

URACAN RESOURCES LTD.

Management's Discussion and Analysis of Financial Condition and Results of Operations First Quarter Report – October 31, 2017

The following discussion is management's assessment and analysis of the results and financial condition of Urcan Resources Ltd. ("Urcan" or "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the IASB and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is December 18, 2017.

Overview

Urcan is a uranium exploration company that trades on the TSX Venture Exchange under the symbol URC. Urcan is in the business of exploring and developing bulk tonnage, uranium deposits with its Canadian projects in Saskatchewan and Quebec. The Company continues to actively pursue new opportunities to capitalize on management's exploration and financing capabilities.

As at October 31, 2017, the Company had a working capital deficit of \$590,793. The Company recorded a loss of \$77,906 during the three months ended October 31, 2017, incurred negative cash flows from operations and had an accumulated deficit of \$46,390,923 as at October 31, 2017. These conditions cast significant doubt on the Company's ability to continue as a going concern. 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.

Saskatchewan Properties

Clearwater Project

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

In September 2017, Urcan and Forum agreed to terminate the Forum Agreement. Forum currently owns 75% and Urcan has earned a 25% interest after spending \$1.5 million on exploration since August 2014.

Urcan and Forum commenced a geophysics and diamond drill program in September 2016. The geophysical work consisted of a ground VTEM program to define targets for subsequent exploration drilling. The VTEM program outlined a number of conductors which were targeted by the drill program. Drilling commenced in late September and was completed in mid-November. A total of 2,602 meters of drilling was completed in 9 drill holes.

The Mongo area is interpreted to be on strike with the structure hosting the Triple R deposit. Drilling on the Mongo Lake area (drill holes CW-16 to CW-20) of the property have encountered predominantly mafic gneisses, locally weakly graphitic, that have been cut numerous times by felsic granitic dykes and moderately radioactive (thorium bearing) mafic dykes with probing peaks of up to 2345 counts per second. These mafic dykes have been reactivated by subparallel brittle shear zones. The upper section of the drill holes also contains intervals of secondary hematite alteration, both along fracture surfaces and locally within the matrix and lithological boundaries.

Several intervals of moderate bleaching of the drill core were noted in the Mongo Lake drilling. Clays in the bleached zone have been analyzed by TerraSpec (TSP 350-2500) instrument, and have come back as mostly illite, a clay associated with hydrothermal alteration and common around all of the eastern Athabasca basin uranium deposits and at NexGen

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Energy's Arrow deposit. Samples of the bleached and clay altered core will be geochemically analysed in the near term to confirm the nature and type of other clay minerals present.

The combination of elevated radioactivity, bleaching with illite clay and secondary hematite associated with brittle shear zones and local graphitic zones are encouraging as these indicate that altering and radioactive fluids were active in the area.

Drill hole CW-16 intersected an interval between 259.5 meters and 266.0 meters downhole assaying 3000ppm (0.3%) Lead and 43400ppm (4.34%) Zinc over a 6.5 meter core length that was chip sampled. This high grade interval occurs within a zone of anomalous Zinc mineralization, with assays ranging between 114ppm to 43400ppm Zinc and 14ppm to 3000ppm Lead between 241.8 meters and 272.0 meters downhole. The host rock is a well banded granodiorite/granitic gneiss with variable silicification and sulphide content. These samples have not been composited as they are chip samples and not continuous samples. True widths of this interval are not known at this time. Further work is required to better define the nature of this base metal mineralization.

Chip samples consist of systematically collecting similar sized small fragments of the core at a regular spacing across zones of similar lithology and alteration. These individual chips from discrete lithological intervals are combined into a single sample that is submitted to the lab (SRC Geoanalytical Laboratories or SRC) for geochemical analysis. A systematic chip sampling program of all drill core was conducted as a regular part of the sampling program on the project and is a common sampling method in uranium exploration. The initial geochemical result was of enough interest that the lab was requested to reanalyze the sample, which returned 2750ppm (0.275%) Lead and 45400 (4.54%) Zinc in the reanalysis.

The reader is cautioned that these results are derived from selective composite chip samples that may not be representative of the interval. The chips are typically taken at 1 metre intervals along the length of the core.

CW-16 was drilled on the northern portion of the Clearwater claim group just south of Mongo Lake. Please see <http://www.uran.ca/s/Sask.asp?ReportID=674709> for further details.

Elevated base metals are frequently associated with the Athabasca unconformity uranium mineralization. Base metals, along with clay alteration and hematite alteration noted in the other drill holes outlined above show that a metal bearing, hydrothermal system was active in this portion of the Patterson Lake trend. These results indicate that additional follow up work is needed to determine both the potential for uranium mineralization and the nature and potential for base metal mineralization on the Clearwater Project.

Four diamond drill holes (CW-12 to CW-15) were completed in the Key area of the project testing gravity lows or EM conductors. While the alteration of the basement rocks was very strong with up to 30m of dissolved and missing core, most of this is interpreted to be caused by surficial weathering, evidence for this given by associated kaolinite clays. The drill holes that targeted EM conductors intersected graphitic structures with evidence of numerous tectonic episodes; however, no significant uranium mineralization was noted in this area.

In 2014, two drill holes totaling 526 metres were completed on the Property. These holes were focused on two target areas that hosted the combination of an EM conductor and a coincident gravity low, and were located near previously drilled holes that encountered encouraging geology and alteration.

Hole CW-10 was drilled 270 metres south of hole CW-01 (see Forum Uranium's April 17 2014 news release for further details) and intersected several fault zones with chloritization and variable hydrothermal hematization, along with a graphitic fault gouge zone from 177 to 186 metres down the hole. Elevated uranium values were returned below 186 metres to the bottom of the hole at 242 metres, ranging between 14 ppm U3O8 and 84.9 ppm U3O8. The high of 84.9 ppm U3O8 (partial digestion) was noted over a 6 metre wide interval.

Partial digestion of the rock extracts easily leached uranium, suggesting the uranium mineralization was remobilized from a nearby source. These uranium values are a significant increase relative to those obtained from the nearby hole CW-01. Further drilling along this conductor trend is recommended.

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CW-11 was located approximately 100 metres north of CW-03 and intersected a large deformation zone with strong mylonite development. Uranium values of 36.5 ppm U₃O₈ between 242 and 254 metres down hole and 29.5 ppm U₃O₈ from 272 to 284 metres down hole were noted within a quartz-rich granitic unit. This area also appears to have had uranium-bearing fluid flow, similar to that seen in CW-10. In addition boron is also present in two samples with 509 ppm boron between 252 and 262 metres, and 158 ppm boron between 272 and 278 metres depth. Boron is a positive geochemical pathfinder for uranium mineralization, and both the uranium and boron values are substantially higher than the values intersected in CW-03 to the south. These results indicate that exploration drilling should continue to the north along this major structure.

The Clearwater Project is underlain by a mix of pelitic to psammitic metasediments that overlie older Archean gneisses. Recent work by the Saskatchewan Geological Survey indicates the potential that the pelitic to psammitic metasediments may in fact be derived from mafic metavolcanic rocks. This reinterpretation is ongoing, with other exploration companies in the Patterson Lake region re-evaluating previous geologic interpretations. Graphitic horizons are typically present at the contact between the two and are a target for drilling, especially in areas where there are cross-cutting structures. Several SSW trending electromagnetic (EM) conductors cross from Fission's claim group onto the Clearwater Project. These EM conductors were the target of the 2016 VTEM geophysical survey.

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.

Pipewrench Lake Property

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.

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.

The Company will continue to maintain core claims hosting known uranium mineralization in good standing while letting non-core claims lapse in order to lower the overall costs associated with the Quebec North Shore Property.

Uracan carried out field work in July to August 2017 to assess the potential for lithium mineralization on the North Shore Property. This work consisted of camp and grid line reclamation, prospecting and sampling over the claims still held by Uracan. This work did not outline any new areas of lithium mineralization on the property.

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

	Clearwater Property	Total
Acquisition costs:		
Balance, July 31, 2017 and October 31, 2017	\$ 19,056	\$ 19,056
Exploration costs:		
Balance, July 31, 2017 and October 31, 2017	1,523,091	1,523,091
Total costs:		
Balance, July 31, 2017 and October 31, 2017	\$ 1,542,147	\$ 1,542,147

	Clearwater Property	Black Lake Property	Total
Acquisition costs:			
Balance, July 31, 2016	\$ 19,056	\$ 45,684	\$ 64,740
Impairment of Black Lake Property	-	(45,684)	(45,684)
Balance, July 31, 2017	19,056	-	19,056
Exploration costs:			
Balance, July 31, 2016	525,414	1,624,724	2,150,138
Drilling & analysis	613,658	-	613,658
Camp and accommodation	173,216	-	173,216
Geophysics	70,545	-	70,545
Office and other	94,492	-	94,492
Travel & transport	45,426	-	45,426
Equipment rental	340	-	340
Impairment of Black Lake Property	-	(1,624,724)	(1,624,724)
Balance, July 31, 2017	1,523,091	-	1,523,091
Total costs:			
Balance, July 31, 2017	\$ 1,542,147	\$ -	\$ 1,542,147

Summary of Quarterly Results

	Q1 October 31, 2017	Q4 July 31, 2017	Q3 April 30, 2017	Q2 January 31, 2017
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	(77,906)	(237,760)	(117,095)	(1,730,228)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)

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	Q1 October 31, 2016	Q4 July 31, 2016	Q3 April 30, 2016	Q2 January 31, 2016
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	(421,227)	(101,742)	(99,969)	(140,660)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Loss and comprehensive loss increased in the three months ended July 31, 2017, due to higher exploration costs. The increase in loss and comprehensive loss during the three months ended January 31, 2017, is largely as a result of the impairment of exploration and evaluation assets related to the Black Lake Project. Loss and comprehensive loss increased in the three months ended October 31, 2016, due to share-based compensation.

Overall Performance and Results of Operations

Cash decreased by \$26,446 during the three months ended October 31, 2017, due to cash outflows relating to operating activities.

Loss and comprehensive loss for the three months ended October 31, 2017, decreased by \$343,321 from \$421,227 for the three months ended October 31, 2016, to \$77,906 for the three months ended October 31, 2017. The decrease in loss and comprehensive loss is largely due to:

- A decrease of \$428,070 in share-based compensation. Share-based compensation was \$nil for the three months ended October 31, 2017, compared to \$428,070 for the three months ended October 31, 2016. The decrease was a result of 6,150,000 share options granted during the prior period, whereas none were granted in the current period.

The decrease was partially offset by:

- An increase of \$38,211 in maintenance and rehabilitation. Maintenance and rehabilitation was \$38,211 for the three months ended October 31, 2017, compared to \$nil for the three months ended October 31, 2016. The increase was due to an increase in field activities carried out in the year, as compared to the prior year.

Liquidity and Capital Resources

As at October 31, 2017, the Company had a working capital deficit of \$590,793 and cash of \$14,380 to settle current payables of \$642,715. The Company recorded a loss of \$77,906 during the three months ended October 31, 2017, and had an accumulated deficit of \$46,390,923 as at October 31, 2017. These conditions cast significant doubt on the Company's ability to continue as a going concern. 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 ongoing 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.

The sources of funds currently available to the Company for its acquisition and exploration projects are due from debt and 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, 105,944,601 common shares are issued and outstanding, and 9,945,000 share options are outstanding.

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Related Party Transactions

During the three months ended October 31, 2017, the Company:

- (a) Incurred consulting fees of \$30,000 (2016: \$30,000) and share issue costs of \$nil (2016: \$2,152) to a company of which a director of the Company is an officer. As at October 31, 2017, \$25,532 (July 31, 2017: \$5,250) is due to this company and included in trade and other payables in the statement of financial position.
- (b) Incurred legal fees of \$nil (2016: \$214) and share issue costs of \$nil (2016: \$630) to a legal firm of which a director of the Company is a partner.
- (c) Had notes payable of \$205,000 (July 31, 2017: \$205,000) outstanding and accrued interest of \$26,296 (July 31, 2017: \$23,196) that were owed to a director of the Company.

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 three months ended October 31, 2017, compensation of \$14,606 (2016: \$27,158) was paid for the CEO of the Company.

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.

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.

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Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's financial statements as at and for the year ended July 31, 2017.

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

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

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

Financial Instruments

Financial Risk Management

Cash, amounts receivable, trade and other payables 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'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 account with a large international financial institution. Amounts receivable is comprised of GST refundable from the Canadian Government and amounts owing from an arm's length company for exploration services rendered on their behalf. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable.

Liquidity Risk

At October 31, 2017, the Company had cash of \$14,380 to settle current payables of \$642,715, and had a working capital deficit of \$590,793. Management has concluded that the Company does not have adequate financial resources to settle obligations as at October 31, 2017, and will require additional funding to continue operations for the next twelve months.

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:

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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.

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.

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 condensed interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

The Company is currently seeking new opportunities in the natural resource industry.

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.