

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Monroe Minerals Inc. as at December 31, 2008 and 2007 and the consolidated statements of income (loss), comprehensive income (loss) and deficit and cash flows 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, 2008 and 2007 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 12, 2009

Consolidated Balance Sheets

As at December 31	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 612,050	\$ 2,147,152
Accounts receivable	179,105	13,352
Inventory	–	2,862
Prepaid expenses and other	5,470	49,790
	796,625	2,213,156
Mineral interests (Note 2)	1,696,373	108,254
Equipment (Note 3)	–	17,523
	\$ 2,492,998	\$ 2,338,933
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 4)	\$ 854,433	\$ 121,392
Current portion of long term debt (Note 4)	–	221,785
	854,433	343,177
Long term debt (Note 4)	–	221,785
Amount due to related party (Note 4)	110,000	220,000
	964,433	784,962
Shareholders' equity:		
Share capital (Note 5)	9,473,863	9,816,363
Warrants (Note 5)	636,000	734,200
Contributed surplus (Note 5)	1,432,227	1,207,433
Deficit	(10,013,525)	(10,204,025)
	1,528,565	1,553,971
	\$ 2,492,998	\$ 2,338,933

Basis of presentation (Note 1 (a))

Commitments (Notes 2 and 9)

Subsequent event (Note 10)

See accompanying notes

On behalf of the Board

[signed]

'Derek J. Moran'
Director

[signed]

'Peter T. Farkas'
Director

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Deficit

Year ended December 31	2008	2007
Expenses:		
Exploration	\$ 102,637	\$ –
Project development	67,615	140,363
Amortization	1,880	22,227
General and administrative	857,101	1,173,151
Stock based compensation	126,594	176,425
Interest income	(37,098)	(3,233)
Interest on long term debt	15,857	46,393
Foreign exchange loss (gain)	(30,306)	6,435
Loss before the following:	(1,104,280)	(1,561,761)
Gain on disposal of subsidiary (Note 2 (f))	857,448	–
Gain (loss) on disposal of mining and processing equipment	47,467	(4,746)
Write down of mineral interests (Notes 2 (b) and 2 (d))	(20,135)	(622,888)
Loss before income taxes	(219,500)	(2,189,395)
Future income tax reduction (Note 8)	410,000	–
Net income (loss) and comprehensive income (loss) for the year	190,500	(2,189,395)
Deficit, beginning of year	(10,204,025)	(8,014,630)
Deficit, end of year	\$ (10,013,525)	\$ (10,204,025)
Income (loss) per share - basic and diluted (Note 5 (c))	\$ 0.00	\$ (0.03)

See accompanying notes

Consolidated Statements of Cash Flow

Year ended December 31	2008	2007
Cash flows from (used by) operating activities:		
Net income (loss) for the year	\$ 190,500	\$ (2,189,395)
Add (deduct) non-cash items		
Amortization	1,880	22,227
Unrealized foreign exchange gain	(17,004)	(10,404)
Stock based compensation	126,594	176,425
Gain on disposal of subsidiary	(857,448)	-
(Gain) loss on disposal of mining and processing equipment	(47,467)	4,746
Write down of mineral interests	20,135	622,888
Future income tax reduction	(410,000)	-
Change in non-cash working capital	514,417	11,320
	(478,393)	(1,362,193)
Cash flows from (used by) financing activities:		
Repayment of long term debt	(472,730)	(192,291)
Shares issued for cash	-	3,172,938
Warrants issued for cash	-	636,000
Repayment of amount due to related party	-	(160,000)
Share issue costs	-	(389,953)
Change in non-cash working capital	(3,937)	65,085
	(476,667)	3,131,779
Cash flows from (used by) investing activities:		
Mineral interests expenditures	(1,606,508)	(34,203)
Proceeds on disposal of subsidiary	980,106	-
Proceeds on disposal of mining and processing equipment	47,467	-
Change in non-cash working capital	(1,107)	4,380
	(580,042)	(29,823)
Net increase (decrease) in cash and cash equivalents	(1,535,102)	1,739,763
Cash and equivalents at beginning of year	2,147,152	407,389
Cash and equivalents at end of year	\$ 612,050	\$ 2,147,152
Cash and equivalents is comprised of:		
Cash	\$ 446,572	\$ 2,147,152
Short-term investments	165,478	-
	\$ 612,050	\$ 2,147,152
Supplemental cash flow information:		
Interest paid	\$ 16,451	\$ 121,050

See accompanying notes

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 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 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 ('Canadian GAAP'). 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 subsidiaries.

The Company is a development stage company. These consolidated financial statements have been prepared using accounting principles applicable to a going concern. The Company has a history of losses and no operating revenue other than interest income and the receipt of proceeds on the sale of subsidiaries and sundry assets. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing and generate operating profitability and positive cash flow, which casts doubt on its ability to continue as a going concern. If the Company is unable to obtain adequate additional financing, it will be required to curtail its activities. The consolidated financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

B) NEWLY ADOPTED ACCOUNTING STANDARDS:

The Company adopted the following accounting standards on January 1, 2008:

'Financial Instruments - Presentation' and 'Financial Instruments - Disclosures' increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The adoption of this standard has had no impact on the Company's consolidated financial statements, other than the disclosure in Note 6.

'Inventories' replaces the previous inventories standard and requires inventory to be valued on a first-in, first-out or weighted average basis. The new standard allows the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

'Capital Disclosures' requires the Company to disclose its objectives, policies and processes for managing its capital structure. The adoption of this standard has had no material impact on the Company's consolidated financial statements, other than the disclosure in Note 7.

C) FINANCIAL INSTRUMENTS:

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 and cash equivalents is designated as 'held-for-trading' and is measured at carrying amount which approximates fair value due to the short-term nature of this instrument. Restricted cash and 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 consolidated financial statements do not include a statement of Accumulated Other Comprehensive Income.

D) 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 were conducted primarily in Angola and South Africa up to June 30, 2008, by which time they were either sold or discontinued.

E) 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.

F) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consists of bank balances and short-term investments that are readily convertible to known amounts of cash, with original maturities of ninety days or less and which are subject to an insignificant risk of changes in value.

G) 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 amounts 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.

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

Equipment is amortized on a declining balance basis over five to ten years.

H) 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 re-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 amount and amortized over the asset's useful life.

I) INCENTIVE STOCK OPTIONS AND STOCK BASED COMPENSATION:

All stock-based awards granted 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.

J) 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 amount 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.

K) PER SHARE AMOUNTS:

The calculation of per share amounts is based on the weighted average number of shares outstanding during the year. Diluted per share information is calculated using the treasury stock method, which assumes that any proceeds from the exercise of stock options, warrants, and other instruments would be used to purchase common shares at the average market price during the year. No adjustment to diluted earnings per share is made if the results of these calculations is anti-dilutive.

L) MEASUREMENT UNCERTAINTY:

The amounts recorded for capitalized exploration expenses, depletion and amortization, write down of mineral interests, stock based compensation, and future income taxes 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.

M) 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, 2009, the Company will be required to adopt 'Goodwill and Intangible Assets', which establishes revised standards on the recognition, measurement, presentation, and disclosure of goodwill and intangible assets. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

In 2006, the Canadian Accounting Standards Board ('AcSB') published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ('IFRS') over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2 Mineral Interests:

CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES:

	Alexis River Canada	Boxey Point Canada	Berry Hill Canada	Lost Pond Canada	Cangandala Angola	Skaapkop South Africa	Total
December 31, 2007							
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ 161,188	\$ 49,407	\$ 210,595
Additions 2007							
Acquisition costs	42,500	-	-	-	-	-	42,500
Geology and geophysics	-	-	-	-	77,468	16,347	93,815
Field support	-	-	-	-	98,697	-	98,697
	42,500	-	-	-	176,165	16,347	235,012
Total	42,500	-	-	-	337,353	65,754	445,607
Dispositions	-	-	-	-	-	-	-
Write-offs	-	-	-	-	337,353	-	337,353
Balance, December 31, 2007	42,500	-	-	-	-	65,754	108,254
Additions 2008							
Acquisition costs	25,000	24,000	6,000	12,500	-	-	67,500
Drilling	412,652	-	-	565,327	-	-	977,979
Geology and geophysics	173,568	201,343	12,803	10,824	-	-	398,538
Field support	47,713	48,706	1,332	36,905	-	-	134,656
Results analysis	13,906	14,474	-	32,407	-	-	60,787
Maps, drafting and reports	19,883	14,665	-	-	-	-	34,548
	692,722	303,188	20,135	657,963	-	-	1,674,008
Total	735,222	303,188	20,135	657,963	-	65,754	1,782,262
Dispositions	-	-	-	-	-	65,754	65,754
Write-offs	-	-	20,135	-	-	-	20,135
Balance, December 31, 2008	\$ 735,222	\$ 303,188	\$ -	\$ 657,963	\$ -	\$ -	\$ 1,696,373

Mineral interests under development totalling \$1,696,373 (2007 – \$108,254) are not subject to depletion and amortization.

Mineral interests consist of the following:

A) ALEXIS RIVER, CANADA:

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 and approximately 2,500 hectares in size, over four years by spending \$1,250,000 on exploration, including

a minimum first year commitment of \$175,000, and issuing 2,500,000 common shares to Altius, including 500,000 common shares on signing and 2,000,000 common shares divided equally over four years to be issued 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.

The Company is current on its obligations having incurred in excess of \$775,000 in costs on this project as of December 31, 2008. The project is at the exploration stage.

B) BOXEY POINT AND BERRY HILL, CANADA:

On January 15, 2008, the Company entered into option agreements with Altius to earn a 60% interest in the Boxey Point and Berry Hill uranium exploration properties, located in southern 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 issuing 2,000,000 common shares to Altius, including 400,000 common shares on signing and 1,600,000 common shares divided equally over four years to be issued on each anniversary of the agreement. The Company was entitled to 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 issuing 500,000 common shares to Altius, including 100,000 common shares on signing and 400,000 common shares divided equally over four years to be issued on each anniversary of the agreement.

Upon the Company fulfilling its earn-in obligations, the parties will form a 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.

The results of initial exploration during 2008 did not support further exploration on the Berry Hill property and the option on the property was terminated. As part of the termination, by amendment agreement dated December 4, 2008, the Company and Altius agreed to increase the Boxey Point first year expenditure requirement to \$135,000, such that the first year expenditures on Boxey Point and Berry Hill when totalled remained the same.

The Company is current in its obligations on the Boxey Point option agreement having incurred in excess of \$275,000 in costs as of December 31, 2008. The Boxey Point property, which comprises 36 claims and is approximately 900 hectares in size, is at the exploration stage.

C) LOST POND, CANADA:

On September 16, 2008, the Company agreed to enter into an option agreement with Ucore Uranium Inc. ('Ucore') to earn up to a 50% interest in the Lost Pond uranium and rare earth elements property, located in western Newfoundland, Canada, and comprising 1,083 contiguous claims and being approximately 27,000 hectares in size. The Company may earn a 50% interest in the property over four years by spending \$2,600,000 on exploration, including a minimum first year commitment of \$700,000, and issuing 3,000,000 common shares to Ucore, including 500,000 common shares on signing and 2,500,000 common shares over four years to be issued on each anniversary of the agreement. The letter agreement is to be supplemented by a detailed option and joint venture agreement under negotiation.

Upon the Company fulfilling its earn-in obligations, the parties will form a joint venture with each partner contributing its pro-rata share of future expenditures, or Ucore may elect to convert its interest to a 35% interest, which will be carried through to completion of a pre-feasibility study. If either party dilutes its interest to less than 10% in the joint venture, its interest shall be converted to a royalty of 1% or 1.5% of gross sales, depending on underlying royalties, of which 0.5% may be bought-out for \$500,000.

The Company is current on its obligations having incurred in excess of \$645,000 in costs as of December 31, 2008. The project is at the exploration stage.

D) CANGANDALA, ANGOLA:

Up to February 2008, the Company held a 40% interest in the Cangandala Diamond Concession in Angola. Under the terms of the Concession, the Company paid 100% of the exploration costs to determine a mineral resource and was to receive preferential reimbursement of costs from revenues, if any. In connection with the Concession, the Company deposited US \$400,000 (\$489,120) (2007 – US \$400,000, \$392,800) with the Angolan state diamond company.

Management concluded from the results of exploration during 2007 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. The project was discontinued and the Company recognized a write down in the amount of \$622,888, including the deposit noted above, during the year ended December 31, 2007. The Company's efforts to recover all or part of the deposit have been unsuccessful.

E) SKAAPKOP, SOUTH AFRICA:

Up to June 2008, the Company held rights to an intellectual property database focused on the discovery and exploitation of the kimberlite sources that host the alluvial diamonds in the Southwest Transvaal area in Northwest Province in South Africa. The rights to the database were transferred to the purchaser of Monroe SA (Note 2 (f)).

F) LONDON, SOUTH AFRICA:

On June 30, 2008, the Company completed the sale of Monroe SA for consideration of US \$1,350,000 (\$1,357,655), of which US \$1,050,000 (\$1,055,954) was paid in cash. US \$300,000 of the sale consideration was placed in escrow, to be released in favour of the Company upon the earlier of the receipt of South African government approval of a part of the sale or the generation of a specific level of revenue from the relevant asset. This sum has not been included in either the gain on sale of Monroe SA or in working capital at December 31, 2008. Regulatory approval may take an uncertain length of time and the Company remains confident that it will receive the proceeds of the escrowed funds in due course.

3 Equipment:

	Cost	Accumulated Amortization	Net
December 31, 2007			
Equipment	\$ 185,459	\$ 167,936	\$ 17,523
December 31, 2008			
Equipment	\$ 38,954	\$ 38,954	\$ –

4 Long Term Debt and Amount Due to Related Party:

	2008	2007
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.	\$ –	\$ 443,570
Less current portion	–	(221,785)
	\$ –	\$ 221,785

Long term debt was secured by a charge on the assets on Monroe SA. It was a requirement of the sale of Monroe SA that this be discharged and, accordingly, long term debt was repaid at the time of closing the sale.

The amount due to related party of \$110,000 (2007 – \$220,000) 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 2010.

The Company is also indebted to its President in the amount of \$148,846 (2007 – \$9,572), included in accounts payable and accrued liabilities, in respect of expenses incurred on its behalf in the amount of \$38,846 (2007 – \$9,572) and unpaid salary of \$110,000 (2007 – \$nil).

The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to as approximating fair value by the transacting parties.

5 Share Capital, Stock Options and Warrants:

Authorized share capital:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares in one or more series, none of which have been issued.

Common Shares Issued:	Number	Amount
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 a private placement	21,844,531	1,338,340
Issued for mineral interests	500,000	42,500
Share issue costs	–	(488,153)
Balance, December 31, 2007	121,970,023	9,816,363
Issued for mineral interests	1,500,000	67,500
Future income tax effect from tax benefits renounced on flow-through shares	–	(410,000)
Balance, December 31, 2008	123,470,023	\$ 9,473,863
Warrants Issued:	Number	Amount
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
Expired	(3,695,949)	(98,200)
Balance, December 31, 2008	46,272,829	\$ 636,000
Contributed Surplus:		Amount
Balance, December 31, 2006		\$ 269,008
Stock based compensation		176,425
Warrants expired		762,000
Balance, December 31, 2007		1,207,433
Stock based compensation		126,594
Finder's warrants and options expired		98,200
Balance, December 31, 2008		\$ 1,432,227

A) FINANCING:

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 April 2, 2009. The Company has the right to accelerate expiry of the warrants should the trading price of its common shares exceed \$0.15 per common 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 common shares at prices varying between \$0.12 per common share and \$0.30 per common 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 common share for consideration of \$42,500 in connection with the option agreement referred to in Note 2 (a).

On November 5, 2007, the Company granted options over 2,635,000 common shares at an exercise price of \$0.10 per common 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 common shares must trade over \$0.12 per common 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 25% 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 25% over a period of 20 consecutive trading days. The issued securities are restricted from resale for four months from the date of issue.

On January 8, 2008, the Company issued 500,000 common shares at a purchase price of \$0.06 per common share for consideration of \$30,000 in connection with the option agreement referred to in Note 2 (b).

On July 10, 2008, the Company issued 500,000 common shares at a purchase price of \$0.05 per common share for consideration of \$25,000 in connection with the option agreement referred to in Note 2 (a).

On November 4, 2008, the Company issued 500,000 common shares at \$0.025 per common share for consideration of \$12,500 in connection with the option agreement referred to in Note 2 (c).

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) OPTION PRICING:

The cost of options and warrants issued during 2007 and 2008 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 years for warrants and 4.5 years for options and an expected volatility in the range of 95% to 143%.

E) STOCK OPTIONS AND WARRANTS:

Incentive Stock Options	Number Outstanding	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Grant Date	Expiry Date
Employees/directors	7,397,500	\$ 0.13	4,955,000	\$ 0.14	Feb 2004 - Nov 2007	Feb 2009 - Nov 2012
Consultants	1,350,000	0.20	908,333	0.20	Sep 2006 - Apr 2007	Sep 2010 - Apr 2012
Total	8,747,500	\$ 0.14	5,863,333	\$ 0.15		
Warrants						
Common share warrants	24,428,298	\$ 0.11	24,428,298	\$ 0.11	Apr 2007 - Nov 2007	Apr 2009 - 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 Options	2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	10,360,000	\$ 0.14	7,655,000	\$ 0.16
Granted	-	-	3,885,000	0.13
Expired	(1,612,500)	0.14	(1,180,000)	0.25
Outstanding at end of year	8,747,500	\$ 0.14	10,360,000	\$ 0.14
Exercisable at end of year	5,863,333	\$ 0.15	5,425,416	\$ 0.15

Other Options and Finder's Warrants

Outstanding at beginning of year	4,195,949	\$ 0.11	500,000	\$ 0.30
Finder's warrants issued	-	-	601,600	0.10
Finder's options issued	-	-	3,094,349	0.08
Expired	(4,195,949)	0.11	-	-
Outstanding and exercisable at end of year	-	\$ -	4,195,949	\$ 0.11

Warrants

Outstanding at beginning of year	46,272,829	\$ 0.11	19,501,188	\$ 0.20
Common share warrants issued pursuant to private placements	-	-	24,428,298	0.11
Flow-through share warrants issued pursuant to a private placement	-	-	21,844,531	0.12
Warrants expired	-	-	(19,501,188)	0.20
Outstanding and exercisable at end of year	46,272,829	\$ 0.11	46,272,829	\$ 0.11

The Company will record \$73,300 in respect of options and warrants in 2009.

6 Financial Instruments:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Company's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limit exposure to credit and market risks. There were no changes to the objectives or the process from the prior year.

The types of risk exposure and the way in which such exposures are managed are as follows:

A) FAIR VALUES:

The Company's financial instruments recognized on the balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities 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 the amount due to related party is not determinable, as there are no set terms of repayment.

B) MARKET RISK:

INTEREST RATE RISK:

The Company was exposed to interest rate price risk to the extent that long term debt had a fixed rate of interest. The long term debt was repaid on June 30, 2008. The Company does not have interest rate risk at December 31, 2008.

FOREIGN CURRENCY RISK:

The Company was 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. Foreign operations ceased on June 30, 2008. The Company did not hedge its exposure to fluctuations in the related foreign exchange rates.

The Company has \$139,337 (US \$113,949) in US currency held in low risk, secure US dollar investments at financial institutions. Foreign exchange risk related to required payments is perceived as low risk. US dollar denominated expenditures in the previous twelve months were \$113,200. Based on these numbers a 1% change in the US dollar rate would generate a \$1,132 difference in Canadian dollars required to fund these expenditures.

COMMODITY PRICE RISK:

The Company is a development stage company and has no production or sales revenues. Accordingly, it is not exposed to commodity price risk.

C) CREDIT RISK:

The Company does not engage in any sales activities and has no significant credit risk arising from operations. Credit risk primarily arises from the Company's cash and accounts receivable. The risk exposure is limited to their carrying amount at the balance sheet date.

Cash is held as cash deposits or invested in guaranteed investment certificates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the banks and the investment grade of its guaranteed investment certificates.

The Company's receivables largely comprise refunds of sales taxes due from the Canadian government. There is no indication at December 31, 2008 that these amounts will not be fully recoverable.

D) LIQUIDITY RISK:

Financial liquidity represents the Company's ability to fund future activities and obligations as and when required. The Company endeavours to ensure that it has sufficient capital to meet short term business requirements. As at December 31, 2008, the Company has a working capital deficiency of \$57,808. See also Note 2 (f).

7 Capital Management:

The Company's capital structure reflects its strategy and the financial environment in which it operates. The objectives when managing capital are to maintain adequate levels of funding to support the acquisition, exploration and development of uranium resource properties, to maintain the necessary corporate and administrative functions to facilitate these activities, and to safeguard the Company's ability to continue as a going concern.

The Company's current portfolio of properties is at the exploration stage and the Company is dependent primarily on external equity financing to fund its activities. There can be no assurance that the Company will be able to raise capital in this manner in the future. The Company will utilize its existing working capital, and raise additional amounts as required, to carry out planned exploration and to fund administrative costs. The Company will continue to assess new properties and to seek to acquire interests in additional properties if it believes sufficient economic potential exists and it has adequate financial resources to do so.

There was no change in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

8 Income Taxes:

The income tax provision differs from the amount which would be obtained by applying the Canadian expected tax rates to income before income taxes as follows:

	2008	2007
Income tax rate	29.50%	32.10%
Computed expected income tax reduction	\$ (64,753)	\$ (702,796)
Adjustments:		
Stock based compensation	37,345	56,666
Tax assets lost on sale of subsidiary	968,542	-
Accounting gain on sale of subsidiary	(266,950)	-
Tax deductible exploration costs lost on sale of subsidiary	1,728,048	-
Effect of change in tax rate and other	(411,888)	142,887
	1,990,344	(503,243)
Valuation allowance	(2,400,344)	503,243
	\$ (410,000)	\$ -

The components of the net future income tax asset at December 31, 2008, no portion of which has been recorded in these financial statements, are as follows:

	2008	2007
Non-capital/net operating losses	\$ 1,326,000	\$ 1,846,000
Share issue costs	84,000	137,000
Capital losses	23,000	23,000
Mineral interests	(415,000)	1,433,000
	1,018,000	3,439,000
Valuation allowance	(1,018,000)	(3,439,000)
	\$ -	\$ -

The Company has Canadian tax losses of approximately \$4,100,000 with expiry dates ranging between 2008 and 2028.

In February 2008, the Company renounced the tax deductions associated with the \$1,638,340 flow-through share financing completed in 2007. As the Company has future income tax assets that have not previously been recognized, a future income tax reduction of \$410,000 has been recorded.

9 Commitment:

In relation to its flow-through common shares issued in 2007, the Company had commitments for expenditures of \$1,638,340 on exploration and development activities to be incurred prior to December 31, 2008. As of December 31, 2008, the Company has met this obligation.

10 Subsequent Event:

On January 8, 2009, the Company issued 400,000 common shares at a purchase price of \$0.01 per common share for consideration of \$4,000 in connection with the option agreement referred to in Note 2 (b).