

Interim Financial Statements of

URACAN RESOURCES LTD.

(Unaudited)

As at and for the six months ended January 31, 2009

URACAN RESOURCES LTD.**Balance Sheets** (unaudited)*(expressed in Canadian dollars)*

	January 31, 2009	July 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 2,657,232	\$ 1,053,867
Receivables (Note 5)	2,710,818	312,078
Prepays and deposits	19,323	103,729
	<u>5,387,373</u>	<u>1,469,674</u>
Property, plant and equipment (Note 3)	156,234	101,369
Equipment under capital lease (Note 4)	38,717	43,273
Mineral properties (Note 5)	<u>18,683,539</u>	<u>18,861,043</u>
	<u>\$ 24,265,863</u>	<u>\$ 20,475,359</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 111,034	\$ 1,172,663
Current portion of obligation under capital lease (Note 6)	19,703	17,837
	<u>130,737</u>	<u>1,190,500</u>
Obligation under capital lease (Note 6)	11,424	21,764
Future income tax liability (Note 10)	<u>997,454</u>	<u>1,297,252</u>
	<u>1,139,615</u>	<u>2,509,516</u>
Shareholders' equity		
Share capital (Note 7)	23,062,169	17,894,534
Contributed surplus (Note 7)	5,159,686	4,182,240
Deficit	<u>(5,095,607)</u>	<u>(4,110,931)</u>
	<u>23,126,248</u>	<u>17,965,843</u>
	<u>\$ 24,265,863</u>	<u>\$ 20,475,359</u>

Nature of operations and going concern (Note 2)**Subsequent event** (Note 5)

Approved by the Board of Directors:

"Gordon Keep" Director"Jay Sujir" Director*See accompanying notes to the unaudited financial statements*

URACAN RESOURCES LTD.**Statements of Operations, Comprehensive Loss and Deficit (unaudited)***(expressed in Canadian dollars)*

	Three months ended January 31,		Six months ended January 31,	
	2009	2008	2009	2008
Expenses				
Consulting	\$ 96,026	\$ 56,195	\$ 170,065	\$ 126,228
Depreciation	13,950	4,028	28,739	7,949
Interest and penalties	-	-	16,832	-
Loss on disposal of equipment	8,334	-	8,334	-
Marketing and advertising	20,858	26,393	23,421	39,489
Office and administration (recoveries)	57,593	(8,987)	101,264	31,078
Professional fees	26,209	38,268	44,789	64,323
Recruitment fees	-	-	72,000	-
Regulatory and transfer agent	5,591	15,394	5,893	17,509
Salaries and benefits (recoveries)	43,446	(15,102)	105,892	1,315
Shareholder services	47,629	45,063	88,162	98,229
Stock-based compensation (Note 7(e))	535,004	6,457	540,576	21,693
Travel, meals and entertainment	6,694	16,770	16,114	33,189
	<u>861,334</u>	<u>184,479</u>	<u>1,222,081</u>	<u>441,002</u>
Other Items				
Interest income	11,912	42,721	25,150	88,793
Write-off of leasehold improvements (Note 9)	-	-	(26,396)	-
Write-off of deferred rent (Note 9)	-	-	18,292	-
	<u>(849,422)</u>	<u>(141,758)</u>	<u>(1,205,035)</u>	<u>(352,209)</u>
Loss before income taxes				
Future income tax recovery (Note 10)	<u>105,016</u>	<u>117,581</u>	<u>220,359</u>	<u>176,640</u>
Net loss and comprehensive loss for the period	<u>(744,406)</u>	<u>(24,177)</u>	<u>(984,676)</u>	<u>(175,569)</u>
Deficit, beginning of period	<u>(4,351,201)</u>	<u>(3,904,813)</u>	<u>(4,110,931)</u>	<u>(3,753,421)</u>
Deficit, end of period	<u>\$ (5,095,607)</u>	<u>\$ (3,928,990)</u>	<u>\$ (5,095,607)</u>	<u>\$ (3,928,990)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>90,484,459</u>	<u>60,048,402</u>	<u>79,678,169</u>	<u>57,111,989</u>

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Statements of Cash Flows (unaudited)
(expressed in Canadian dollars)

	Three months ended January 31,		Six months ended January 31,	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net loss for the period	\$ (744,406)	\$ (24,177)	\$ (984,676)	\$ (175,569)
Items not involving cash:				
Consulting	25,763	-	25,763	-
Depreciation	13,950	4,028	28,739	7,949
Future income taxes	(105,016)	(117,581)	(220,359)	(176,640)
Loss on sale of property, plant and equipment	8,334	-	8,334	-
Shareholder services	12,114	-	12,114	-
Stock-based compensation	535,004	6,457	540,576	21,693
Write-off of leasehold improvements	-	-	26,396	-
Write-off of deferred rent	-	-	(18,292)	-
Changes in non-cash working capital items:				
Receivables	256,008	(129,500)	268,734	119,316
Prepays and deposits	2,862	(87,490)	84,406	(71,612)
Accounts payable and accrued liabilities	(1,535,565)	(678,943)	(2,548,703)	(808,790)
Cash used in operating activities	<u>(1,530,952)</u>	<u>(1,027,206)</u>	<u>(2,776,968)</u>	<u>(1,083,653)</u>
FINANCING ACTIVITIES				
Issuance of shares	672,500	7,601,940	5,727,500	7,617,940
Share issue costs	(46,581)	-	(373,401)	-
Cash provided by financing activities	<u>625,919</u>	<u>7,601,940</u>	<u>5,354,099</u>	<u>7,617,940</u>
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,351)	-	(151,278)	(2,442)
Recovery of property, plant and equipment previously written off	35,000	-	35,000	-
Proceeds on sale of property, plant and equipment	2,500	-	2,500	-
Equipment under capital lease, net	(4,343)	-	(8,474)	-
Mineral property costs	(460,579)	(2,011,151)	(2,206,199)	(4,301,004)
Recovery of mineral property costs (Note 5)	-	-	1,354,685	-
Cash used in investing activities	<u>(429,773)</u>	<u>(2,011,151)</u>	<u>(973,766)</u>	<u>(4,303,446)</u>
Change in cash and cash equivalents during the period	(1,334,806)	4,563,583	1,603,365	2,230,841
Cash and cash equivalents, beginning of period	3,992,038	2,996,609	1,053,867	5,329,351
Cash and cash equivalents, end of period	<u>\$ 2,657,232</u>	<u>\$ 7,560,192</u>	<u>\$ 2,657,232</u>	<u>\$ 7,560,192</u>
Cash and cash equivalents is comprised of:				
Cash	\$ 651,232	\$ 1,160,668	\$ 651,232	\$ 1,160,668
Short-term deposits	2,006,000	6,399,524	2,006,000	6,399,524
	<u>\$ 2,657,232</u>	<u>\$ 7,560,192</u>	<u>\$ 2,657,232</u>	<u>\$ 7,560,192</u>
Interest paid	\$ -	\$ -	\$ 16,832	\$ -
Taxes paid	\$ -	\$ -	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 12)

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

1. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

The interim period financial statements of Uracon Resources Ltd. (the “**Company**”) have been prepared in accordance with Canadian generally accepted accounting principles (“**GAAP**”) and are expressed in Canadian dollars. The preparation of interim financial statements is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. These interim period statements are unaudited should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Recent Accounting Pronouncements

- (i) In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the new standard does not have a material impact on the Company's financial statements.
- (ii) In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“**IFRS**”). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.
- (iii) In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as the Canadian convergence initiative is in an early stage as of the date of these financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company. The Company has established an IFRS team to develop and implement a plan for IFRS convergence and is commencing with training for key employees. Changes in accounting policies are likely and may materially impact the Company's financial statements.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

2. NATURE OF OPERATIONS AND GOING CONCERN

The Company, formerly UFM Ventures Ltd., was originally incorporated as 583860 B.C. Ltd. in the province of British Columbia on April 21, 1999. The Company changed its name to UFM Ventures Ltd. on March 4, 2004 and to Urcan Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of properties in the uranium industry, with a focus in Quebec and Saskatchewan. The Company has not generated revenues from operations and is considered to be in the exploration stage.

While these 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 doubt on the validity of this assumption. As at January 31, 2009, the Company had working capital of \$5,256,636. The Company has incurred negative cash flows from operations, recorded a loss of \$984,676 for the six months ended January 31, 2009 and had an accumulated deficit of \$5,095,607 as at January 31, 2009. In addition to its ongoing capital requirements, the Company must secure sufficient funding for existing commitments including minimum exploration expenditures amounting to \$5 million over a period of five years from August 28, 2008. 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 the Company's development plan. These 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.

3. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes information about the Company's property, plant and equipment:

	January 31, 2009		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 31,329	\$ 12,852	\$ 18,477
Furniture and fixtures	91,328	8,777	82,551
Office equipment	15,376	2,892	12,484
Leasehold improvements	4,684	223	4,461
Mining equipment	46,775	8,514	38,261
	<u>\$ 189,492</u>	<u>\$ 33,258</u>	<u>\$ 156,234</u>

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	July 31, 2008		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 21,531	\$ 5,919	\$ 15,612
Furniture and fixtures	7,719	2,316	5,403
Office equipment	13,857	4,157	9,700
Leasehold improvements	39,594	11,878	27,716
Mining equipment	46,775	3,837	42,938
	\$ 129,476	\$ 28,107	\$ 101,369

4. EQUIPMENT UNDER CAPITAL LEASE

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

	January 31, 2009	July 31, 2008
Equipment (cost)	\$ 45,550	\$ 45,550
Accumulated depreciation	(6,833)	(2,277)
Net book value	\$ 38,717	\$ 43,273

The equipment under capital lease is amortized on a straight-line basis over its economic life of 5 years.

5. MINERAL PROPERTIES

North Shore Properties (Quebec)

On July 27, 2006, the Company signed an option agreement with Sheridan Platinum Group Limited ("**Sheridan**") whereby the Company has 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 "**Acquisition**"). The Company has paid Sheridan \$2,000,000 and has 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. 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. Effective January 1, 2008, the Company began making advance royalty payments of \$25,000 per quarter. As at January 31, 2009, the Company has paid Sheridan a total of \$125,000 in advance royalty payments.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

5. MINERAL PROPERTIES (continued)

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**") 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 \$870,000 over a three year period;
- issue a total of 1,250,000 common shares of the Company to Bonaventure over a four year period; and
- incur a minimum of \$5,000,000 in exploration expenditures on the Foster Lake Property over a period of five years.

During the six month period ended January 31, 2009, the Company made a payment of \$130,688 and issued 250,000 common shares with a market value of \$55,000 to Bonaventure.

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.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

5. MINERAL PROPERTIES (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, 2008	\$ 2,242,650	\$ 42,009	\$ -	\$ 2,284,659
Cash paid	50,000	-	130,688	180,688
Shares issued	-	-	55,000	55,000
Balance, January 31, 2009	2,292,650	42,009	185,688	2,520,347
Exploration costs:				
Balance, July 31, 2008	13,577,928	3,369,672	-	16,947,600
Air support and fuel	460,844	-	297,490	758,334
Assaying and analysis	389,716	11,563	-	401,279
Consultants	799,109	66,593	396,105	1,261,807
Drilling	543,414	-	-	543,414
Field supplies	280,602	11,935	222,297	514,834
Office and salaries	79,424	8,335	12,043	99,802
Travel and accommodation	23,198	3,454	-	26,652
Balance, January 31, 2009	16,154,235	3,471,552	927,935	20,553,722
Recovered costs:				
Balance, July 31, 2008	(371,216)	-	-	(371,216)
Recovered costs	(4,019,314)	-	-	(4,019,314)
Balance, January 31, 2009	(4,390,530)	-	-	(4,390,530)
Total costs, January 31, 2009	\$ 14,056,355	\$ 3,513,561	\$ 1,113,623	\$ 18,683,539

During the six months ended January 31, 2009, the Company received a refund of \$1,354,685 from the Quebec government relating to the Company's exploration expenses incurred during fiscal 2007. The amount was recorded as recovered mineral property costs as shown in the above table.

Subsequent to January 31, 2009, the Company received a refund of \$2,664,629 from the Quebec government relating to the Company's exploration expenses incurred during fiscal 2008. As at January 31, 2009, the amount was recorded as a receivable in the unaudited balance sheet with a corresponding amount recorded as recovered mineral property costs as shown in the above table.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

6. OBLIGATION UNDER CAPITAL LEASE

The following table summarizes information about the Company's obligation under capital lease:

	January 31, 2009	July 31, 2008
	<u> </u>	<u> </u>
Capital lease obligation with imputed interest rate of 20% per annum	\$ 31,127	\$ 39,601
Less: current portion	<u>(19,703)</u>	<u>(17,837)</u>
	<u>\$ 11,424</u>	<u>\$ 21,764</u>

The following is a schedule of future minimum lease payments under the capital lease expiring August 27, 2010, together with the balance of the obligation under capital lease:

2009	\$ 12,102
2010	<u>24,203</u>
Total minimum lease payments	36,305
Amount representing interest at 20%	<u>(5,178)</u>
Balance of the obligation	<u>\$ 31,127</u>

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(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

	Number of Shares	Amount	Contributed surplus
	<u> </u>	<u> </u>	<u> </u>
Balance, July 31, 2008	67,037,532	17,894,534	4,182,240
Issued pursuant to private placements	23,010,000	5,378,801	311,199
Share issue costs	298,725	(346,847)	(23,709)
Warrants issued to brokers	-	(69,246)	69,246
Issued to Bonaventure	250,000	55,000	-
Exercise of stock options	375,000	50,247	(12,747)
Stock-based compensation (Note 7(e))	-	-	633,457
Income tax effect on flow-through share renouncement (Note 10)	-	99,680	-
Balance, January 31, 2009	<u>90,971,257</u>	<u>\$ 23,062,169</u>	<u>\$ 5,159,686</u>

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid common shares (continued)

The Company completed non-brokered private placements on October 24, 2008 and October 30, 2008, totaling 19,220,000 flow-through units at a price of \$0.25 per flow-through unit and 1,250,000 non flow-through units at a price of \$0.20 per non flow-through unit for gross proceeds of \$5,055,000. Each flow-through unit consisted of one flow-through common share and one half of a common share purchase warrant, with each whole common share purchase warrant entitling the holder to acquire one common share of the Company at a price of \$0.50, with an expiry date 18 months from each of the private placements' respective closing dates. Each non flow-through unit consisted of one non flow-through common share and one half of a common share purchase warrant, with each whole common share purchase warrant entitling the holder to acquire one common share of the Company at a price of \$0.40, with expiry of April 24, 2010. In accordance with an advisory agreement, Endeavour Financial Ltd. ("**Endeavour**") earned a fee of \$50,550 in the form of 265,387 common shares of the Company. In connection with the private placements, the Company incurred finders' fees totaling \$321,050, which includes the fee earned by Endeavour and issued 1,026,000 warrants as finders' fees to purchase common shares of the Company at a price of \$0.25 per share with expiry dates 18 months from each of the private placements' respective closing dates.

The Company completed non-brokered private placements on November 7, 2008 and November 21, 2008, totaling 2,540,000 flow-through units at a price of \$0.25 per flow-through unit for gross proceeds of \$635,000. Each flow-through unit consisted of one flow-through common share and one half of a common share purchase warrant, with each whole common share purchase warrant entitling the holder to acquire one common share of the Company at a price of \$0.50, with an expiry date 18 months from each of the private placements' respective closing dates. In connection with the private placements and in accordance with an advisory agreement, Endeavour earned a fee of \$6,350 in the form of 33,338 common shares of the Company. Total finders' fees were \$43,850, which includes the fee earned by Endeavour. The Company also issued 150,000 warrants as finders' fees to purchase common shares of the Company at a price of \$0.25 per share with expiry dates 18 months from each of the private placements' respective closing dates.

The warrants issued as part of the above noted private placements and the warrants issued to the finders were valued using the Black-Scholes pricing model using the following weighted average assumptions:

Risk-free interest rate	2.66%
Expected life	1.5 years
Annualized volatility	75%
Dividend rate	0.00%

(c) Stock options

The Company has established a "rolling" Stock 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 stock at the date of grant.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Stock options (continued)

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

	<u>Outstanding</u>	<u>Weighted average exercise price</u>
Balance, July 31, 2008	5,600,000	\$ 0.42
Granted	2,525,000	0.30
Exercised	(375,000)	0.10
Forfeited	(25,000)	0.53
Balance, January 31, 2009	<u>7,725,000</u>	<u>\$ 0.39</u>

The following table summarizes information about the stock options outstanding and exercisable at January 31, 2009:

<u>Outstanding</u>	<u>Exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>	<u>Remaining contractual life</u>
350,000	175,000	\$ 0.53	July 11, 2010	1.4 years
1,735,000	1,735,000	0.40	March 30, 2011	2.2 years
2,965,000	2,965,000	0.45	March 19, 2013	4.1 years
150,000	37,500	0.45	June 25, 2013	4.4 years
150,000	37,500	0.30	January 27, 2014	5.0 years
<u>2,375,000</u>	<u>2,375,000</u>	0.30	January 27, 2019	10.0 years
<u>7,725,000</u>	<u>7,325,000</u>			

(d) Warrants

A summary of the changes in warrants is presented below:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Balance, July 31, 2008	13,088,500	\$ 0.97
Issued	12,681,000	0.47
Expired	(4,658,500)	0.82
Balance, January 31, 2009	<u>21,111,000</u>	<u>\$ 0.71</u>

In connection with the private placements noted in Note 7(b), the Company issued a total of 11,505,000 warrants to the unit holders, with 10,880,000 warrants exercisable at \$0.50 per common share and 625,000 warrants exercisable at \$0.40 per common share.

In connection with the private placements noted in Note 7(b), the Company issued a total of 1,176,000 warrants exercisable at \$0.25 per common share as finders' fees.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Warrants (continued)

The following table summarizes information about the warrants outstanding at January 31, 2009:

<u>Outstanding & exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
2,000,000	\$ 1.25	June 20, 2009
6,430,000	1.00	December 21, 2009
9,110,000	0.50	April 24, 2010
625,000	0.40	April 24, 2010
966,000	0.25	April 24, 2010
500,000	0.50	April 30, 2010
60,000	0.25	April 30, 2010
1,220,000	0.50	May 7, 2010
144,000	0.25	May 7, 2010
50,000	0.50	May 21, 2010
<u>6,000</u>	0.25	May 21, 2010
<u><u>21,111,000</u></u>		

(e) Stock-based compensation

Using the fair value method for stock-based compensation, the value of the portion of the stock options that vested during the six months ended January 31, 2009 was \$633,457 (2008: \$21,693), of which \$540,576 (2008: \$21,693) was recorded as stock-based compensation, \$25,763 (2008: \$Nil) as consulting fees and \$12,114 (2008: \$Nil) as shareholder services in the unaudited statement of operations. The remaining \$55,004 (2008: \$Nil) was capitalized to mineral properties.

The following assumptions were used for the Black-Scholes valuation of stock options:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate	1.85% - 3.94%	4.30%
Expected life	2 - 10 years	3 - 5 years
Annualized volatility	75%	53%
Dividend rate	0.00%	0.00%

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

8. RELATED PARTY TRANSACTIONS

- (a) During the six month period ended January 31, the Company incurred the following costs with companies or individuals related by way of directors and/or officers in common:

	<u>2009</u>	<u>2008</u>
Mineral properties	\$ 7,962	\$ -
Consulting fees	72,000	173,801
Professional fees	1,294	-
Share issue costs	29,318	-

Included in consulting fees was an amount of \$60,000 (2007: \$60,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun and an amount of \$Nil (2007: \$57,212) paid to an individual who was employed by a company in which an officer is a director of the Company.

- (b) Included in accounts payable and accrued liabilities were the following amounts which were payable to companies or individuals related by way of directors and/or officers in common:

	<u>January 31, 2009</u>	<u>July 31, 2008</u>
Professional fees	\$ -	\$ 5,919
Consulting fees	-	10,858

- (c) Included in receivables at January 31, 2009 was an amount of \$Nil (July 31, 2008: \$4,252) due from Goldgroup Resources Inc. This amount relates to 50% of the rent, administration staff salary and general office expenses. The office is shared by both companies and expenses are shared evenly.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. COMMITMENTS

During the six months ended January 31, 2009, the Company moved its office to a new location and the lease agreement that was in place for the previous office was terminated as at September 30, 2008. All unamortized leasehold improvements associated with the previous lease were written off, which resulted in a charge to earnings of \$26,396. In addition, the Company wrote off its remaining deferred rent associated with the previous lease, which resulted in an amount of \$18,292 being recognized into income.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

9. COMMITMENTS (continued)

Effective October 1, 2008, the Company has entered into a 7 year lease agreement for its office premises and its minimum annual lease commitments are as follows:

2009	\$ 50,048
2010	100,096
2011	102,304
2012	103,040
2013	105,248
2014	105,984
2015	108,192
2016	18,155

10. INCOME TAXES

As at January 31, 2009, the Company had issued 39,590,000 common shares on a flow-through basis for gross proceeds of \$16,029,000. 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 January 31, 2009, the Company had renounced the tax benefits on 17,830,000 flow-through common shares and the related \$10,589,000 of the gross proceeds.

As a result of the Company incurring operating losses and the income tax liability being revalued at each period end, the liability from renunciation of flow-through shares is adjusted at each quarter end. As at January 31, 2009, the future income tax liability was \$997,454. A future income tax recovery of \$220,359 was also recorded during the six month period ended January 31, 2009 upon reversal of the valuation allowance on future income tax assets.

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, receivables and accounts payable and accrued liabilities.

The fair values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their book values because of 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.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and cash equivalents and receivables. The Company reduces its credit risk by maintaining its bank accounts and short-term deposits at large international financial institutions. 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 unaudited Financial Statements
for the six month periods ended January 31, 2009 and 2008

11. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (continued)

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

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 income is exposed to short-term rates.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the six months ended January 31, 2009 consisted of the Company issuing 250,000 common shares to Bonaventure with a fair value of \$55,000, the Company issuing 298,725 common shares to Endeavour with a fair value of \$56,900 in connection with the non-brokered private placements and the Company issuing 1,176,000 warrants as finders' fees with a fair value of \$69,246.

**URACAN RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
Six month period ended January 31, 2009**

Prepared as of March 30, 2009

The following discussion is management's assessment and analysis of the results and financial condition of Uracan Resources Ltd. (the "**Company**") and should be read in conjunction with the accompanying unaudited interim financial statements for the six month period ended January 31, 2009 and related notes. The preparation of financial data is in accordance with Canadian generally accepted accounting principles ("**GAAP**") and all figures are reported in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated as 583860 B.C. Ltd. in the province of British Columbia on April 21, 1999. The Company changed its name to UFM Ventures Ltd. on March 4, 2004 and to Uracan Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of properties in the uranium industry, with a focus in Quebec and Saskatchewan. The Company has not generated significant revenues from operations and is considered to be in the exploration stage.

Selected Highlights

The following is a summary of the Company's highlights from August 1, 2008 to the date of this report:

- Increased its National Instrument ("**NI**") 43-101 compliant inferred resources from 20.0 million pounds of uranium to 40.7 million pounds of uranium by completing resource calculations on the Company's TJ Zone (7.0 million pounds) and its Middle Zone (13.7 million pounds), both of which are part of the Company's North Shore Properties;
- Completed non-brokered private placements of 21,760,000 flow-through units and 1,250,000 non flow-through units for gross proceeds of \$5,690,000;
- Recorded a net loss of \$984,676 (\$0.01 per share) for the six months ended January 31, 2009;
- Entered into an option agreement with Bonaventure Enterprises Inc. to earn up to a 75% interest in a number of mineral claims in northern Saskatchewan;
- Continued extensive exploration work on the North Shore, Pipewrench and Foster Lake properties, capitalizing \$3,841,810 of exploration costs to these mineral properties;
- Received refunds of \$1,354,685 and \$2,664,629 from the Quebec government relating to exploration expenses incurred during fiscal 2007 and 2008;
- Granted a total of 2,525,000 stock options with an exercise price of \$0.30 per share to directors, officers, consultants and employees.

Mineral Properties

North Shore Properties

On July 27, 2006, the Company signed an option agreement with Sheridan Platinum Group Limited (“**Sheridan**”) whereby the Company has purchased a 100% interest in the Lac Turgeon, Wee Gee, Pontbriand and Costabelle properties (the “**North Shore Properties**”) located in Quebec (the “**North Shore Acquisition**”). The Company has paid Sheridan \$2,000,000 and has issued it 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. By making 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. Effective January 1, 2008, the Company began making advance royalty payments of \$25,000 per quarter. As at January 31, 2009, the Company has paid Sheridan a total of \$125,000 in advance royalty payments.

The North Shore Properties are located along the Quebec North Shore of the Gulf of St. Lawrence and are located in the vicinity of known uranium occurrences characterized by a highly favorable geological setting for large tonnage and low grade uranium mineralization. The North Shore Properties are comprised of a total of 1,039 km² of mining claims which include the original Sheridan claims as well as additional claims staked since 2007.

a) Double S and Surrounding Zones

In 2007 the Company commenced its drilling program where a total of 20,244 meters of diamond drilling was completed. Analysis of assay results identified a significant discovery which focused on the Double S Zone. Based on the analysis, the Double S Zone hosts a NI 43-101 compliant inferred resource of 74.21 million tonnes with an average grade of 0.012% U₃O₈, containing 19.96 million pounds of uranium. This resource was completed in July 2008.

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 meters at the TJ Zone and 33 diamond drill holes totaling 7,072 meters at the Middle Zone were used to create the resource calculations. The TJ Zone is 3.0 kilometers northwest of the Double S Zone and 1.4 kilometers northwest of the Middle Zone.

In February 2009, the Company recommenced its exploration work on the Double S Zone with an initial 3,000 meter drill program which will be conducted to further define and expand the resource hosted there as mineralization remains open along strike and at depth.

Mineral Properties (continued)

North Shore Properties (continued)

b) Costebelle Claim Group

In 2007, an airborne geophysical survey was flown over the Costebelle claim group which comprises the eastern portion of the property. Numerous radiometric anomalies were defined by this airborne survey and subsequently followed up in 2008 by ground reconnaissance mapping, prospecting and channel sampling. The Costebelle claims have seen limited historic exploration activity prior to the Company's involvement, and represents a new area for uranium exploration in Quebec.

Results from the reconnaissance sampling carried out on the Costebelle claim group have uncovered a number of significant uranium mineralized zones. In November 2008 the Company announced new discoveries approximately 65 km northeast of the Company's Double S Zone. Results included up to 22 meters of 0.036% U_3O_8 and 57 meters grading 0.021% U_3O_8 . Strike lengths range from tens of meters to over hundreds of meters of exposure. The mineralization is open along strike and at depth in all areas.

In January 2009 the Company announced new discoveries approximately 115 km northeast of the Company's Double S Zone, which represents a third new area of significant uranium mineralization in the eastern Costebelle claim group area. Results included 8 meters of 0.033% U_3O_8 and 10 meters of 0.019% U_3O_8 in saw channel samples. In addition, several 2 meter channels with up to 0.181% U_3O_8 were also encountered.

The mineralized zones at Costebelle are open in all directions as channel sampling was limited to areas of outcrop exposure, with overburden cover overlaying large areas of the targeted airborne anomalies.

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.

In January 2007 the Company received results of surface sampling from a limited field program that was conducted in late September and early October 2006. Five historic uranium occurrences were sampled, giving encouraging results which confirmed that significant mineralization exists on the property.

Saskatchewan Properties (continued)

a) Pipewrench Lake and Narrows Lake Properties (continued)

The Company completed a summer work program on the claims in 2007. The work program consisted of mapping, trenching, sampling, and ground geophysics. Results of the sampling program have been received and the historic uranium showings have been confirmed as high priority drill targets by surface trenching and sampling. A 2,596 meter diamond drilling program was completed on the property in late April 2008, focusing on the Portage, the Narrows Lake and the Pipewrench North zones.

Initial drill results from all three zones were encouraging, yielding multiple zones of mineralization including 12.7 meters of 0.142% U308 and 19.5 meters of .083% U308 at the Portage Zone. The Portage Zone is a new discovery of uranium mineralization on the Pipewrench Lake Property. This mineralization remains open along strike and at depth.

b) Foster Lake Property

On August 5, 2008, the Company entered into an option agreement with Bonaventure Enterprises Inc. ("**Bonaventure**") 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 \$870,000 over a three year period;
- issue a total of 1,250,000 common shares of the Company to Bonaventure over a four year period; and
- incur a minimum of \$5,000,000 in exploration expenditures on the Foster Lake Property over a period of five years.

During the six month period ended January 31, 2009, the Company made a payment of \$130,688 and issued 250,000 common shares with a value of \$55,000 to Bonaventure.

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.

Mineral Properties (continued)

Saskatchewan Properties (continued)

b) Foster Lake Property (continued)

During August and September 2008 a field program consisting of mapping sampling and prospecting was carried out on the Foster Lake Property. An existing radiometric survey completed by the Geological Survey of Canada (GSC) over much of the property area was utilized to prioritize uranium radiometric anomalies for assessment by field crews. Field crews visited these anomalous areas in a prioritized sequence. Assay results from this work program are still pending.

The following table summarizes the capitalized costs associated with the Company's mineral properties as at January 31, 2009:

	Quebec	Saskatchewan		
	North Shore Properties	Pipewrench and Narrows Properties	Foster Lake Property	Total
Acquisition costs:				
Balance, July 31, 2008	\$ 2,242,650	\$ 42,009	\$ -	\$ 2,284,659
Cash paid	50,000	-	130,688	180,688
Shares issued	-	-	55,000	55,000
Balance, January 31, 2009	<u>2,292,650</u>	<u>42,009</u>	<u>185,688</u>	<u>2,520,347</u>
Exploration costs:				
Balance, July 31, 2008	13,577,928	3,369,672	-	16,947,600
Air support and fuel	460,844	-	297,490	758,334
Assaying and analysis	389,716	11,563	-	401,279
Consultants	799,109	66,593	396,105	1,261,807
Drilling	543,414	-	-	543,414
Field supplies	280,602	11,935	222,297	514,834
Office and salaries	79,424	8,335	12,043	99,802
Travel and accommodation	23,198	3,454	-	26,652
Balance, January 31, 2009	<u>16,154,235</u>	<u>3,471,552</u>	<u>927,935</u>	<u>20,553,722</u>
Recovered costs:				
Balance, July 31, 2008	(371,216)	-	-	(371,216)
Recovered costs	(4,019,314)	-	-	(4,019,314)
Balance, January 31, 2009	<u>(4,390,530)</u>	<u>-</u>	<u>-</u>	<u>(4,390,530)</u>
Total costs, January 31, 2009	<u><u>\$ 14,056,355</u></u>	<u><u>\$ 3,513,561</u></u>	<u><u>\$ 1,113,623</u></u>	<u><u>\$ 18,683,539</u></u>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Forward Looking Statements

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.

Going Concern

While the accompanying 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 doubt on the validity of this assumption. As at January 31, 2009, the Company had working capital of \$5,256,636. The Company has had negative cash flows from operations, recorded a loss of \$984,676 for six months ended January 31, 2009 and had an accumulated deficit of \$5,095,607 as at January 31, 2009. In addition to its ongoing capital requirements, the Company must secure sufficient funding for existing commitments including minimum exploration expenditures amounting to \$5 million over a period of five years from August 28, 2008. 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 the Company's development plan. These 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.

Trends

In the last few years, the mineral exploration industry has seen significant growth, primarily as a result of increased global demand, led by India and China. Prices for both base and precious metals increased steadily, resulting in multi-year price highs for a number of resource commodities in 2007 and 2008. With improving metal prices and increasing demand, a discernible need for the development of exploration projects arose, spawning a significant number of new junior mining companies. Metals prices have since come off of their multi-year highs as a result of various economic factors including a global financial crisis. Although these factors have had a negative impact on the junior mining sector, junior companies remain key participants in identifying properties of merit to explore and develop.

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, not least adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Industry

The Company is engaged in the acquisition and exploration of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

Uranium and Metal Prices

The price of uranium is affected by numerous factors beyond the control of the Company including producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of uranium has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may explore for have the same or similar price risk factors.

Cash Flows and Additional Funding Requirements

The Company currently has no revenues from operations. Substantial additional capital will be required to put any of the Company's mineral 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 presently has sufficient financial resources to undertake its currently planned exploration programs and 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 advantageous to the Company.

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.

Financial Position Information

Total assets increased from \$20,475,359 at July 31, 2008 to \$24,265,863 at January 31, 2009, a difference of \$3,790,504. The most significant assets at January 31, 2009 were cash of \$2,657,232 (July 31, 2008: \$1,053,867), mineral properties of \$18,683,539 (July 31, 2008: \$18,861,043) and receivables of \$2,710,818 (July 31, 2008: \$312,078). The mineral properties are capitalized costs relating to the Company's North Shore and Saskatchewan properties, consisting of \$2,520,347 in acquisition costs, \$20,553,722 in exploration costs offset by \$4,390,530 of recovered costs. The most significant receivable at January 31, 2009 was an amount of \$2,664,629 owed to the Company by the Quebec government relating to the Company's exploration expenses incurred during fiscal 2008. The amount was received in full subsequent to January 31, 2009.

Cash Flow Analysis

Cash increased by \$1,603,365 during the six months ended January 31, 2009. The items that contributed the most to the increase in cash were net proceeds of \$5,316,599 from a series of private placements the Company completed as well as a refund of \$1,354,685 from the Quebec government relating to the Company's exploration expenses incurred during fiscal 2007. This increase was partially offset by mineral property expenditures of \$2,206,199 and the purchase of property, plant and equipment in an amount of \$151,278. Cash of \$2,776,968 was used in operating activities, including paying down accounts payable and accrued liabilities by \$1,061,629.

Selected Quarterly Information (unaudited)

	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Interest income	\$ 11,912	\$ 13,238	\$ 26,248	\$ 62,026
Expenses	861,334	360,747	329,928	1,062,458
Write-off of leasehold improvements and deferred rent	-	8,104	-	-
Loss before income taxes	(849,422)	(355,613)	(303,680)	(1,000,432)
Future income tax recovery	105,016	115,343	933,802	188,369
Income (loss) for the period	<u>\$ (744,406)</u>	<u>\$ (240,270)</u>	<u>\$ 630,122</u>	<u>\$ (812,063)</u>
Basic and diluted income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Interest income	\$ 42,721	\$ 46,072	\$ 39,193	\$ 37,155
Expenses	184,479	256,523	442,024	286,299
Loss before income taxes	(141,758)	(210,451)	(402,831)	(249,144)
Future income tax (expense) recovery	117,581	59,059	(51,141)	418,086
Income (loss) for the period	<u>\$ (24,177)</u>	<u>\$ (151,392)</u>	<u>\$ (453,972)</u>	<u>\$ 168,942</u>
Basic and diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>

Results of Operations

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.

The most significant expenses in Q2, 2009 and Q2, 2008 were stock-based compensation costs of \$535,004 (2008: \$6,457), consulting fees of \$96,026 (2008: \$56,195), office and administration costs of \$57,593 (2008: recovery of \$8,987), shareholder services of \$47,629 (2008: \$45,063) and salaries and benefits of \$43,446 (2008: recovery of \$15,102).

Results of Operations (continued)

The majority (\$531,100) of the stock-based compensation costs was the fair value, using the Black-Scholes Option Pricing Model ("**Black-Scholes**"), of the portion of the 2,525,000 stock options that were granted to officers, directors and employees of the Company in Q2, 2009. Included in consulting fees were amounts of \$26,327 (2008: \$23,035) paid to Endeavour Financial Ltd. ("**Endeavour**"), pursuant to an advisory agreement and \$30,000 (2008: \$30,000) paid to companies controlled by the President of the Company for his services as the Chief Executive Officer ("**CEO**") and the Chairman of the Board of Directors. Also included in consulting fees in Q2, 2009 was an amount of \$25,763 which was the fair value of the portion of the 2,525,000 stock options that were granted to consultants in Q2, 2009. \$38,599 of the office and administration costs in Q2, 2009 was the Company's portion of office rent, administration staff salary and general office expenses which it shares 50/50 with Goldgroup Resources Inc ("**Goldgroup**"). In Q2, 2008, the Company had cost recoveries of office and administration (\$8,987) and salaries and benefits (\$15,102). The Company shares office expenses with Goldgroup and the recoveries were a result of the Company claiming back expenses it had paid for in previous periods. \$33,615 of the shareholder services costs (Q2, 2008: \$42,720) were paid to Vanguard Shareholder Solutions Inc. in accordance with a public relations services contract.

As at January 31, 2009, the Company had issued 39,590,000 common shares on a flow-through basis for gross proceeds of \$16,029,000. 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 January 31, 2009, the Company had renounced the tax benefits on 17,830,000 flow-through common shares and the related \$10,589,000 of the gross proceeds.

As a result of the Company incurring operating losses and the income tax liability being revalued at each period end, the liability from renunciation of flow-through shares is adjusted at each quarter end. A future income tax recovery of \$105,016 (Q2, 2008: \$117,581) was recorded in Q2, 2009 upon reversal of the valuation allowance on future income tax assets.

Liquidity and Capital Resources

As at January 31, 2009, the Company had working capital of \$5,256,636 (July 31, 2008: \$279,174). In management's opinion, the working capital at January 31, 2009 will be sufficient to cover the Company's intended work program costs and short-term obligations as they become due. Substantial additional capital would be required to put any of the Company's properties into commercial production.

Outstanding Share Data

As at the date of this report, there were 90,971,257 common shares issued and outstanding.

Stock Options and Warrants

As of the date of this report, there were 7,725,000 stock options and 21,111,000 warrants outstanding.

Related Party Transactions

- a) During the six month period ended January 31, the Company incurred the following costs with companies or individuals related by way of current and/or former directors and/or officers in common:

	<u>2009</u>	<u>2008</u>
Mineral properties	\$ 7,962	\$ -
Consulting fees	72,000	93,212
Professional fees	1,294	-
Share issue costs	29,318	-

Included in consulting fees was an amount of \$60,000 (2007: \$60,000) paid to Global Vision Capital Corp. ("**GVCC**"), whereby GVCC provides the Company with the services of Gregg J. Sedun and an amount of \$Nil (2007: \$57,212) paid to an individual who was employed by a company in which an officer is a director of the Company.

- b) Included in accounts payable and accrued liabilities were the following amounts which were payable to companies or individuals related by way of directors and/or officers in common:

	<u>January 31, 2009</u>	<u>July 31, 2008</u>
Professional fees	\$ -	\$ 5,919
Consulting fees	-	10,858

- c) Included in receivables at January 31, 2009 was an amount of \$Nil (July 31, 2008: \$4,252) due from Goldgroup Resources Inc. This amount relates to 50% of the rent, administration staff salary and general office expenses. The office is shared by both companies and expenses are shared evenly.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Commitments

Effective October 1, 2008, the Company has entered into a 7 year lease agreement for its office premises and its minimum annual lease commitments are as follows:

2009	\$ 50,048
2010	100,096
2011	102,304
2012	103,040
2013	105,248
2014	105,984
2015	108,192
2016	18,155

On April 28, 2008, the Company entered into a lease agreement whereby it will lease certain mining equipment for a 28 month period. The lease has been classified as a capital lease as the Company will take ownership of the equipment when the lease expires. The following is a schedule of future minimum lease payments together with the balance of the obligation under capital lease:

2009	\$ 12,102
2010	<u>24,203</u>
Total minimum lease payments	36,305
Amount representing interest at 20%	<u>(5,178)</u>
Balance of the obligation	<u>\$ 31,127</u>

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Critical accounting policies and estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual financial statements for the year ended July 31, 2008.

Mineral properties

The Company records its interests in mineral properties at cost. Exploration expenditures relating to properties that require additional exploration are capitalized and will be amortized against future production following commencement of commercial production, or written off if the properties are sold, allowed to lapse, or abandoned.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Critical accounting policies and estimates (continued)

Stock-based compensation

The Company uses Black-Scholes in determining the fair value of options granted for stock-based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective price assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

Significant estimates used in the preparation of the accompanying financial statements include, but are not limited to, the fair value of stock-based compensation, recoverable/payable amounts of future income tax assets and liabilities and recoverability of receivables.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("**NI**") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Recent Accounting Pronouncements

- (i) In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the new standard does not have a material impact on the Company's financial statements.
- (ii) In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("**IFRS**"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011.

Recent Accounting Pronouncements (continued)

- (ii) Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.
- (iii) In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as the Canadian convergence initiative is in an early stage as of the date of these financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company. The Company has established an IFRS team to develop and implement a plan for IFRS convergence and is commencing with training for key employees. Changes in accounting policies are likely and may materially impact the Company's financial statements.

Subsequent Event

Subsequent to January 31, 2009, the Company received a refund of \$2,664,629 from the Quebec government relating to the Company's exploration expenses incurred during fiscal 2008. As at January 31, 2009, the amount was recorded as a receivable in the unaudited balance sheet with a corresponding amount recorded as recovered mineral property costs.

Outlook

The Company is continuing to carry out its work programs on the North Shore Properties and Saskatchewan Properties while continuing to seek additional opportunities in the natural resource sector.