



Financial
Information

La

Lanthanum
138.905 47

Ta

Tantalum
180.947 88

Pr

Praseodymium
140.907 65

Fe

Iron
55.845

Ac

Actinium
(227)

Db

Dubnium
(262)

Pa

Protactinium
231.035 88

Ru

Ruthenium
101.07

Na

Sodium
22.989 769 28

Ca

Calcium
40.078

Ti

Titanium
47.867

Cr

Chromium
51.996 1

Mn

Manganese
54.938 045

Os

Osmium
190.23

K

Potassium
39.0983

Sr

Strontium
87.62

Zr

Zirconium
91.224

Mo

Molybdenum
95.94

Tc

Technetium
(98)

Hs

Hassium
(277)

Rb

Rubidium
85.4678

Ba

Barium
137.327

Hf

Hafnium
178.49

W

Tungsten
183.84

Re

Rhenium
186.207

Pm

Promethium
(145)

Cs

Cesium
132.905 4519

Ra

Radium
(226)

Rf

Rutherfordium
(261)

Sg

Seaborgium
(266)

Bh

Bohrium
(264)

Np

Neptunium
(237)

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Monroe Minerals Inc. as at December 31, 2007 and 2006 and the consolidated statements of loss and deficit and cash flow for 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 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)

"KPMG LLP"
Chartered Accountants
Calgary, Canada
March 20, 2008

Consolidated Balance Sheets

December 31	2007	2006
ASSETS		
Current assets:		
Cash	\$ 2,147,152	\$ 407,389
Accounts receivable	13,352	17,234
Inventory	2,862	6,885
Prepaid expenses and other	49,790	47,054
	2,213,156	478,562
Deposit [Note 2 (d)]	–	466,560
Mineral interests [Note 2]	125,777	306,135
	\$ 2,338,933	\$ 1,251,257
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 121,392	\$ 84,463
Current portion of long term debt [Note 3]	221,785	340,669
	343,177	425,132
Long term debt [Note 3]	221,785	340,669
Amount due to related party [Note 3]	220,000	380,000
	784,962	1,145,801
Shareholders' equity:		
Share capital [Note 4]	9,816,363	7,089,078
Warrants [Note 4]	734,200	762,000
Contributed Surplus [Note 4]	1,207,433	269,008
Deficit	(10,204,025)	(8,014,630)
	1,553,971	105,456
	\$ 2,338,933	\$ 1,251,257

Basis of presentation [Note 1 (a)]

Commitments [Note 8]

Subsequent event [Note 9]

See accompanying notes

On behalf of the Board

(Signed)

"Derek J. Moran"
Director

(Signed)

"Peter T. Farkas"
Director

Consolidated Statements of Loss and Deficit

Year ended December 31	2007	2006
Expenses:		
Project development	\$ 140,363	\$ 20,030
Amortization	22,227	7,740
General and administrative	1,349,576	1,018,980
Interest income	(3,233)	(9,276)
Interest on long term debt	46,393	44,017
Foreign exchange loss	6,435	184,901
Write down of mineral interests [Note 2]	622,888	2,177,404
Loss on disposal of mining and processing equipment	4,746	-
Loss for the year	2,189,395	3,443,796
Deficit, beginning of year	8,014,630	4,570,834
Deficit, end of year	\$ 10,204,025	\$ 8,014,630
Loss per share – basic and diluted [Note 4(c)]	\$ 0.03	\$ 0.05

See accompanying notes

Consolidated Statements of Cash Flow

Year ended December 31	2007	2006
Cash flows from (used by) operating activities:		
Loss for the year	\$ (2,189,395)	\$ (3,443,796)
Add (deduct) non-cash items		
Amortization	22,227	7,740
Unrealized foreign exchange (gain) loss	(10,404)	82,910
Stock based compensation	176,425	64,472
Write down of mineral interests	622,888	2,177,404
Loss on disposal of mining and processing equipment	4,746	-
Change in non-cash working capital	11,320	(115,801)
	(1,362,193)	(1,227,071)
Cash flows from (used by) financing activities:		
Shares issued for cash	3,172,938	785,800
Warrants issued for cash	636,000	252,000
Warrants exercised for cash	-	12,500
Repayment of long term debt	(192,291)	-
Repayment of amount due to related party	(160,000)	-
Share issue costs	(389,953)	(163,926)
Change in non-cash working capital	65,085	(57,302)
	3,131,779	829,072
Cash flows from (used by) investing activities:		
Mineral interests expenditures	(34,203)	(145,537)
Change in non-cash working capital	4,380	(3,934)
	(29,823)	(149,471)
Net increase (decrease) in cash	1,739,763	(547,470)
Cash at beginning of year	407,389	954,859
Cash at end of year	\$ 2,147,152	\$ 407,389
Supplemental cash flow information:		
Interest paid	\$ 121,050	\$ 44,017

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 2007

Monroe Minerals Inc. (the 'Company') is incorporated under the laws of Alberta. The Company's principal business is the acquisition, exploration and development of uranium resource and diamond resource properties.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its foreign subsidiaries.

While the majority of the Company's projects are in the development stage, portions of projects may enter the pre-production or production phase. Operating results would then be reflected in the Consolidated Statement of Loss and Deficit. With respect to interests which are at the development stage, all costs, net of miscellaneous revenues, directly related to the acquisition, exploration and evaluation of mineral properties are deferred and allocated to mineral interests.

The Company's ability to continue operations is dependent upon the Company's success in developing commercial mineral interests and obtaining funds to continue their development and attaining profitability. These financial statements have been prepared on the basis that the Company will continue to raise sufficient financing and to realize its assets and discharge its obligations in the ordinary course of business and do not reflect adjustments that would otherwise be necessary if the going concern assumption was not valid.

b) Financial instruments:

The Company adopted several new Canadian accounting standards with respect to financial instruments, hedging and other comprehensive income. As required by the new standards, prior periods have not been restated. The adoption of these standards has had no material impact on the Company's net earnings or cash flows.

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as 'held-for-trading', 'available-for-sale', 'held-to-maturity', 'loans and other receivables', or 'other financial liabilities', as defined by the standard.

Financial assets 'held-for-trading' are measured at fair value with changes in those fair values recognized in net earnings. Financial assets designated as 'loans and other receivables' and financial liabilities designated as 'other financial liabilities' are measured at amortized cost using the effective interest method of amortization.

Cash is designated as 'held-for-trading' and is measured at carrying value which approximates fair value due to the short-term nature of this instrument. Accounts receivable are designated as 'loans and other receivables'. Accounts payable and accrued liabilities, long term debt, and amount due to related party are designated as 'other financial liabilities'.

The Company's net income equals its comprehensive income. As a result, these financial statements do not include a statement of Accumulated Other Comprehensive Income.

c) Foreign currency:

The Company's foreign subsidiaries are designated as integrated. Accordingly, the subsidiaries' financial statements are translated to Canadian dollars with monetary items translated at rates of exchange in effect at the balance sheet dates and non-monetary items at rates of exchange when the assets were acquired or obligations incurred. Expenses are translated at rates in effect at the time of the transactions. Translation gains or losses are included in income or expense of the period in which they occur. The Company's foreign operations are conducted primarily in Angola and South Africa. Unless otherwise specified, the currency used in these financial statements is Canadian dollars. On December 31, 2007, one Canadian dollar was worth \$0.98 U.S. dollars, the currency used for Angolan operations, and R6.99 in the currency of the Republic of South Africa (Rand).

d) Revenue recognition:

Revenue is recognized at the time of sale and delivery from production operations to third parties. Contract revenue from third parties is reported as earned.

e) Inventory:

Inventory of rough diamonds is valued at the lower of average production costs and estimated market prices at the balance sheet date. Inventory of polished diamonds is valued at the lower of cost and the net realizable value.

f) Mineral interests:

Costs relating to the acquisition, exploration and development of mineral properties are capitalized until either commercial production is established or the property is abandoned. At that time, the costs are either depleted on a unit of production basis recognizing indicated mineral resources or expensed.

The carrying values of producing mineral properties are reviewed regularly and, where necessary, are written down to their estimated net realizable value. The review includes the calculation of future cash flows using estimated recoverable resources, estimated product prices and estimated operating costs as well as estimated capital, reclamation and other costs.

Proceeds from the sale of properties and earn-in arrangements in which the Company retains an economic interest are credited against property costs and no gain is recorded until all costs have been fully recovered. Periodically, a determination will be made by management as to the status of each property. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. The claims would be written down to a nominal value where an interest in the claims remained. Management will also periodically determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings rather than being deferred.

Amounts recorded for mineral interests represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

Mining, processing and office equipment is amortized on a declining balance basis over five to ten years.

g) Asset retirement obligations:

Discounted future costs to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site, are recognized and recorded as a liability at fair value in the period it is incurred or acquired. The amount of the liability will be subject to measurement at each reporting period and is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the asset's useful life.

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet current regulatory requirements. The estimates of the total liability of future site restoration costs may be subject, however, to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to measurement at each reporting period. Any adjustments to this liability will impact the related asset.

h) Incentive stock options and stock based compensation:

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, volatility and the expected life of the options or warrants. The fair value of options is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. The fair value of warrants is recorded as a reduction to proceeds from related common share issuance. If the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus or warrants are transferred to share capital. In the event that options expire, previously recognized compensation expense associated with such stock options is not reversed.

i) Flow-through shares:

A portion of the Company's exploration activities is financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to the share subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the benefits renounced to the share subscribers. The tax effect of the renouncement is recorded when the renouncement is filed with the regulatory tax authorities provided the corresponding exploration expenditures are incurred or are reasonably likely to be incurred within the permitted time frame.

j) Per share amounts:

The calculation of per share amounts is based on the weighted average number of shares outstanding during the year.

k) Measurement uncertainty:

The amounts recorded for capitalized exploration expenses, depletion and amortization, write down of mineral interests, the provision for future reclamation and closure costs, and stock based compensation are based on estimates. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the consolidated financial statements of future periods.

l) Recent accounting pronouncements:

The Company has assessed new and revised accounting pronouncements that have been issued and that are not yet effective and has determined that the following may affect the Company's consolidated financial statements:

As of January 1, 2008, the Company will be required to adopt two new standards, 'Financial Instruments – Disclosures' and 'Financial Instruments – Presentation', which will replace 'Financial Instruments – Disclosure and Presentation'. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements are not expected to have a significant impact on the Company's net earnings or cash flows.

As of January 1, 2008, the Company will be required to adopt new standards for 'Capital Disclosures', which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosure is to include whether companies have complied with externally imposed capital requirements. The Company is assessing the impact of the new capital disclosure requirements on the consolidated financial statements.

As of January 1, 2008, the Company will be required to adopt the new 'Inventories' accounting standard, which establishes standards for the measurement and disclosure of inventories including guidance on the determination of cost. The accounting standards may be adopted on a prospective or retroactive basis. The Company does not expect the adoption of this standard to have a material impact.

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') commencing in 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

2. MINERAL INTERESTS:

December 31, 2007	Cost	Accumulated depletion, amortization and write downs	Net
Alexis River, Canada	\$ 42,500	\$ –	\$ 42,500
Skaapkop, South Africa	65,754	–	65,754
Cangandala, Angola	337,353	337,353	–
London, South Africa	2,150,450	2,150,450	–
Mining, processing and office equipment	185,459	167,936	17,523
Total	\$ 2,781,516	\$ 2,655,739	\$ 125,777

December 31, 2006	Cost	Accumulated depletion, amortization and write downs	Net
London, South Africa	\$ 2,150,450	\$ 2,150,450	\$ –
Allandale, South Africa	51,753	51,753	–
Skaapkop, South Africa	49,407	–	49,407
Middle Orange River, South Africa	189,328	189,328	–
Cangandala, Angola	328,879	167,691	161,188
Mining, processing and office equipment	176,077	80,537	95,540
Total	\$ 2,945,894	\$ 2,639,759	\$ 306,135

Mineral interests under development totalling \$108,254 (December 31, 2006 – \$210,595) are not subject to depletion and amortization. During the year \$12,469 (2006 – \$103,287) of salaries relating to exploration activities was capitalized to mineral interests.

Reclamation and closure costs relating to the London project were incurred as part of operating costs for the year. Accordingly, there are no additional provisions required and the estimated future reclamation and closure costs at December 31, 2007 are \$nil (2006 – \$nil). Mineral interests consist of the following:

a) Alexis River, Canada:

The Company has an option to earn a minimum 60% interest in the Alexis River uranium property (Note 8) over four years by spending \$1,250,000 on exploration and making share payments of 2,500,000 Monroe shares. The Company is current on its obligations. The property is approximately 2,500 hectares in size and is underlain by rocks assigned to the Pinware Terrane of the Eastern Grenville Province, which are hosts for uranium mineralization. The project is in the exploration stage.

b) London, South Africa:

The Company holds the right to prospect and mine diamonds on 5,242 acres to January 21, 2009, with extensions available to 2019, subject to a 10% royalty (2006 – 10%) on revenue, a R10,000 (\$1,514) (2006 – R10,000, \$1,653) monthly rental and a 1.5% after payout net profit interest. This right was modified by the enactment of the Mineral and Petroleum Resources Development Act 2002 in South Africa, whereby the mining right has to be renewed by the Department of Minerals and Energy ('DME') as a 'new order' right and, with expected effect in 2009, any royalty payable will be paid to the State.

In December 2006, the Company's application for a 'new order' mining right was refused by the DME, and, in view of the uncertainty surrounding the continuation of the project, the Company recognized a write down on the London project in the amount of \$1,768,632 for the year ended December 31, 2006. The Company lodged a new application in 2007 and this was granted by the DME on January 8, 2008. There has been limited activity on the London project during 2006 and 2007 while the mining right applications were being processed and the project remains in the development stage.

c) Skaapkop, South Africa:

The Company presently holds no land interests or rights in connection with the Skaapkop project. The objective is the discovery and exploitation of the kimberlite sources that host the alluvial diamonds in the Southwest Transvaal area of Northwest Province in South Africa. The project is in the exploration stage.

d) Cangandala, Angola:

The Company holds a 40% interest in the Cangandala Diamond Concession in Angola. Under the terms of the Concession, the Company will pay 100% of the exploration costs to determine a mineral resource and will receive preferential reimbursement of costs from revenues, if any. In connection with the Concession, the Company has made a deposit of US\$400,000 (\$392,800) (2006 – US\$400,000, \$466,560) with Endiama, the Angolan state diamond company.

Resulting from exploration during 2007, management concluded that deficiencies in both the nature of the potential source of diamonds and the depositional environment of the Cuanza River in the Cangandala Concession determined that diamond resources within the confines of the project area were unlikely to be mined on a commercial scale. This, in association with infrastructural and logistical issues, has led to the discontinuance of the project and the Company has recognized a write down in the amount of \$622,888, including the US\$400,000 (\$392,800) deposit with Endiama noted above, during the year ended December 31, 2007.

e) Allandale and Middle Orange River, South Africa:

During 2006, the Company determined that, based on the exploration results to date and the changed factors in South Africa, the Allandale and Middle Orange River projects were unlikely to meet the Company's original expectations. As a result, the Company recognized a write down in the amount of \$241,081 for the year ended December 31, 2006.

3. LONG TERM DEBT AND AMOUNT DUE TO RELATED PARTY:

	2007	2006
Loan, denominated in sterling in the amount of £226,149, bearing interest at 7% per annum, with no repayment terms and secured by a charge on the income from the London, South Africa mineral interests, due to an entity controlled by the Company's largest shareholder. The shareholder has agreed not to demand repayment of one half of the balance before January 2009	\$ 443,570	\$ 681,338
Less current portion	(221,785)	(340,669)
	\$ 221,785	\$ 340,669

Interest on long term debt of \$46,393 (2006 – \$44,017) has been expensed in the year ended December 31, 2007. The amount due to related party of \$220,000 (2006 – \$380,000) is in respect of unpaid salary to the President of the Company, is unsecured, has no repayment terms and bears no interest. The President has agreed not to demand repayment of the balance before January 2009.

The Company is also indebted to the President of the Company in the amount of \$9,572 (2006 – \$7,375), included in accounts payable and accrued liabilities, in respect of expenses incurred on its behalf.

The above transactions were in the normal course of operations and were recorded at the exchange amounts, which were the amounts agreed to by the related parties involved.

4. SHARE CAPITAL AND OTHER:

Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares in one or more series.

Common shares issued:	Number	Amount
Balance, December 31, 2005	62,079,118	\$ 6,452,404
Issued for cash in a private placement	7,983,076	785,800
Issued on exercise of warrants	100,000	14,800
Share issue costs	–	(163,926)
Balance, December 31, 2006	70,162,194	7,089,078
Issued for cash in private placements	29,463,298	1,834,598
Issued for cash on a flow-through basis in private placement	21,844,531	1,338,340
Issued for property in private placement	500,000	42,500
Share issue costs	–	(488,153)
Balance, December 31, 2007	121,970,023	\$ 9,816,363
Warrants issued:		
Balance, December 31, 2005	18,464,500	\$ 525,000
Issued for cash in a private placement	3,991,538	252,000
Exercised	(100,000)	(2,300)
Expired	(3,800,000)	(12,700)
Balance, December 31, 2006	18,556,038	762,000
Issued for cash in private placements	24,428,298	336,000
Issued for cash on a flow-through basis in a private placement	21,844,531	300,000
Finder's warrants and options issued	3,695,949	98,200
Expired	(18,556,038)	(762,000)
Balance, December 31, 2007	49,968,778	\$ 734,200
Contributed surplus:		
Balance, December 31, 2005		\$ 178,504
Stock options issued to directors, employees and consultants		77,804
Warrants expired		12,700
Balance, December 31, 2006		269,008
Stock options issued to directors and employees		176,425
Warrants expired		762,000
Balance, December 31, 2007		\$ 1,207,433

a) Financing:

On April 18, 2006, the Company issued 7,983,076 units at a purchase price of \$0.13 per unit for total consideration of \$1,037,800 by way of private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a

price of \$0.20 per common share until October 18, 2007. The Company has the right to accelerate expiry of the warrants should the trading price of its common shares exceed \$0.20 per share over a period of 20 consecutive trading days. A finder's fee in the amount of \$51,738 was paid to an arm's length finder in connection with the offering. The share purchase warrants expired on October 18, 2007 without exercise.

On April 4, 2007, the Company issued 10,070,000 units at a purchase price of \$0.10 per unit for total consideration of \$1,007,000 by way of private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.15 per common share until October 2, 2008. The Company has the right to accelerate expiry of the warrants should the trading price of its common shares exceed \$0.15 per share over a period of 20 consecutive trading days. Finder's fees in the amount of \$60,160 and non-transferable finder's warrants to purchase 601,600 common shares at a price of \$0.10 per common share until April 2, 2008 were paid to arm's length finders in connection with the private placement.

On April 27, 2007, the Company granted an option to acquire 1,250,000 shares at prices varying between \$0.12 per share to \$0.30 per share to a consultant. The options will vest on a schedule of one-third per annum and be valid for five years from the date of grant.

On August 23, 2007, the Company issued 500,000 common shares at a purchase price of \$0.085 per share by way of private placement in connection with the option agreement referred to in Note 8.

On November 5, 2007, the Company granted options over 2,635,000 common shares at an exercise price of \$0.10 per share to seven directors and employees. The options vest at a rate of 25% per annum and expire on November 5, 2012. The Company's shares must trade over \$0.12 per share for 20 consecutive trading days before the options may be exercised.

On November 23, 2007, the Company completed a private placement issuing 19,393,298 units at a purchase price of \$0.06 per unit, and 21,844,531 flow-through units at a purchase price of \$0.075 per flow-through unit, for aggregate consideration of \$2,801,938. Each regular unit consists of one common share and one common share purchase warrant. Each warrant in the regular unit is exercisable into one common share at a price of \$0.10 per common share for twelve months from the date of issuance and \$0.12 per common share for the following twelve months. Each flow-through unit consists of one flow-through common share and one flow-through warrant exercisable into one common share at a price of \$0.12 per common share for twelve months from the date of issuance and \$0.15 per common share for the following twelve months. The Company has the right to accelerate expiry of the warrants and the flow-through warrants should the trading price of its common shares exceed the exercise price by more than 125% over a period of 20 consecutive trading days. Finder's fees in the amount of \$141,000 and non-transferable finder's options to purchase 3,094,349 finder's units at a purchase price of \$0.075 per finder's unit exercisable on or before twelve months from the date of issue were paid to arm's length finders in connection with the private placement. Each finder's unit consists of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.12 for twelve months from the date of grant of the finder's option and at a price of \$0.15 for the subsequent twelve months thereafter. The Company has the right to accelerate expiry of the warrants and the flow-through warrants should the trading price of its common shares exceed the exercise price by more than 125% over a period of 20 consecutive trading days. The issued securities are restricted from resale for four months from the date of issue.

b) Incentive stock options and stock based compensation:

Under its Incentive Stock Option Plan, the Company may grant options to employees and other participants for up to 12 million shares. The exercise price of each option must not be less than the market price on the date of grant, reduced by any discount allowed by the rules, by-laws or policies of the TSX Venture Exchange. Options granted may be exercised as to 25% immediately after the day of grant and 25% following each year thereafter.

c) Per share amounts:

Options and warrants outstanding during the year were not included in the computation of diluted loss per share because the exercise prices were greater than the average market price of the common shares during the year.

d) Pro forma information:

Pro forma information relates to the issuance of 2,275,000 employee/director options granted during the period January 1, 2002 to December 31, 2002. In 2006, the pro forma annual option expense of \$5,136 contributed to a pro forma loss and loss per share of \$3,448,932 and \$0.05 respectively for the year ended December 31, 2006. The options expired unexercised in June 2006.

e) Option pricing:

The cost of options and warrants issued during 2006 and 2007 was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 2.6% to 3.5%, an expected life of 1.5 for warrants and 4.5 years for options and an expected volatility in the range of 95% to 143%.

f) **Stock options and warrants:**

Incentive stock plan options	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
Employees/directors	9,010,000	\$ 0.13	4,958,750	\$ 0.14	Feb. 2004- Nov. 2007	Feb. 2009- Nov. 2012
Consultants	1,350,000	0.20	466,666	0.20	Sep. 2006- Apr. 2007	Sep. 2010- Apr. 2012
Total	10,360,000	\$ 0.14	5,425,416	\$ 0.15		

Other option and finder's warrants

Vuyal options	500,000	\$ 0.30	500,000	\$ 0.30	Dec. 2003	Dec. 2008
Finder's warrants	601,600	0.10	601,600	0.10	Apr. 2007	Apr. 2008
Finder's options	3,094,349	0.08	3,094,349	0.08	Nov. 2007	Nov. 2009
Total	4,195,949	\$ 0.11	4,195,949	\$ 0.11		

Warrants

Common share warrants	24,428,298	\$ 0.11	24,428,298	\$ 0.11	Apr. 2007- Nov. 2007	Oct. 2008- Nov. 2009
Flow-through share warrants	21,844,531	0.12	21,844,531	0.12	Nov. 2007	Nov. 2009
Total	46,272,829	\$ 0.11	46,272,829	\$ 0.11		

Incentive stock plan options	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of year	7,655,000	\$ 0.16	5,355,000	\$ 0.21
Granted	3,885,000	0.13	4,250,000	0.15
Expired	(1,180,000)	0.25	(1,950,000)	0.25
Outstanding at end of year	10,360,000	\$ 0.14	7,655,000	\$ 0.16
Exercisable at end of year	5,425,416	\$ 0.15	3,867,500	\$ 0.18
Other options and finder's warrants				
Outstanding at beginning of year	500,000	\$ 0.30	500,000	\$ 0.30
Finder's warrants issued	601,600	0.10	-	-
Finder's options issued	3,094,349	0.08	-	-
Outstanding and exercisable at end of year	4,195,949	\$ 0.11	500,000	\$ 0.30
Warrants				
Outstanding at beginning of year	19,501,188	\$ 0.20	19,409,650	\$ 0.19
Common share warrants issued in private placements	24,428,298	0.11	3,991,538	0.20
Flow-through share warrants issued pursuant to a private placement	21,844,531	0.12	-	-
Warrants exercised	-	-	(100,000)	0.13
Warrants expired	(19,501,188)	0.20	(3,800,000)	0.19
Outstanding and exercisable at end of year	46,272,829	\$ 0.11	19,501,188	\$ 0.20

The Company will record the following amounts in respect of options and warrants over the periods indicated.

Incentive stock plan options	Grant date	Number	Share issue costs	Annual Expense	Period	
					From	To
	2004	2,225,000	–	\$ 31,600	2004	2007
	2006	4,250,000	–	\$ 110,500	2006	2009
	2007	3,885,000	–	\$ 62,870	2007	2012
Other options and finder's warrants						
Finder's warrants	2007	601,600	\$ 18,000	–		
Finder's options	2007	3,094,349	\$ 80,200	–		

5. FINANCIAL INSTRUMENTS:

a) Fair values:

The Company's financial instruments recognized on the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, long term debt and amount due to related party. The fair values of the Company's financial instruments, excluding amount due to related party, approximate their carrying value. The fair value of amount due to related party is not determinable, as there are no set terms of repayment.

b) Interest rate risk:

The Company is exposed to interest rate price risk to the extent that long term debt bears a fixed rate of interest.

c) Foreign currency risk:

The Company is exposed to currency exchange rate risks to the extent of its foreign operations conducted in Angola and South Africa, as well as the long term debt denominated in sterling. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

6. INCOME TAXES:

The income tax reduction differs from the amount which would be obtained by applying the Canadian expected tax rates as follows:

	2007	2006
Income tax rate	32.1%	32.1%
Computed expected income tax reduction	\$ (702,796)	\$ (1,105,459)
Decrease resulting from:		
Stock based compensation	56,666	20,696
Effect of change in tax rate and other	142,887	104,759
	(503,243)	(980,004)
Valuation allowance	503,243	980,004
	\$ –	\$ –

The components of the net future income tax asset at December 31, 2007, no portion of which has been recorded in these financial statements, are as follows:

	2007	2006
Non-capital/net operating losses	\$ 1,846,000	\$ 1,633,000
Share issue costs	137,000	112,000
Capital losses	23,000	25,000
Mineral interests	1,433,000	1,566,000
	3,439,000	3,336,000
Valuation allowance	(3,439,000)	(3,336,000)
	\$ –	\$ –

The Company has Canadian tax losses of approximately \$3.1 million and South African tax losses of approximately \$4.5 million, with expiry dates ranging between 2008 and 2027.

Unclaimed resource expenditures of approximately \$5.9 million are available in foreign jurisdictions to reduce taxable income of future years. The potential income tax benefit of these losses and deductions has not been reflected in the accounts.

7. MINORITY INTEREST IN MONROE MINING (PROPRIETARY) LIMITED:

Consequent upon the requirements of the South African Government in relation to Black Economic Empowerment ('BEE') participation in South African companies, by agreements dated December 1, 2003 and August 16, 2004, Vuya! Investments (Proprietary) Limited ('Vuya!'), a BEE company, acquired 26% of the share capital of Monroe Mining (Proprietary) Limited ('Monroe SA'), the Company's South African subsidiary. The agreements cover a period to August 2008, during which Vuya! is required to pay R19,253,000 (\$2,755,388), in cash or through the identification of diamond projects valued at no less than this amount, and assist generally in developing the Company's South African business.

Vuya!'s 26% share of the recorded net asset value of Monroe SA at the agreement dates was recorded as a non-controlling interest. Vuya!'s proportionate share of Monroe SA's net loss since August 2004 is recorded as a decrease to the non-controlling interest, which is \$nil at December 31, 2007. The Company has the right to recover all or part of the 26% interest of Vuya! in Monroe SA for nominal consideration in the event that Vuya! does not pay the full consideration of R19,253,000 (\$2,755,388) or ceases to be a BEE company.

8. COMMITMENTS:

- a) On July 24, 2007, the Company entered into an option agreement with Altius Resources Inc. ('Altius') to earn a minimum 60% interest in the Alexis River uranium property, located in south eastern Labrador, Canada, over four years by spending \$1,250,000 on exploration, including a minimum first year commitment of \$175,000, and making share payments to Altius of 2,500,000 common shares, including 500,000 common shares on signing and 2,000,000 common shares divided equally over four years to be paid on each anniversary of the agreement. Upon the Company fulfilling its earn-in obligations, and if Altius elects to retain a working interest, the parties will form a joint venture, with each partner contributing its pro-rata share of future expenditures. If either party thereafter dilutes its interest to less than 10% in the joint venture, its interest will be converted to a 10% net profit interest after recovery of capital costs.
- b) The Company has flow-through commitments for expenditures of \$1,621,783 on exploration and development activities in relation to its issuance of flow-through common shares, to be incurred prior to December 31, 2008.

9. SUBSEQUENT EVENTS:

On January 15, 2008, the Company entered into option agreements with Altius allowing it to earn a 60% interest in the Boxey Point and Berry Hill uranium exploration properties, located in Newfoundland, Canada. The Company may earn a 60% interest in the Boxey Point property over four years by spending \$1,000,000 on exploration, including a minimum first year commitment of \$100,000, and making share payments to Altius of 2,000,000 common shares, including 400,000 common shares on signing and 1,600,000 common shares divided equally over four years to be paid on each anniversary of the agreement. The Company may earn a 60% interest in the Berry Hill property over four years by spending \$475,000 on exploration, including a minimum first year commitment of \$50,000, and making share payments to Altius of 500,000 common shares, including 100,000 common shares on signing and 400,000 common shares divided equally over four years to be paid on each anniversary of the agreement.

Upon the Company fulfilling its earn-in obligations, the parties will form a 60:40 joint venture, with each partner contributing its pro-rata share of future expenditures. If either party dilutes its interest to less than 10% in the joint venture, its interest will be converted to a royalty of 1% of gross uranium sales.