

Interim Financial Statements of

URACAN RESOURCES LTD.

(Unaudited)

As at and for the three months ended October 31, 2008

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

	October 31, 2008	July 31, 2008
ASSETS		
Current		
Cash	\$ 3,992,038	\$ 1,053,867
Receivables	299,352	312,078
Prepays and deposits	22,185	103,729
	<u>4,313,575</u>	<u>1,469,674</u>
Property, plant and equipment (Note 3)	211,389	101,369
Equipment under capital lease (Note 4)	40,995	43,273
Mineral properties (Note 5)	20,812,344	18,861,043
	<u>\$ 25,378,303</u>	<u>\$ 20,475,359</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,697,149	\$ 1,172,663
Current portion of obligation under capital lease (Note 6)	18,747	17,837
	<u>1,715,896</u>	<u>1,190,500</u>
Obligation under capital lease (Note 6)	16,723	21,764
Future income tax liability (Note 10)	1,181,909	1,297,252
	<u>2,914,528</u>	<u>2,509,516</u>
Shareholders' equity		
Share capital (Note 7)	22,338,861	17,894,534
Contributed surplus (Note 7)	4,476,115	4,182,240
Deficit	(4,351,201)	(4,110,931)
	<u>22,463,775</u>	<u>17,965,843</u>
	<u>\$ 25,378,303</u>	<u>\$ 20,475,359</u>

Nature of operations and going concern (Note 2)**Subsequent events** (Notes 7(c), 7(d) and 13)

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)
For the three month period ended October 31
(expressed in Canadian dollars)

	<u>2008</u>	<u>2007</u>
Expenses		
Consulting	\$ 74,039	\$ 70,033
Depreciation	14,789	3,921
Interest and penalties	16,832	-
Marketing and advertising	2,563	13,096
Office and administration	43,671	40,065
Professional fees	18,580	26,055
Recruitment fees	72,000	-
Regulatory and transfer agent	302	2,115
Salaries and benefits	62,446	16,417
Shareholder services	40,533	53,166
Stock-based compensation (Note 7(e))	5,572	15,236
Travel, meals and entertainment	9,420	16,419
	<u>360,747</u>	<u>256,523</u>
Other Items		
Interest income	13,238	46,072
Write-off of leasehold improvements (Note 9)	(26,396)	-
Write-off of deferred rent (Note 9)	18,292	-
	<u>(355,613)</u>	<u>(210,451)</u>
Loss before income taxes	(355,613)	(210,451)
Future income tax recovery (Note 10)	115,343	59,059
	<u>(240,270)</u>	<u>(151,392)</u>
Net loss and comprehensive loss for the period	(240,270)	(151,392)
Deficit, beginning of period	<u>(4,110,931)</u>	<u>(3,753,421)</u>
Deficit, end of period	<u>\$ (4,351,201)</u>	<u>\$ (3,904,813)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>68,871,880</u>	<u>54,175,575</u>

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Statements of Cash Flows (unaudited)
For the three month period ended October 31
(expressed in Canadian dollars)

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Net loss for the period	\$ (240,270)	\$ (151,392)
Items not involving cash:		
Depreciation	14,789	3,921
Future income taxes	(115,343)	(59,059)
Stock-based compensation	5,572	15,236
Write-off of leasehold improvements	26,396	-
Write-off of deferred rent	(18,292)	-
Changes in non-cash working capital items:		
Receivables	12,726	248,816
Prepays and deposits	81,544	15,878
Accounts payable and accrued liabilities	<u>(962,588)</u>	<u>(756,308)</u>
Cash used in operating activities	<u>(1,195,466)</u>	<u>(682,908)</u>
FINANCING ACTIVITIES		
Issuance of shares	5,055,000	16,000
Share issue costs	<u>(377,370)</u>	<u>-</u>
Cash provided by financing activities	<u>4,677,630</u>	<u>16,000</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(148,927)	(2,442)
Equipment under capital lease, net	(4,131)	-
Mineral property costs	(1,745,620)	(1,663,392)
Recovery of mineral property costs (Note 5)	<u>1,354,685</u>	<u>-</u>
Cash used in investing activities	<u>(543,993)</u>	<u>(1,665,834)</u>
Change in cash during the period	2,938,171	(2,332,742)
Cash, beginning of period	<u>1,053,867</u>	<u>5,329,351</u>
Cash, end of period	<u><u>\$ 3,992,038</u></u>	<u><u>\$ 2,996,609</u></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 three month period ended October 31, 2008

1. BASIS OF PRESENTATION AND RECENT ACCOUNTING STANDARDS

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 Standards

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.

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 Uracon 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 significant doubt on the validity of this assumption. As at October 31, 2008, the Company had working capital of \$2,597,679. The Company has incurred negative cash flows from operations, recorded a loss of \$240,270 for the three months ended October 31, 2008 and had an accumulated deficit of \$4,351,201 as at October 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. 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.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

3. PROPERTY, PLANT AND EQUIPMENT

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

	<u>October 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Computer equipment	\$ 31,328	\$ 9,277	\$ 22,051
Furniture and fixtures	134,047	6,655	127,392
Office equipment	21,974	5,256	16,718
Leasehold improvements	44,278	39,650	4,628
Mining equipment	46,775	6,175	40,600
	<u>\$ 278,402</u>	<u>\$ 67,013</u>	<u>\$ 211,389</u>
	<u>July 31, 2008</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
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>

4. EQUIPMENT UNDER CAPITAL LEASE

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

	<u>October 31, 2008</u>	<u>July 31, 2008</u>
Equipment (cost)	\$ 45,550	\$ 45,550
Accumulated depreciation	<u>(4,555)</u>	<u>(2,277)</u>
Net book value	<u>\$ 40,995</u>	<u>\$ 43,273</u>

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

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

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 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, 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. As at October 31, 2008, the Company has paid Sheridan a total of \$100,000 in advance royalty payments.

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 three month period ended October 31, 2008, 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 three month period ended October 31, 2008

5. MINERAL PROPERTIES (continued)

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

	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	25,000	-	130,688	155,688
Shares issued	-	-	55,000	55,000
Balance, October 31, 2008	<u>2,267,650</u>	<u>42,009</u>	<u>185,688</u>	<u>2,495,347</u>
Exploration costs:				
Balance, July 31, 2008	13,206,712	3,369,672	-	16,576,384
Air support and fuel	460,784	-	297,491	758,275
Assaying and analysis	278,852	-	-	278,852
Consultants	604,803	23,128	366,198	994,129
Drilling	543,414	-	-	543,414
Field supplies	237,015	11,160	221,423	469,598
Office and salaries	24,074	3,780	9,311	37,165
Travel and accommodation	11,371	2,494	-	13,865
Recovered costs	<u>(1,354,685)</u>	<u>-</u>	<u>-</u>	<u>(1,354,685)</u>
Balance, October 31, 2008	<u>14,012,340</u>	<u>3,410,234</u>	<u>894,423</u>	<u>18,316,997</u>
Total costs, October 31, 2008	<u><u>\$ 16,279,990</u></u>	<u><u>\$ 3,452,243</u></u>	<u><u>\$ 1,080,111</u></u>	<u><u>\$ 20,812,344</u></u>

During the three months ended October 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 was recorded as recovered mineral property costs as shown in the above table.

6. OBLIGATION UNDER CAPITAL LEASE

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

	October 31, 2008	July 31, 2008
Capital lease obligation with imputed interest rate of 20% per annum	\$ 35,470	\$ 39,601
Less: current portion	<u>(18,747)</u>	<u>(17,837)</u>
	<u><u>\$ 16,723</u></u>	<u><u>\$ 21,764</u></u>

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

6. OBLIGATION UNDER CAPITAL LEASE (continued)

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	\$ 18,153
2010	<u>24,203</u>
Total minimum lease payments	42,356
Amount representing interest at 20%	<u>(6,886)</u>
Balance of the obligation	<u><u>\$ 35,470</u></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

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed surplus</u>
Balance, July 31, 2008	67,037,532	17,894,534	4,182,240
Issued pursuant to private placements	20,470,000	4,798,590	256,410
Share issue costs	-	(358,228)	(19,142)
Warrants issued to brokers	-	(51,035)	51,035
Issued to Bonaventure	250,000	55,000	-
Stock-based compensation (Note 7(e))	-	-	<u>5,572</u>
Balance, October 31, 2008	<u><u>87,757,532</u></u>	<u><u>\$ 22,338,861</u></u>	<u><u>\$ 4,476,115</u></u>

The Company completed two 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 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. All securities issued pursuant to the private placements are subject to a four month hold period.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

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

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	2.70% - 2.76%
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.

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
Cancelled	<u>(25,000)</u>	<u>0.53</u>
Balance, October 31, 2008	<u><u>5,575,000</u></u>	<u><u>\$ 0.42</u></u>

Subsequent to October 31, 2008, 375,000 stock options with an exercise price of \$0.10 were exercised for proceeds of \$37,500.

The following table summarizes information about the stock options outstanding and exercisable at October 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	0.1 years
350,000	87,500	0.53	July 11, 2010	1.7 years
1,735,000	1,735,000	0.40	March 30, 2011	2.4 years
2,965,000	2,965,000	0.45	March 19, 2013	4.4 years
150,000	-	0.45	June 25, 2013	4.6 years
<u><u>5,575,000</u></u>	<u><u>5,162,500</u></u>			

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(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	<u>11,261,000</u>	<u>0.47</u>
Balance, October 31, 2008	<u><u>24,349,500</u></u>	<u><u>\$ 0.74</u></u>

In connection with the private placements noted in Note 7(b), the Company issued a total of 10,235,000 warrants to the unit holders, with 9,110,000 warrants exercisable at \$0.50 per common share, expiring on April 24, 2010, 625,000 warrants exercisable at \$0.40 per common share, expiring on April 24, 2010 and 500,000 warrants exercisable at \$0.50 per common share, expiring on April 30, 2010.

In connection with the private placements noted in Note 7(b), the Company issued a total of 1,026,000 warrants as finders' fees, with 966,000 warrants exercisable at \$0.25 per common share, expiring on April 24, 2010 and 60,000 warrants exercisable at \$0.25 per common share, expiring on April 30, 2010.

The following table summarizes information about the warrants outstanding at October 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
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
<u>60,000</u>	0.25	April 30, 2010
<u><u>24,349,500</u></u>		

Subsequent to October 31, 2008, 3,658,500 warrants with an exercise price of \$0.80 and 1,000,000 warrants with an exercise price of \$0.90 expired.

(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 three months ended October 31, 2008 was \$5,572 (2007: \$15,236), which has been recorded as stock-based compensation in the unaudited statement of operations.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(e) Stock-based compensation (continued)

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

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	2.52% - 3.94%	4.30%
Expected life	2 - 5 years	3 - 5 years
Annualized volatility	75%	53%
Dividend rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS

- (a) During the three month period ended October 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	\$ 7,962	\$ -
Consulting fees	36,000	93,212
Professional fees	1,294	-
Share issue costs	29,318	-

Included in consulting fees was an amount of \$30,000 (2007: \$30,000) paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun and an amount of \$Nil (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>October 31, 2008</u>	<u>July 31, 2008</u>
Professional fees	\$ 1,294	\$ 5,919
Consulting fees	-	10,858
Share issue costs	29,318	-

- (c) Included in accounts payable and accrued liabilities at October 31, 2008 was an amount of \$4,129 (July 31, 2008: receivable of \$4,252) due to 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.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

9. COMMITMENTS

During the three months ended October 31, 2008, 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.

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	\$ 75,072
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 October 31, 2008, the Company had issued 37,050,000 common shares on a flow-through basis for gross proceeds of \$15,394,000. 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 October 31, 2008, 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 October 31, 2008, the future income tax liability was \$1,181,909. A future income tax recovery of \$115,343 was also recorded during the three month period ended October 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.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2008

11. FINANCIAL INSTRUMENTS (continued)

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.

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. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the three months ended October 31, 2008 consisted of the Company issuing 250,000 common shares to Bonaventure with a fair value of \$55,000 and the Company issuing 1,026,000 warrants as finders' fees with a fair value of \$51,035.

13. SUBSEQUENT EVENTS

The Company completed two 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. 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. All securities issued pursuant to the private placements are subject to a four month hold period from closing.