

Financial Statements of

URACAN RESOURCES LTD.

Years ended July 31, 2008 and 2007

November 26, 2008

To the Shareholders of Uracon Resources Ltd.

We have audited the balance sheets of Uracon Resources Ltd. (the 'Company') as at July 31, 2008 and 2007 and the statements of operations, comprehensive loss and deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Yours very truly,

Signed PricewaterhouseCoopers LLP

Chartered Accountants

URACAN RESOURCES LTD.**Balance Sheets****as at July 31***(expressed in Canadian dollars)*

	<u>2008</u>	<u>2007</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,053,867	\$ 5,329,351
Receivables	312,078	448,501
Prepays and deposits	<u>103,729</u>	<u>80,485</u>
	1,469,674	5,858,337
Property, plant and equipment (Note 3)	101,369	63,350
Equipment under capital lease (Note 4)	43,273	-
Mineral properties (Note 5)	<u>18,861,043</u>	<u>7,374,196</u>
	<u><u>\$ 20,475,359</u></u>	<u><u>\$ 13,295,883</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,172,663	\$ 856,492
Current portion of obligation under capital lease (Note 6)	<u>17,837</u>	<u>-</u>
	1,190,500	856,492
Obligation under capital lease (Note 6)	21,764	-
Future income tax liability (Note 10)	<u>1,297,252</u>	<u>935,968</u>
	<u>2,509,516</u>	<u>1,792,460</u>
Shareholders' equity		
Share capital (Note 7)	17,894,534	12,788,529
Contributed surplus (Note 7)	4,182,240	2,468,315
Deficit	<u>(4,110,931)</u>	<u>(3,753,421)</u>
	<u>17,965,843</u>	<u>11,503,423</u>
	<u><u>\$ 20,475,359</u></u>	<u><u>\$ 13,295,883</u></u>

Nature of operations and going concern (Note 1)**Subsequent events** (Note 13)

Approved by the Board of Directors:

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

URACAN RESOURCES LTD.
Statements of Operations, Comprehensive Loss and Deficit
For the year ended July 31
(expressed in Canadian dollars)

	<u>2008</u>	<u>2007</u>
Expenses		
Consulting	\$ 301,192	\$ 246,762
Depreciation	22,866	7,518
Marketing and advertising	118,521	41,414
Office and administration	87,614	223,449
Professional fees	131,797	85,706
Regulatory and transfer agent	37,461	56,505
Salaries and benefits	77,610	33,433
Shareholder services	203,107	195,492
Stock-based compensation	770,301	596,641
Travel, meals and entertainment	82,919	47,902
	<u>1,833,388</u>	<u>1,534,822</u>
Other Item		
Interest income	<u>177,067</u>	<u>123,722</u>
Loss before income taxes	(1,656,321)	(1,411,100)
Future income tax recovery (Note 10)	<u>1,298,811</u>	<u>366,945</u>
Net loss and comprehensive loss for the year	(357,510)	(1,044,155)
Deficit, beginning of year	<u>(3,753,421)</u>	<u>(2,709,266)</u>
Deficit, end of year	<u><u>\$ (4,110,931)</u></u>	<u><u>\$ (3,753,421)</u></u>
Basic and diluted loss per share	<u><u>\$ (0.01)</u></u>	<u><u>\$ (0.02)</u></u>
Weighted average number of common shares outstanding	<u>62,047,641</u>	<u>46,778,478</u>

See accompanying notes to the financial statements

URACAN RESOURCES LTD.
Statements of Cash Flows
For the year ended July 31
(expressed in Canadian dollars)

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Net loss for the year	\$ (357,510)	\$ (1,044,155)
Items not involving cash:		
Future income taxes	(1,298,811)	(366,945)
Depreciation	22,866	7,518
Shareholder services	-	31,883
Office & administration	18,366	29,210
Stock-based compensation	770,301	596,641
Changes in non-cash working capital items:		
Receivables	136,423	(405,726)
Prepays and deposits	(23,244)	(55,798)
Accounts payable and accrued liabilities	<u>(731,509)</u>	<u>(739,673)</u>
Cash used in operating activities	<u>(1,463,118)</u>	<u>(1,947,045)</u>
FINANCING ACTIVITY		
Issuance of shares	<u>7,585,060</u>	<u>8,985,424</u>
Cash provided by financing activity	<u>7,585,060</u>	<u>8,985,424</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(58,608)	(70,868)
Purchase of equipment under capital lease, net	(5,949)	-
Mineral property costs	<u>(10,332,869)</u>	<u>(4,725,323)</u>
Cash used in investing activities	<u>(10,397,426)</u>	<u>(4,796,191)</u>
Change in cash and cash equivalents during the year	(4,275,484)	2,242,188
Cash and cash equivalents, beginning of year	<u>5,329,351</u>	<u>3,087,163</u>
Cash and cash equivalents, end of year	<u>\$ 1,053,867</u>	<u>\$ 5,329,351</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 553,949	\$ 5,329,351
Short-term deposits	499,918	-
	<u>\$ 1,053,867</u>	<u>\$ 5,329,351</u>
Interest paid	\$ 2,119	\$ -
Taxes paid	\$ -	\$ -

See accompanying notes to the financial statements

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

1. NATURE OF OPERATIONS AND GOING CONCERN

Uracan Resources Ltd. (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 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 revenues from operations and is considered to be in the exploration stage.

These 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. As at July 31, 2008, the Company had working capital of \$279,174. The Company has incurred negative cash flows from operations, recorded a loss of \$357,510 for the year ended July 31, 2008 and had an accumulated deficit of \$4,110,931 as at July 31, 2008. 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. In recognition of these circumstances, and as described in Note 13c), the Company completed a series of private placements totaling \$5.7 million between October 24, 2008 and November 21, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The principal accounting policies followed by the Company, which have been consistently applied, are outlined below:

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise highly liquid investments with original maturities of three months or less.

(b) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated annually using the straight-line method over the following terms:

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

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, Plant and Equipment (continued)

When assets are retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is reflected in the statement of operations and deficit.

(c) Mineral Properties

All costs directly related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, the property is written down to its estimated fair value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(d) Leases

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

(e) Stock-based compensation and share purchase warrants

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The fair value of stock options and share purchase warrants is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility and the expected life of the options or warrants. Forfeitures are recorded based on actual occurrences. The fair value of granted options is accrued and charged to operations or capitalized, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(f) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. For the years presented, this calculation proved to be anti-dilutive.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Significant areas where estimates are used relate to the impairment of mineral properties and related deferred exploration costs, determinations as to whether costs are expensed or deferred, stock-based compensation and share purchase warrant valuation assumptions and the future income tax asset valuation allowance. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact on the financial statements of future changes in such estimates could be material.

(h) Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(i) Asset Retirement Obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently amortized to expense over its expected life. As at July 31, 2008, the Company does not have any asset retirement obligations.

(j) Flow-through common shares

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur qualifying expenditures (as defined under the Canadian *Income Tax Act*) and renounce the related income tax deductions to the investors. The Company records future income tax liabilities on the date that the Company files the renouncement documents with the tax authorities to renounce the tax credits associated with the expenditures, provided there is reasonable assurance that the expenditures will be made. At the time of recognition of the resulting future income tax liability a corresponding reduction to share capital is made. When the Company renounces flow-through expenditures that give rise to a temporary difference, a portion of the Company's future income tax assets not recognized in previous years may be recognized as a recovery of future income taxes in the statement of operations.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Changes in Accounting Policies

Effective August 1, 2007, the Company has adopted five new accounting standards related to accounting policy changes and financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Accounting Changes (Section 1506)

In accordance with this new standard, an accounting policy can be changed only if the change is required by a primary source of GAAP, or voluntarily if it results in the financial statements providing information that is both reliable and more relevant. Changes in accounting policies are accounted for in accordance with the specified transitional provisions where required provisions or the change is voluntary. Disclosure is required to be made of the nature of changes in accounting policies, the adjustments made to the current and prior periods, and when voluntary the reasons for making the change. Changes in accounting estimates are to be recognized prospectively, and disclosure is required to be made of the nature and amount of such changes. Material prior period errors are to be corrected retrospectively in the first set of financial statements completed after their discovery, and disclosure is required to be made of the nature and amount of such corrected errors. The Company has made no voluntary changes in its accounting policies since the adoption of this revised standard.

Financial Instruments – Recognition and measurement (Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The adoption of this standard had no effect on the presentation of the Company's financial statements for the year ended July 31, 2008.

Financial Instruments – Disclosures and Presentation (Sections 3862 and 3863)

In March 2007, the CICA issued Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. The CICA also issued Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. The Company adopted these standards effective August 1, 2007 and has included the required disclosure in note 11 to these financial statements.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Changes in Accounting Policies (continued)

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes, but is not limited to, unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments. This statement has been included in the financial statements starting this year.

During the year ended July 31, 2008, there were no changes in shareholders' equity that resulted from the non-owner sources and consequently, the adoption of the standard noted above had no effect on the presentation of the Company's financial statements.

(l) Recent Accounting Policies

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 International Financial Reporting Standards ("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 consolidated 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 consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

As at July 31, the Company's property, plant and equipment consisted of the following:

	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
	<u>\$ 129,476</u>	<u>\$ 28,107</u>	<u>\$ 101,369</u>

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	2007		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 9,698	\$ 1,401	\$ 8,297
Furniture and fixtures	7,719	772	6,947
Office equipment	13,857	1,386	12,471
Leasehold improvements	39,594	3,959	35,635
	<u>\$ 70,868</u>	<u>\$ 7,518</u>	<u>\$ 63,350</u>

4. EQUIPMENT UNDER CAPITAL LEASE

The following table summarizes information about the Company's equipment under capital lease as at July 31:

	2008	2007
Equipment (cost)	\$ 45,550	\$ -
Accumulated depreciation	<u>(2,277)</u>	<u>-</u>
Net book value	<u>\$ 43,273</u>	<u>\$ -</u>

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

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 Ne Costbelle 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, including \$1,000,000 during the year ended July 31, 2008, and has issued 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. During the year ended July 31, 2008, the Company paid Sheridan \$75,000 in advance royalty payments.

Saskatchewan 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.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

5. MINERAL PROPERTIES (continued)

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

	<u>North Shore Properties</u>	<u>Saskatchewan Properties</u>	<u>Total</u>
Acquisition costs:			
Balance, July 31, 2007	\$ 1,167,650	\$ 42,009	\$ 1,209,659
Cash paid	<u>1,075,000</u>	<u>-</u>	<u>1,075,000</u>
Balance, July 31, 2008	<u>2,242,650</u>	<u>42,009</u>	<u>2,284,659</u>
Exploration costs:			
Balance, July 31, 2007	5,643,947	520,590	6,164,537
Air support and fuel	841,815	510,905	1,352,720
Assaying and analysis	685,654	124,111	809,765
Consultants	1,677,365	1,029,303	2,706,668
Drilling	3,868,230	532,415	4,400,645
Field supplies	714,087	617,891	1,331,978
Geophysical survey	2,400	-	2,400
Office and salaries	35,027	27,064	62,091
Renewal fees	55,911	1,411	57,322
Travel and accommodation	53,492	5,982	59,474
Recovered costs	<u>(371,216)</u>	<u>-</u>	<u>(371,216)</u>
Balance, July 31, 2008	<u>13,206,712</u>	<u>3,369,672</u>	<u>16,576,384</u>
Total costs, July 31, 2008	<u><u>\$ 15,449,362</u></u>	<u><u>\$ 3,411,681</u></u>	<u><u>\$ 18,861,043</u></u>

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

5. MINERAL PROPERTIES (continued)

	North Shore Properties	Saskatchewan Properties	Total
Acquisition costs:			
Balance, July 31, 2006	\$ 767,650	\$ -	\$ 767,650
Cash paid	400,000	-	400,000
Staking costs	-	42,009	42,009
Balance, July 31, 2007	<u>1,167,650</u>	<u>42,009</u>	<u>1,209,659</u>
Exploration costs:			
Balance, July 31, 2006	1,060,617	-	1,060,617
Air support and fuel	387,252	-	387,252
Assaying and analysis	395,553	1,349	396,902
Camp costs	34,216	-	34,216
Consultants	1,073,205	359,803	1,433,008
Drilling	1,327,001	158,978	1,485,979
Equipment rentals	332,826	460	333,286
Geophysical survey	1,005,444	-	1,005,444
Travel and accommodation	27,833	-	27,833
Balance, July 31, 2007	<u>5,643,947</u>	<u>520,590</u>	<u>6,164,537</u>
Total costs, July 31, 2007	<u><u>\$ 6,811,597</u></u>	<u><u>\$ 562,599</u></u>	<u><u>\$ 7,374,196</u></u>

6. OBLIGATION UNDER CAPITAL LEASE

The following table summarizes information about the Company's obligation under capital lease as at July 31:

	<u>2008</u>	<u>2007</u>
Capital lease obligation with imputed interest rate of 20% per annum	\$ 39,601	\$ -
Less: current portion	<u>(17,837)</u>	<u>-</u>
	<u><u>\$ 21,764</u></u>	<u><u>\$ -</u></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	\$ 24,203
2010	<u>24,203</u>
Total minimum lease payments	48,406
Amount representing interest at 20%	<u>(8,805)</u>
Balance of the obligation	<u><u>\$ 39,601</u></u>

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

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
Balance, July 31, 2006	41,087,432	6,310,388	522,740
Issued pursuant to private placements	11,650,000	7,002,849	1,437,152
Share issuance costs	-	(174,577)	-
Exercise of stock options and warrants	1,420,100	927,406	(207,406)
Stock-based compensation	-	-	715,829
Income tax effect on flow-through share renouncement (Note 10)	-	(1,277,537)	-
Balance, July 31, 2007	54,157,532	12,788,529	2,468,315
Issued pursuant to private placement	12,860,000	6,851,992	864,008
Share issue costs	-	(130,486)	(16,454)
Exercise of warrants	20,000	16,000	-
Stock-based compensation (Note 7(e))	-	-	866,371
Income tax effect on flow-through share renouncement (Note 10)	-	(1,631,501)	-
Balance, July 31, 2008	67,037,532	\$ 17,894,534	\$ 4,182,240

On December 14, 2006, the Company completed a non-brokered private placement of 5,000,000 flow-through units (“**FT Units**”) at a price of \$0.60 per FT Unit and 1,650,000 non flow-through units (“**NFT Units**”) at a price of \$0.60 per NFT Unit for gross proceeds of \$3,990,000. Each FT Unit consisted of one flow-through common share (“**FT Share**”) and one half of a common share purchase warrant. Each NFT Unit consisted of one common share and one whole common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.80 with an expiry date of December 14, 2008. The fair value of the 4,150,000 common share purchase warrants was \$750,257. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour Financial Ltd. (“**Endeavour**”), a company in which a former officer is a director and an officer of the Company, a fee of \$39,900. The Company paid a finders fee in the amount of \$109,128, which includes the fee paid to Endeavour.

On December 19, 2006 the Company completed a non-brokered private placement of 1,000,000 units with Sprott Asset Management at a price of \$0.65 per unit for gross proceeds of \$650,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of \$0.90 with an expiry date of December 19, 2008. The fair value of the 1,000,000 common share purchase warrants was \$150,542. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$6,500.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and fully paid common shares

On June 20, 2007, the Company completed a non-brokered private placement of 4,000,000 units at a price of \$0.95 per unit for gross proceeds of \$3,800,000. One million units of the four million units were issued on a flow-through basis. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable at \$1.25 per common share, expiring on June 20, 2009. The fair value of the 2,000,000 common share purchase warrants was \$536,353. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$38,000.

The warrants issued as part of the above noted private placements have been valued using the Black-Scholes pricing model, and included as credit to contributed surplus, using the following weighted average assumptions:

Risk-free interest rate	4.20%
Expected life	2 years
Annualized volatility	53%
Dividend rate	0.00%

On December 21, 2007, the Company completed a non-brokered private placement of 12,860,000 units at a price of \$0.60 per unit for gross proceeds of \$7,716,000. 8,770,000 of the 12,860,000 units were issued on a flow-through basis. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable at \$1.00 per common share, expiring on December 21, 2009.

The fair value of the 6,430,000 common share purchase warrants was \$864,008, which was recorded to contributed surplus. If the warrants are exercised, a pro-rata amount of contributed surplus will be transferred to share capital.

The warrants issued as part of the above noted private placements have been valued using the Black-Scholes pricing model, and included as credit to contributed surplus, using the following weighted average assumptions:

Risk-free interest rate	3.85%
Expected life	2 years
Expected volatility	60%
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 Financial Statements
for the years ended July 31, 2008 and 2007

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, 2006	3,225,000	\$ 0.38
Granted	1,325,000	1.16
Exercised	<u>(765,000)</u>	<u>0.33</u>
Balance, July 31, 2007	3,785,000	0.66
Granted	3,490,000	0.46
Cancelled	(1,325,000)	1.15
Expired	<u>(350,000)</u>	<u>0.70</u>
Balance, July 31, 2008	<u><u>5,600,000</u></u>	<u><u>\$ 0.42</u></u>

The following table summarizes information about the stock options outstanding and exercisable at July 31, 2008:

<u>Outstanding</u>	<u>Exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>	<u>Remaining contractual life</u>
375,000	375,000	\$ 0.10	November 21, 2008	0.3 years
375,000	-	0.53	July 11, 2010	1.9 years
1,735,000	1,735,000	0.40	March 30, 2011	2.7 years
2,965,000	2,965,000	0.45	March 19, 2013	4.6 years
<u>150,000</u>	<u>-</u>	0.45	June 25, 2013	4.9 years
<u><u>5,600,000</u></u>	<u><u>5,075,000</u></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, 2006	183,600	\$ 0.50
Issued	7,150,000	0.94
Exercised	<u>(655,100)</u>	<u>0.72</u>
Balance, July 31, 2007	6,678,500	0.95
Issued	6,430,000	1.00
Exercised	<u>(20,000)</u>	<u>0.80</u>
Balance, July 31, 2008	<u><u>13,088,500</u></u>	<u><u>\$ 0.97</u></u>

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Warrants (continued)

In connection with the private placement noted in Note 7(b), the Company issued 6,430,000 warrants, with each warrant exercisable at \$1.00 per common share, expiring on December 21, 2009.

The following table summarizes information about the warrants outstanding at July 31, 2008:

<u>Outstanding & exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,658,500	\$ 0.80	December 14, 2008
1,000,000	0.90	December 19, 2008
2,000,000	1.25	June 20, 2009
<u>6,430,000</u>	1.00	December 21, 2009
<u><u>13,088,500</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 year ended July 31, 2008 was \$866,371, of which \$18,366 has been included in office and administration and \$770,301 recorded as stock-based compensation in the statement of operations. The remaining \$77,704 has been capitalized to mineral properties,

Using the fair value method for stock-based compensation, the value of the portion of the stock options that vested during the year ended July 31, 2007 was \$715,829, of which \$31,883 has been included in shareholder services and \$29,210 included in office and administration in the statement of operations. A further \$58,095 was capitalized to mineral properties. The remaining \$596,641 has been recorded as stock-based compensation in the statement of operations.

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

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	3.00% - 4.38%	4.09% - 4.38%
Expected life	2 - 5 years	3 - 5 years
Annualized volatility	50% - 75%	50% - 55%
Dividend rate	0.00%	0.00%

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

8. RELATED PARTY TRANSACTIONS

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

	<u>2008</u>	<u>2007</u>
Mineral properties	\$ 216,245	\$ -
Consulting fees	137,000	233,835
Rent	-	7,000
Legal fees	17,007	36,135
Share issue costs	24,410	-

Included in consulting fees was an amount of \$115,000 (2007: \$35,000) paid to Global Vision Capital Corp. ("**GVCC**"), whereby GVCC provides the Company with the services of Gregg J. Sedun. Mineral properties consisted of amounts paid to an individual who is employed by a company in which an officer is a director of the Company.

- (b) Included in accounts payable and accrued liabilities at July 31 were the following amounts which were payable to companies or individuals related by way of directors and/or officers in common:

	<u>2008</u>	<u>2007</u>
Professional fees	\$ 5,919	\$ -
Consulting fees	10,858	36,970

- (c) Included in accounts receivable at July 31, 2008 was an amount of \$4,252 (July 31, 2007: \$35,649) due from Goldgroup Resources Inc. This amount relates to 50% of the rent, administration staff salary and general office expenses incurred by the Company. The office is shared by both companies and expenses are shared evenly.

- (d) On January 24, 2007, the Company granted 100,000 stock options with an exercise price of \$1.21 to Endeavour.

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

Effective January 2007, the Company has entered into a 5 year lease agreement for its office premises and its minimum annual lease commitments are as follows:

2009	\$ 101,531
2010	103,107
2011	104,215
2012	43,423

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

10. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the Canadian federal and provincial statutory rate of 31.4% (2007: 32.0%) to earnings before income taxes as shown in the following table:

	<u>2008</u>	<u>2007</u>
Combined Canadian federal and provincial taxes at expected rate	\$ (519,588)	\$ (451,834)
Permanent and other differences	270,647	235,575
Change in tax rates	(21,159)	30,027
Change in valuation allowance	(87,023)	(180,713)
Quebec tax deductions allowed in excess of federal tax deductions	<u>(941,688)</u>	<u>-</u>
	<u><u>\$ (1,298,811)</u></u>	<u><u>\$ (366,945)</u></u>

The composition of the future tax assets and liabilities are as follows:

	<u>2008</u>	<u>2007</u>
<i>Future income tax assets</i>		
Operating loss carry forwards	\$ 125,996	\$ 186,107
Share issue costs	80,201	70,881
Capital losses	206,831	233,742
Other	<u>22,452</u>	<u>14,645</u>
Total gross future tax assets	435,480	505,375
Valuation allowance	<u>(332,827)</u>	<u>(419,850)</u>
Net future income tax assets	<u>102,653</u>	<u>85,525</u>
<i>Future income tax liabilities</i>		
Resource Property costs	<u>(1,399,905)</u>	<u>(1,021,493)</u>
Future income tax liability, net	<u><u>\$ (1,297,252)</u></u>	<u><u>\$ (935,968)</u></u>

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

At July 31, 2008, the Company had approximately \$468,000 (July 31, 2007: \$612,000) of non-capital losses available for carry forward. These losses, if not utilized, will expire commencing in 2010.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

10. INCOME TAXES (continued)

As at July 31, 2008, the Company had issued 17,830,000 common shares on a flow-through basis for gross proceeds of \$10,589,000. 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 July 31, 2007, the Company had renounced the tax benefits on 8,060,000 flow-through common shares and the related \$4,377,000 of the gross proceeds.

During the year ended July 31, 2008, the Company renounced the tax benefits on the remaining 9,770,000 flow-through common shares and the related \$6,212,000 of the gross proceeds resulting in an increase to the income tax liability of \$1,087,654, with a corresponding amount reducing share capital. 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 was reduced. As at July 31, 2008, the future income tax liability was \$1,297,252. A future income tax recovery of \$1,298,811 was also recorded during the year ended July 31, 2008 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 at large international financial institutions. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

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.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

11. FINANCIAL INSTRUMENTS (continued)

Market Risk

Interest Rate Risk - The Company's bank accounts earn interest income 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. SEGMENTED INFORMATION

The Company currently operates in one business segment, being the acquisition and exploration of natural resource properties exclusively in Canada.

13. SUBSEQUENT EVENTS

a) 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, of which 250,000 common shares with a value of \$55,000 were issued on September 18, 2008; and
- incur a minimum of \$5,000,000 in exploration expenditures on the Foster Lake Property over a period of five years.

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.

b) Subsequent to July 31, 2008, 25,000 stock options with an exercise price of \$0.53 were cancelled and 375,000 stock options with an exercise price of \$0.10 were exercised for proceeds of \$37,500.

c) The Company completed a series of non-brokered private placements between October 24, 2008 and November 21, 2008, totaling 21,760,000 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 \$5,690,000. 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 connection with the private placements and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$56,900. The Company paid finders' fees totaling \$364,900, which includes the fee paid to Endeavour and issued 1,176,000 broker warrants 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. All securities issued pursuant to the private placements are subject to a four month hold period.

URACAN RESOURCES LTD.
Notes to the Financial Statements
for the years ended July 31, 2008 and 2007

13. SUBSEQUENT EVENTS

- d) Subsequent to July 31, 2008, 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 will be recorded as recovered mineral property costs during the three months ended October 31, 2008.