private placement closed during the year ended July 31, 2017, was calculated using the Black-Scholes option pricing model with the following assumptions: i) exercise price per warrant of $0.10; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.54%; iv) expected life of 1 year; v) no dividend yield.

A summary of changes in warrants is presented below:

| | Number of warrants | | Weighted average exercise price |
|---|---|---|---|
| Balance, July 31, 2016 | 6,088,750 | $ | 0.10 |
| Issued | 352,000 | | 0.10 |
| Balance, January 31, 2017 | 6,440,750 | | 0.10 |
| Expired | (6,088,750) | | 0.10 |
| Balance, July 31, 2017 | 352,000 | | 0.10 |
| Expired | (352,000) | | 0.10 |
| Balance, January 31, 2018 | - | $ | - |

*(e) Flow-through shares*

During the year ended July 31, 2017, the Company issued 1,538,461 flow-through shares for gross proceeds of $100,000 (Note 6(b)). As at January 31, 2018, all of these flow-through funds have been spent and the tax benefit has been renounced. And as such, $23,077 in flow-through premium amortization was recognized as other income in the statement of loss and comprehensive loss during the six months ended January 31, 2018.

During the year ended July 31, 2017, the Company issued 3,600,000 flow-through shares for gross proceeds of $180,000 (Note 6(b)). As at July 31, 2017, all of these flow-through funds have been spent and the tax benefit has been renounced. And as such, $18,000 in flow-through premium amortization was recognized as other income in the statement of loss and comprehensive loss during the year ended July 31, 2017.

## 7. RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2018, the Company:

(a) Incurred consulting fees of $60,000 (2017: $60,000) and share issue costs of $nil (2017: $3,152) to a company of which a director of the Company is an officer. As at January 31, 2018, $47,106 (July 31, 2017: $5,250) is due to this company and included in amounts payable in the statement of financial position.

(b) Incurred legal fees of $214 (2017: $nil) and share issue costs of $nil (2017: $1,230) to a legal firm of which a director of the Company is a partner.

(c) Had notes payable of $305,000 (July 31, 2017: $205,000) outstanding and accrued interest of $30,531 (July 31, 2017: $23,196) that were owed to a director of the Company (Note 5).

## 7. RELATED PARTY TRANSACTIONS (continued)

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

During the six months ended January 31, 2018, compensation of $30,190 (2017: $94,805) was paid for the CEO of the Company.

## 8. FINANCIAL INSTRUMENTS

***Financial Risk Management***

Cash, amounts payable and notes payable 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 is exposed to credit risk on cash and amounts receivable. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

*Liquidity Risk*

At January 31, 2018, the Company had cash of $35,522 to settle current payables of $412,843, and had a working capital deficit of $650,226. Management has concluded that the Company does not have adequate financial resources to settle obligations as at January 31, 2018, and will require additional funding to continue operations for the next twelve months (Note 1).

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, and equity prices:

*I.* *Interest Rate Risk*

The Company's notes payable bear interest at fixed rates and the Company's bank account earns interest at variable rates. The fair value of its financial instruments is relatively unaffected by changes in short-term interest rates.

**8. FINANCIAL INSTRUMENTS** (continued)

*Market Risk* (continued)

*II. Commodity Price Risk*

Although the Company is an exploration stage 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 commodity 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.

*III. Equity Price Risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**9. 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 of its uranium 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 equity.

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. The Company is not subject to externally imposed capital requirements.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash investing or financing transactions included:

- A flow-through share premium of $nil (January 31, 2017: $41,077) was recorded as a reduction in share capital.
- Included in amounts payable at January 31, 2018, is $150,682 (July 31, 2017: $6,438) of exploration and evaluation costs and $9,638 (July 31, 2017: $9,638) of share issue costs.

No cash was paid for interest or income taxes during the six months ended January 31, 2018 and 2017.