

Financial Statements of

**URACAN RESOURCES LTD.**

Years ended July 31, 2007 and 2006

## AUDITORS' REPORT

To the Shareholders of Uraçan Resources Ltd.

We have audited the balance sheets of Uraçan Resources Ltd. (an exploration stage company) as at July 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the periods 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*"Signed PricewaterhouseCoopers LLP"*

**Chartered Accountants**  
Vancouver, British Columbia  
November 27, 2007

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

	<u>July 31,</u> <u>2007</u>	<u>July 31,</u> <u>2006</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 5,329,351	\$ 3,087,163
Receivables	448,501	42,775
Prepays and deposits	<u>80,485</u>	<u>24,687</u>
	5,858,337	3,154,625
<b>Property, plant and equipment</b> (Note 3)	63,350	-
<b>Mineral properties</b> (Note 4)	<u>7,374,196</u>	<u>1,828,267</u>
	<u><u>\$ 13,295,883</u></u>	<u><u>\$ 4,982,892</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 856,492	\$ 859,029
<b>Future income tax liability</b> (Note 8)	<u>935,968</u>	<u>-</u>
	<u>1,792,460</u>	<u>859,029</u>
<b>Shareholders' equity</b>		
Share capital (Note 5)	12,788,529	6,310,388
Contributed surplus (Note 5)	2,468,315	522,740
Deficit	<u>(3,753,421)</u>	<u>(2,709,265)</u>
	<u>11,503,423</u>	<u>4,123,863</u>
	<u><u>\$ 13,295,883</u></u>	<u><u>\$ 4,982,892</u></u>

**Nature of operations** (Note 1)

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 and Deficit**  
**For the year ended July 31**  
*(expressed in Canadian dollars)*

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	<u>2007</u>	<u>2006</u>
<b>Expenses</b>		
Consulting	\$ 246,762	\$ 82,070
Depreciation	7,518	-
Marketing and advertising	41,414	-
Office and administration	223,449	13,711
Professional fees	85,706	129,759
Regulatory and transfer agent	56,505	45,668
Salaries and benefits	33,433	-
Shareholder services	195,492	84,100
Stock-based compensation	596,641	373,086
Travel, meals and entertainment	47,902	-
	<u>1,534,822</u>	<u>728,394</u>
<b>Other Item</b>		
Interest income	<u>123,722</u>	<u>32,320</u>
<b>Loss before income taxes</b>	(1,411,100)	(696,074)
Future income tax recovery (Note 8)	<u>366,945</u>	<u>-</u>
<b>Loss for the year</b>	(1,044,155)	(696,074)
<b>Deficit, beginning of year</b>	<u>(2,709,266)</u>	<u>(2,013,191)</u>
<b>Deficit, end of year</b>	<u><u>\$ (3,753,421)</u></u>	<u><u>\$ (2,709,265)</u></u>
<b>Basic and diluted loss per share</b>	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.02)</u></u>
<b>Weighted average number of common shares outstanding</b>	<u>46,778,478</u>	<u>29,697,336</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)*

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	<u>2007</u>	<u>2006</u>
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (1,044,155)	\$ (696,074)
Items not involving cash:		
Future income taxes	(366,945)	-
Depreciation	7,518	-
Shareholder services	31,883	43,245
Office & administration	29,210	-
Stock-based compensation	596,641	373,086
Changes in non-cash working capital items:		
Receivables	(405,726)	(63,198)
Prepays and deposits	(55,798)	-
Accounts payable and accrued liabilities	<u>(739,673)</u>	<u>846,589</u>
Cash provided by (used in) operating activities	<u>(1,947,045)</u>	<u>503,648</u>
<b>FINANCING ACTIVITY</b>		
Issuance of shares	<u>8,985,424</u>	<u>4,033,621</u>
Cash provided by financing activity	<u>8,985,424</u>	<u>4,033,621</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(70,868)	-
Mineral property costs	<u>(4,725,323)</u>	<u>(1,667,617)</u>
Cash used in investing activities	<u>(4,796,191)</u>	<u>(1,667,617)</u>
<b>Increase in cash during the year</b>	2,242,188	2,869,652
<b>Cash, beginning of year</b>	<u>3,087,163</u>	<u>217,511</u>
<b>Cash, end of year</b>	<u>\$ 5,329,351</u>	<u>\$ 3,087,163</u>

*See accompanying notes to the financial statements*

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**1. NATURE OF OPERATIONS**

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 significant revenues from operations and is considered to be in the exploration stage.

**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 include 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	3 years
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.

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 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.

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) Mineral Properties** (continued)

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) 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 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. The fair value of warrants is recorded as reductions to proceeds from related common share issuance, with an offsetting credit to contributed surplus. If the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

**(e) 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.

**(f) 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, future site restoration costs, 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.

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(g) 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.

**(h) Variable interest entities**

The Company follows Accounting Guideline 15 ("**AcG-15**") "Consolidation of Variable Interest Entities". The standard establishes when a company should consolidate a variable interest entity in its financial statements. AcG-15 provides the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing a majority of the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. Adoption of AcG-15 has not affected the Company's financial statements.

**(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, 2007, the Company does not have any material 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 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 year ended July 31, 2007**

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**3. PROPERTY, PLANT AND EQUIPMENT**

As at July 31, 2007, the Company's property, plant and equipment consisted of the following:

	2007			2006
	Cost	Accumulated amortization	Net book value	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	-
	\$ 70,868	\$ 7,518	\$ 63,350	\$ -

**4. MINERAL PROPERTIES**

**North Shore Properties**

On July 27, 2006, the Company completed an option agreement with Sheridan Platinum Group Limited ("**Sheridan**") whereby the Company has been granted an option to purchase 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**"). In order to exercise the option, the Company has paid Sheridan \$1,000,000 and issued 350,000 common shares of the Company. In addition, the Company paid an additional \$1,000,000 on November 26, 2007 (see Note 12). The Company has also agreed to grant 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. The Company has agreed to make advance quarterly royalty payments of \$25,000 beginning January 1, 2008.

**Saskatchewan Properties**

On September 25, 2006, the Company announced that it has 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 year ended July 31, 2007**

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**4. MINERAL PROPERTIES (continued)**

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

	North Shore Properties	Saskatchewan Properties	Total
<b>Acquisition costs:</b>			
Balance, July 31, 2005	\$ -	\$ -	\$ -
Cash paid	607,000	-	607,000
Shares issued	160,650	-	160,650
Balance, July 31, 2006	767,650	-	767,650
Cash paid	400,000	-	400,000
Staking costs	-	42,009	42,009
Balance, July 31, 2007	1,167,650	42,009	1,209,659
	North Shore Properties	Saskatchewan Properties	Total
<b>Exploration costs:</b>			
Balance, July 31, 2005	-	-	-
Air support and fuel	62,397	-	62,397
Consultants	540,501	-	540,501
Geophysical survey	430,352	-	430,352
Renewal fees	11,808	-	11,808
Travel and accommodation	15,559	-	15,559
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	5,643,947	520,590	6,164,537
<b>Total costs, July 31, 2007</b>	<b>\$ 6,811,597</b>	<b>\$ 562,599</b>	<b>\$ 7,374,196</b>

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**5. SHARE CAPITAL**

**(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, 2005	24,805,432	\$ 2,117,158	\$ 105,368
Exercise of stock options and warrants	7,865,000	805,194	(18,694)
Stock-based compensation	-	-	373,086
Issued to Sheridan (Note 4)	350,000	157,500	43,245
Issued to Endeavour	7,000	3,150	-
Issued pursuant to private placements	8,060,000	3,247,121	-
Issued to broker	-	(19,735)	19,735
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 8)	-	(1,277,537)	-
Balance, July 31, 2007	<u>54,157,532</u>	<u>\$ 12,788,529</u>	<u>\$ 2,468,315</u>

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.

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**5. SHARE CAPITAL** (continued)

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

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.

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%

**(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, 2004 and 2005	925,000	\$ 0.10
Granted	2,850,000	0.42
Exercised	<u>(550,000)</u>	<u>0.10</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	<u><u>3,785,000</u></u>	<u><u>\$ 0.66</u></u>

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**5. SHARE CAPITAL** (continued)

**(c) Stock options** (continued)

The following table summarizes information about the stock options outstanding at July 31, 2007:

<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	1.3 years
1,735,000	1,735,000	0.40	March 30, 2011	3.7 years
350,000	350,000	0.70	April 12, 2008	0.7 years
925,000	887,500	1.21	January 24, 2012	4.5 years
300,000	300,000	0.96	May 18, 2012	4.8 years
100,000	50,000	1.32	May 28, 2012	4.8 years
<u>3,785,000</u>	<u>3,697,500</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, 2005	7,535,000	\$ 0.10
Exercised	(7,315,000)	0.10
Expired	(220,000)	0.10
Agent warrants issued	183,600	0.50
Balance, July 31, 2006	183,600	0.50
Issued	7,150,000	0.94
Exercised	(655,100)	0.72
Balance, July 31, 2007	<u>6,678,500</u>	<u>\$ 0.95</u>

The following table summarizes information about the warrants outstanding at July 31, 2007:

<u>Outstanding &amp; exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,678,500	\$ 0.80	December 14, 2008
1,000,000	0.90	December 19, 2008
<u>2,000,000</u>	0.95	June 20, 2009
<u>6,678,500</u>		

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**5. SHARE CAPITAL** (continued)

**(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, 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 and deficit. 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 and deficit.

Using the fair value method for stock-based compensation, the values of the 2,850,000 stock options granted and the 183,600 agent warrants issued during the year ended July 31, 2006 were \$416,331 and \$19,735, respectively, of which \$373,086 has been recorded in the statement of operations as stock-based compensation, \$43,245 has been recorded in the statement of operations as shareholder services and the remaining \$19,735 recorded as share issue costs. The following assumptions were used for the Black-Scholes valuation of stock options:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	4.09% - 4.38%	4.11% - 4.33%
Expected life	3 - 5 years	1 - 5 years
Annualized volatility	50% - 55%	41% - 50%
Dividend rate	0.00%	0.00%

**6. 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>2007</u>	<u>2006</u>
Consulting fees	\$ 233,835	\$ 60,228
Rent	7,000	12,000
Professional fees	36,135	69,198

(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 a directors and/or officers in common:

	<u>2007</u>	<u>2006</u>
Professional fees	\$ -	\$ 69,198
Consulting fees	36,970	5,000

Included in Consulting Fees were \$35,000 paid to Global Vision Capital Corp. ("GVCC"), whereby GVCC provides the Company with the services of Gregg J. Sedun.

(c) In connection with the December 14, 2006, December 19, 2006 and June 20, 2007 private placements, and in accordance with an advisory agreement, the Company paid Endeavour a total of \$84,400.

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
**for the year ended July 31, 2007**

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**6. RELATED PARTY TRANSACTIONS (continued)**

- (d) On January 24, 2007, the Company granted 100,000 stock options to Endeavour which was part of the 925,000 stock option grant noted in Note 5(c).
- (e) Included in accounts receivable at July 31, 2007 was an amount of \$35,649 from Goldgroup Resources Inc. This amount relates to 50% of the rent and general office expenses incurred by the Company. The office is shared by both companies and expenses are shared evenly, effective as of February 1, 2007.

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.

**7. COMMITMENTS**

- (a) Effective July 1, 2006, the Company entered into an agreement with GJS Capital Corp. ("GJS"), whereby GJS will provide the Company with the services of Gregg J. Sedun, who will hold the position of the Chairman of the Board of the Company. GJS charges \$5,000 per month plus expenses incurred on behalf of the Company. Effective February 1, 2007, the agreement with GJS was assigned with all obligations to Global Vision Capital Corp. ("GVCC").
- (b) Effective January 1, 2007, the Company entered into an agreement with GVCC, whereby GVCC is providing the Company with the services of Gregg J. Sedun, who holds the position of President and Chief Executive Officer of the Company for a fee of \$5,000 per month. Effective February 1, 2007, GVCC charges a total of \$10,000 per month plus expenses incurred on behalf of the Company. The initial term of the agreement is for 18 months and thereafter the agreement may be terminated by either party at any time by giving 3 months written notice.
- (c) 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:

2008	\$ 100,438
2009	101,531
2010	103,107
2011	104,215
2012	43,423

**8. INCOME TAXES**

Income tax expense varies from the amount that would be computed by applying the Canadian federal and provincial statutory rate of 32.0% (2006: 31.5%) to earnings before income taxes as shown in the following table:

	<u>2007</u>	<u>2006</u>
Combined Canadian federal and provincial taxes at expected rate	\$ (451,834)	\$ (219,263)
Permanent and other differences	235,575	82,803
Change in tax rates	30,027	50,655
Change in valuation allowance	<u>(180,713)</u>	<u>85,805</u>
	<u>\$ (366,945)</u>	<u>\$ -</u>

**URACAN RESOURCES LTD.**  
**Notes to the Financial Statements**  
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**8. INCOME TAXES** (continued)

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

	<u>2007</u>	<u>2006</u>
<i>Future income tax assets</i>		
Operating loss carry forwards	\$ 186,107	\$ 321,269
Share issue costs	70,881	33,249
Capital losses	233,742	246,045
Other	<u>14,645</u>	<u>          </u>
Total gross future tax assets	505,375	600,563
Valuation allowance	<u>(419,850)</u>	<u>(600,563)</u>
Net future income tax assets	<u>85,525</u>	<u>-</u>
<i>Future income tax liabilities</i>		
Resource Property costs	<u>(1,021,493)</u>	<u>-</u>
Future income tax liability, net	<u><u>\$ (935,968)</u></u>	<u><u>\$ -</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, 2007, the Company had approximately \$612,000 of non-capital losses available for carry forward. These losses, if not utilized, will expire commencing in 2008.

To date, the Company has issued 9,060,000 common shares on a flow-through basis for gross proceeds of \$5,327,000. The flow-through agreements required the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. To date the Company has renounced 8,060,000 of the 9,060,000 flow-through common shares which resulted in an initial income tax liability of \$1,330,608 being recorded, with a corresponding amount reducing share capital. As a result of the Company incurring operating losses, this liability has been reduced by \$394,641. The corresponding credits have been recorded as a future income tax recovery in the amount of \$366,945, an increase in share capital in the amount of \$53,071 and an increase in mineral properties of \$25,375. As at July 31, 2007, the amount of the income tax liability was \$935,967.

**9. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments. The carrying values of these financial instruments approximate their book values as a result of their short-term nature.

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

The significant non-cash transactions for the year ended July 31, 2006 consisted of the Company issuing 350,000 common shares to Sheridan with a fair value of \$157,500, the Company issuing 7,000 common shares to Endeavour with a fair value of \$3,150 and the Company issuing 183,600 agent warrants with a fair value of \$19,735.

**11. SEGMENTED INFORMATION**

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

**12. SUBSEQUENT EVENTS**

- a) Subsequent to July 31, 2007, and in accordance with the North Shore Properties option agreement (see Note 4), the Company paid Sheridan an amount of \$1,000,000.
- b) Subsequent to July 31, 2007, 20,000 warrants with an exercise price of \$0.80 were exercised for proceeds of \$16,000.