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## **Auditors' Report**

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To the Shareholders  
Anglo Minerals Ltd.

We have audited the consolidated balance sheets of Anglo Minerals Ltd. as at June 30, 2007 and 2006 and the consolidated statements of income (loss) and retained earnings (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 June 30, 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) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Alberta  
October 18, 2007

# **Anglo Minerals Ltd.**

## **Consolidated Financial Statements**

**June 30, 2007**

# Anglo Minerals Ltd.

June 30, 2007

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# Anglo Minerals Ltd.

## Consolidated Balance Sheets

(audited)

	Note	June 30, 2007	June 30, 2006
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$	3,579,584	\$ 8,061,445
Term deposit		5,136,222	-
Accounts receivable		99,791	608,730
Deposits		-	28,000
Prepaid		5,765	-
<b>Total Current Assets</b>		<b>8,821,362</b>	<b>8,698,175</b>
Mineral properties and deferred costs (Schedule)		871,576	786,074
Equipment		7,639	-
<b>Total Assets</b>	\$	<b>9,700,577</b>	\$ 9,484,249
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$	103,613	\$ 381,778
Income taxes payable		1,035,910	274,767
Due to an officer and director	4.	6,274	4,359
Future income tax liability	8.	-	1,290,361
<b>Total Current Liabilities</b>		<b>1,145,797</b>	<b>1,951,265</b>
Future income tax liability	8.	200,828	205,350
<b>Total Liabilities</b>		<b>1,390,823</b>	<b>2,156,615</b>
<b>Shareholders' Equity</b>			
Share capital	3.	6,555,770	4,078,805
Contributed surplus	6.	3,997,586	1,497,786
Retained earnings (Deficit)		(2,243,602)	1,751,043
<b>Total Shareholders' Equity</b>		<b>8,309,754</b>	<b>7,327,634</b>
<b>Total Liabilities and Shareholders' Equity</b>	\$	<b>9,700,577</b>	\$ 9,484,249
<b>Commitments</b>	10.		

Approved on Behalf of the Board;

Signed "Todd Montgomery"

Signed "Brent Walter"

The accompanying notes are an integral part of these financial statements.

# Anglo Minerals Ltd.

## Consolidated Statements of Income (Loss) and Retained Earnings (Deficit)

(audited)

	Note	Years ended	
		June 30, 2007	June 30, 2006
<b>Revenue</b>			
Interest income		\$ 187,513	\$ 136,655
Foreign exchange gains (losses)		(253,658)	72,000
Gain on disposition of mineral properties	2.	-	1,966,912
		<b>(66,145)</b>	<b>2,175,567</b>
<b>Operating expenses</b>			
Amortization		3,106	-
Advertising and promotion		69,000	99,771
Bad debt recovery		(30,000)	-
Interest and bank charges		8,415	1,673
Office expenses		81,111	39,325
Professional fees		216,079	129,090
Salaries and consulting fees		158,057	120,049
Stock-based compensation	6.	3,525,000	1,102,500
Transfer agent costs		9,917	8,453
		<b>4,040,685</b>	<b>1,500,861</b>
<b>Income (loss) before income taxes</b>		<b>(4,106,830)</b>	<b>674,706</b>
<b>Income taxes</b>			
Current income taxes	8.	1,182,698	274,767
Future income taxes (recovery)	8.	(1,294,883)	230,626
		<b>(112,185)</b>	<b>505,393</b>
<b>Net income (loss)</b>		<b>(3,994,645)</b>	<b>169,313</b>
Retained earnings, beginning of year		1,751,043	1,581,730
<b>Retained earnings (Deficit), end of year</b>		<b>\$ (2,243,602)</b>	<b>\$ 1,751,043</b>
Net income (loss) Per Share:			
Basic and diluted		\$ (0.13)	\$ 0.01
Weighted average number of shares outstanding		29,546,075	24,419,077

The accompanying notes are an integral part of these financial statements.

# Anglo Minerals Ltd.

## Consolidated Statements of Cash Flows

(audited)

	Years ended	
	June 30, 2007	June 30, 2006
<b>Cash from operating activities:</b>		
Net income (loss)	\$ (3,994,645)	\$ 169,313
<b>Items not involving cash</b>		
Stock-based compensation	3,525,000	1,102,500
Future income taxes (recovery)	(1,294,883)	230,626
Gain on disposition of mineral properties	-	(1,966,912)
Amortization	3,106	-
	(1,761,422)	(464,473)
Changes in non-cash working capital balances relating to operating activities (note 5)	1,030,349	272,363
	(731,073)	(192,110)
<b>Investing activities:</b>		
Purchase of term deposit	(5,136,222)	-
Additions to mineral properties and deferred costs, net of recoveries	(88,561)	(2,104,883)
Proceeds on disposition of mineral properties and deferred costs, net of transaction costs	-	3,854,560
Additions to equipment	(7,686)	-
Changes in non-cash working capital balances relating to investing activities (note 5)	28,000	(282,429)
	(5,204,469)	1,467,248
<b>Financing activities:</b>		
Proceeds on issuance of shares	1,452,500	2,311,200
Share issuance costs	(735)	(90,720)
Advances from an officer and director, net	1,916	2,838
	1,453,681	2,223,318
Cash inflow (outflow)	(4,481,861)	3,498,456
Cash, beginning of year	8,061,445	4,562,989
<b>Cash, end of year</b>	<b>\$ 3,579,584</b>	<b>\$ 8,061,445</b>
Interest paid	\$ 8,415	\$ 1,673
Taxes paid	\$ 318,253	\$ 0

The accompanying notes are an integral part of these financial statements.

# Anglo Minerals Ltd.

## Consolidated Schedules of Mineral Properties and Deferred Costs

(audited)

	June 30, 2007	June 30, 2006
<b>Potash Project</b>		
<b>Mineral Properties</b>		
Balance, beginning of year	\$ 125,107	\$ 83,476
Applications approved-transferred from deposits on permit application	-	342,102
Refunds of government permit fees	(20,237)	-
Disposals	-	(300,471)
<b>Balance, end of year</b>	<b>104,870</b>	125,107
<b>Deferred Costs</b>		
Balance, beginning of year	630,151	96,639
Additions	108,798	2,046,732
Disposals	-	(1,513,220)
Transfer to equipment	(3,059)	-
<b>Balance, end of year</b>	<b>735,890</b>	630,151
<b>Deposits on Permit Applications</b>		
Balance, beginning of year	30,816	388,724
Additions	-	58,151
Applications approved- transferred to mineral properties	-	(342,102)
Disposals	-	(73,957)
<b>Balance, end of year</b>	<b>30,816</b>	30,816
<b>Total costs</b>	<b>871,576</b>	786,074
<b>Total Project Costs</b>		
Mineral properties and exploration expenses	104,870	125,107
Deferred costs	735,890	630,151
Deposits on permit applications	30,816	30,816
<b>Total costs</b>	<b>\$ 871,576</b>	<b>\$ 786,074</b>

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies

#### a. Nature of business/basis of preparation

Anglo Minerals Ltd. (the "company") is engaged in the business of mineral exploration and development. The company is devoted to the exploration of natural resources and the acquisition of mineral rights. The company has yet to determine whether these properties contain economically recoverable reserves. The recoverability of the amount shown for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties. To date no development projects have been completed and no production commenced.

#### b. Use of estimates

Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of the consolidated financial statements necessarily involves the use of estimates and approximations which have been made using careful judgment. By their nature, these estimates and approximations are subject to measurement uncertainty, and the effect on the financial statements from changes in these estimates and approximations in future periods could be significant. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### c. Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries.

#### d. Joint venture accounting

The company's mineral exploration and development activities are conducted jointly with others, and accordingly, these accounts reflect only the company's proportionate interest in such activities.

#### e. Mineral properties and deferred costs

Mineral properties and deferred costs includes initial property acquisition costs, related property option payments, exploration and development costs, an allocation of salaries based on time spent and other costs directly related to specific properties. All costs related to the exploration and development of mineral properties are deferred until commencement of commercial production.

When properties are developed to the stage of commercial production, mineral properties and deferred costs will be amortized on a unit-of-production basis over economically recoverable reserves.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of impairment of value. The amounts recorded as mineral properties and deferred costs represent unamortized costs to date and do not necessarily reflect present or future values.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies continued

#### e. Mineral properties and deferred costs continued

Management periodically reviews the carrying values of mineral properties and deferred costs with external mining professionals. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases and permits, and the general likelihood that the company will continue exploration on the project. The company does not set a pre-determined holding period for properties with unproven reserves. However, based on the results at the conclusion of each phase of an exploration program, properties that are not suitable as prospects are re-evaluated to determine if future exploration is warranted and that carrying values are appropriate.

Option payments received from third parties for the right to explore mineral properties are recorded first as a reduction of the specific mineral property and deferred exploration costs to which the payments relate, and any excess is included on the consolidated statements of income (loss) and retained earnings (deficit).

#### f. Amortization

Equipment is amortized using the declining balance method at 45% per annum.

#### g. Asset retirement obligations

The company recognizes liabilities for the retirement obligations associated with long-lived assets, such as mineral properties which includes returning such properties to their original condition. The company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is determined through a review of engineering studies, industry guidelines, and management estimates. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the company's credit-adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as accretion expense in the consolidated statement of income (loss). The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized using the unit-of-production basis over economically recoverable reserves. To June 30, 2007, no significant asset retirement obligations have been incurred.

#### h. Flow-through shares

The company, from time to time, issues flow-through shares to finance a portion of its capital exploration and development activities. The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The estimated values of the tax pools foregone are reflected as a reduction in share capital with a corresponding increase in the future income tax liability when the income tax deductions are renounced.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies continued

#### i. Stock based compensation

Stock options granted to directors, officers, management, consultants and employees are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant. The compensation cost is recognized over the vesting periods of the respective options as an expense.

#### j. Foreign currency translation

The company follows the temporal method of accounting for the translation of foreign currency amounts into Canadian dollars. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets are translated at the historical rate of exchange. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. Gains and losses on translation are reflected in income (loss).

#### k. Income taxes

The company follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Future income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax liabilities and assets are measured using enacted tax rates. The effect on future income tax liabilities and assets of a change in tax rates is recognized in income (loss) in the period that the change occurs

#### l. Per share amounts

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method, whereby the effect of in-the-money instruments such as stock options affect the calculation. The treasury stock method uses proceeds received on the exercise of in-the-money options plus the unamortized portion of stock-based compensation to purchase common shares at the average price during the year. The weighted average number of common shares outstanding is then adjusted by the net change.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies continued

#### m. Changes in accounting policy

##### i. Accounting changes

Effective July 1, 2006 the company early adopted the revised recommendation of the Canadian Institute of Chartered Accountants ('CICA') section 1506, Accounting Changes. Under the revised standards, voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied retrospectively by including these changes in earnings. These standards are effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007.

##### ii. Future accounting pronouncements

Effective July 1, 2007, the company will adopt the following three new CICA sections:

- Section 1530, 'Comprehensive Income'
- Section 3855, 'Financial Instruments – Recognition and Measurement'; and
- Section 3865, 'Hedges'

These new accounting standards provide requirements for the recognition and measurement of financial instruments and the optional use of hedge accounting. The standards will be adopted prospectively and no effect on the financial results is anticipated as a result of adopting these standards.

#### Comprehensive income

Section 1530 establishes standards for the reporting and presenting of comprehensive income and other comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources and other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles ("GAAP"), are recognized in comprehensive income but excluded from net income (loss).

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies continued

#### m. Changes in accounting policy continued

##### ii. Future accounting pronouncements continued

#### **Financial instruments – recognition and measurement**

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. All financial instruments must be classified as one of the following five categories: held-for-trading; held-to-maturity instruments; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments, with the exception of loans and receivables, held-to-maturity investments and other financial liabilities measured at amortized cost are reported on the balance sheet at fair value. Subsequent measurement and changes in fair value will depend on their initial classification. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of income (loss).

#### **Derivatives**

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sale and purchase exception. All changes in fair value are included in earnings unless cash flow hedge or net investment accounting is used, in which case, changes in fair value are recorded in other comprehensive income to the extent the hedge is effective, and in earnings to the extent it is ineffective.

#### **Hedge accounting**

Section 3865 establishes standards for when and how hedge accounting may be applied. Hedge accounting continues to be optional. At the inception of a hedge, the company must formally document the designation of the hedge, the risk management objective, the hedging relationships between the hedged items and the hedging items and the methods for testing the effectiveness of the hedge. Assessments are made both at inception of the hedge and on an ongoing basis to determine if the derivatives that are designated as hedges are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges that have been terminated or cease to be effective, prospective gains or losses on the derivative are recognized in the statement of income (loss). Any gain or loss that has been included in accumulated other comprehensive income at the time of the hedge is discontinued continues to be deferred in accumulated other comprehensive income until the original hedged transaction is recognized in the statement of income (loss). If the likelihood of the original hedged transaction occurring is no longer probable, the entire gain or loss in accumulated other comprehensive income related to this transaction is immediately reclassified to the statement of income (loss).

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 1. Accounting policies continued

#### m. Changes in accounting policy continued

##### ii. Future accounting pronouncements continued

Effective July 1, 2008 the company will be required to adopt the following new CICA standards

- Section 3862, "Financial Instruments - Disclosure "
- Section 3863, "Financial Instruments - Presentation", and
- Section 1535 "Capital Disclosures"

#### **Financial instruments – disclosure and presentation**

Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments - Presentation" will replace Section 3861 "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 were issued in December 2006 and the company is assessing the impact on its financial statements.

#### **Section 1535 – Capital disclosures**

This section will require additional disclosures of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the company is assessing the impact on its financial statements.

#### **IFRS convergence**

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ('IFRS') by the end of 2011. The company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 2. Mineral properties and deferred costs

During the year ended June 30, 2007, the company obtained zero (2006 - nine) potash exploration and development permits from the Province of Saskatchewan.

During the year ended June 30, 2006, the company sold a 60% interest in its Potash Project to BHP Billiton Diamonds Inc. ("BHPB") for cash consideration of \$4,184,560 (US\$3.8 million). After selling costs of \$330,000, which were paid to officers, directors, and employees, the company recorded a gain of \$1,966,912. This sale reduced the company's interest in the project from 85% to 25%.

### 3. Share capital

#### a. Authorized

Unlimited number of common shares  
 Unlimited number of non-voting common shares  
 Unlimited number of preferred shares issuable in series with such rights and restrictions as the directors determine prior to issuance

#### b. Issued – common shares

	2007		2006	
	Number	Amount	Number	Amount
<b>Share Capital</b>				
Beginning of year	28,860,925	\$ 4,289,247	23,121,832	\$ 2,051,729
Private placement (note 3(c))			2,539,093	1,888,700
Exercise of stock options	2,500,000	1,400,000	3,200,000	422,500
Reallocation of contributed surplus on exercise of stock options		1,000,000		65,000
Exercise of agent options	105,000	52,500		
Reallocation of contributed surplus on exercise of agent options		25,200		
Renounced on flow through shares (note 3(d))				(138,682)
<b>End of year</b>	<b>31,465,925</b>	<b>\$ 6,766,947</b>	<b>28,860,925</b>	<b>4,289,247</b>
Share issuance costs – beginning of year.		(210,442)		(125,022)
Additions		(735)		(85,420)
Share issuance costs – end of year.		(211,177)		(210,442)
<b>Share Capital - end of year</b>	<b>31,465,925</b>	<b>\$ 6,555,770</b>	<b>28,860,925</b>	<b>4,078,805</b>

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 3. Share capital continued

- c. During the year ended June 30, 2006, pursuant to various private placements, the company issued 750,000 common shares at \$0.50 per share for proceeds of \$375,000, 750,000 flow-through common shares at \$0.55 per share for proceeds of \$412,500, and 1,039,093 shares at \$1.06 per share for proceeds of \$1,101,200 (US\$1.0 million) (note 9).
- d. During the year ended June 30, 2006, pursuant to certain provisions of the Income Tax Act, the company renounced, for income tax purposes, exploration expenditures in the amount of \$412,500 (note 3[c]). By June 30, 2007, all required amounts had been expended.
- e. **Net income per share**

Basic net income per share has been calculated using the weighted average number of common shares outstanding during the year of 29,546,075 (2006 - 24,419,077). Diluted net income per share has been calculated using the weighted average number of common shares of 29,546,075 (2006 - 26,477,499) after giving effect to dilutive stock options. There was no change to the numerator in calculating diluted net income per share.

### 4. Due to an officer and director

The amounts due to an officer and director at June 30, 2007 and 2006 are due on demand, unsecured, non-interest bearing and have no specified terms of repayment.

### 5. Statement of cash flows

#### a. Changes in non-cash working capital

	Year ended	
	June 30, 2007	June 30, 2006
<b>Operating activities</b>		
Decrease in accounts receivable	\$ 508,939	\$ 852
Decrease in accounts payable	(278,165)	(3,256)
Increase in income taxes payable	761,143	274,767
Increase in prepaid	(5,765)	-
	<b>986,152</b>	<b>272,363</b>
<b>Investing activities</b>		
Increase in accounts receivable	-	(599,528)
Increase in accounts payable	-	325,099
(Increase) decrease in deposits	28,000	(8,000)
	<b>\$ 28,000</b>	<b>\$ (282,429)</b>

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 5. Statement of cash flows continued

#### b. Non-cash transactions

The following non-cash transactions have been excluded from the consolidated statements of cash flows:

	Years Ended June 30,	
	2007	2006
Settlement of share issuance costs in exchange for stock options	\$ _____	\$ 25,200
Contributed surplus transferred to share capital upon option exercise	\$ 1,025,200	\$ 65,000
Tax effect on share issuance costs	\$ _____	\$ 30,500
Tax effect of renouncement of flow-through shares	\$ _____	\$ 138,682

### 6. Stock based compensation

The company has a stock option plan under which directors, officers, management, consultants and employees of the company are eligible to receive stock options. Options granted under the plan generally have a term of five years but may not exceed five years and vest immediately upon granting. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the stock exchange(s) on which the company's common shares are then listed.

The company records stock-based compensation expense upon vesting of options issued. When stock options are exercised, the amount originally credited to contributed surplus for these options is reallocated to share capital. A summary of the status of the company's stock option plan as at June 30, 2007 and 2006 is as follows:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,500,000	\$ 0.56	3,200,000	\$ 0.13
Options issued	3,100,000	1.25	2,500,000	0.56
Options exercised	(2,500,000)	0.56	(3,200,000)	0.13
<b>Balance, outstanding and exercisable, end of year</b>	<b>3,100,000</b>	<b>\$ 1.25</b>	<b>2,500,000</b>	<b>\$ 0.56</b>

The options outstanding at June 30, 2007 have a remaining contractual life of 4.8 years.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 6. Stock based compensation continued

- a. The fair value of each of the options granted during the year was estimated on the dates of grant. The weighted average of the fair value was calculated to be \$1.10 (2006 - \$0.40) using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2007	2006
Expected life (years)	5.00	5.00
Risk-free interest rate (%)	4.27	4.10
Expected volatility (%)	133	90
Expected dividends (\$/share)	-	-

The options granted during the year ended June 30, 2007 are valued at \$3,405,000 (2006 - \$1,000,000). As the 3,100,000 stock options vest immediately upon granting, \$3,405,000 in stock-based compensation costs has been recorded with a corresponding increase in contributed surplus.

During the year ended June 30, 2006, stock-based compensation costs of \$65,000 were expensed, relating to options issued in the year ended June 30, 2005 but not vesting until the year ended June 30, 2006, resulting in the recognition of \$65,000 in contributed surplus.

During the year ended June 30, 2007, the 2,500,000 outstanding stock options were exercised; \$1,000,000 was transferred from contributed surplus to share capital.

- b. During the year ended June 30, 2006, the company entered into a one-year services contract with a consultant under which the consultant would supply investor relations services. The consultant was granted options to purchase 250,000 common shares of the company from the company's directors and officers at an exercise price of \$0.40 per share. The contract was terminated after 75% of the options had vested and the vested options were exercised during the year ended June 30, 2007.

Although these options were not issued by the company, the company receives a benefit equal to the value of these payments.

- c. During the year ended June 30, 2007, the company entered into a one-year services contract with a consultant under which the consultant would supply investor relations services in exchange for the option to purchase 250,000 common shares of the company at an exercise price of \$0.70 per share. The options vested upon granting on January 17, 2007 and expire on May 17, 2009.

The weighted-average fair value of each of these stock options was estimated on the date of grant to be \$0.48 using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Expected life (years)	2.33
Risk-free interest rate (%)	4.23
Expected volatility (%)	126
Expected dividends (\$/share)	-

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 6. Stock based compensation continued

A summary of the status of the agent's stock options as at June 30, 2007 is as follows:

	2007		2006	
	Number of Options	Weighted- Average Exercise Price	Number of Options	Weighted- Average Exercise Price
Agent Options – beginning of year	105,000	\$0.50	-	\$-
Issued	250,000	0.70	105,000	0.50
Exercised	(105,000)	(0.50)	-	-
Agent Options – end of year	250,000	0.70	105,000	0.50

The options outstanding have a remaining contractual life of 1.87 years. Subsequent to year end 200,000 of the fore mentioned options were exercised by the agent.

### 7. Related party transactions

- a. During the year, the company paid legal fees of \$101,323 (2006 - \$65,575) and rental fees of \$17,500 (2006 – Nil) included in professional fees to a law firm in which a director of the company is a partner. The total amount owing to this law firm is \$30,169 (2006 – Nil) and is included in accounts payable and accrued liabilities and is subject to normal credit terms.
- b. During the year, the company paid management fees of \$102,000 (2006 – \$72,000) included in salaries and consulting fees to a corporation wholly owned by the president of the company. The total amount owing to the president's corporation of \$8,480 (2006 – \$7,061) is included in accounts payable and accrued liabilities and is included in accounts payable and accrued liabilities and is subject to normal credit terms.
- c. During the year, a director provided the company with accounting services for which the company paid \$18,607 (2006 – \$9,188). The total amount owing to the director of \$2,906 (2006 - \$5,009) is included in accounts payable and accrued liabilities and is included in accounts payable and accrued liabilities and is subject to normal credit terms.
- d. During the year, a director provided the company with geological services for which the company paid \$15,000. (2006 – Nil) No amounts were payable as at June 30, 2007 to the director.
- e. During the year the company paid \$8,000 (2006 – Nil) in director's fees to a director of the company.

Management is of the opinion that these transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

(audited)

### 8. Income taxes

- a. Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 32.12% (2006 - 36.24%) to income before income taxes as follows:

	<b>Years Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Expected tax expense	\$ (1,318,292)	\$ 244,513
Stock-based compensation	1,131,525	399,546
Resource allowance	176,504	17,176
Other	(74,133)	943
Non-taxable portion of capital gain	0	(13,046)
Non-deductible portion of foreign exchange	(40,712)	0
Tax rate adjustments	12,924	(130,693)
Future taxes not previously recognized	<u>0</u>	<u>(13,046)</u>
	<u>\$ (112,185)</u>	<u>\$ 505,393</u>

- b. Significant components of the future tax liability as at June 30, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Temporary differences related to mineral properties and deferred costs	\$ (252,875)	\$ (1,519,563)
Net capital loss carryforwards	55,123	28,782
Foreign Exchange (unrealized)	40,712	0
Non-capital loss carryforwards	0	6,095
Share issuance costs	52,048	23,852
Valuation allowance	<u>(95,835)</u>	<u>(34,877)</u>
	<u>\$ (200,828)</u>	<u>\$ (1,495,711)</u>

- c. The amounts and expiry date of the non-capital loss carryforwards in the consolidated financial statements:

<b>Expiry Date</b>	<b>Canada</b>	<b>U.S.</b> <i>(in Cdn \$)</i>
2013	\$ -	\$ 17,397
2024	-	209
2025	<u>-</u>	<u>525</u>
	<u>\$ -</u>	<u>\$ 18,131</u>

The company has a net capital loss carryforward of \$171,222 (2006 - \$85,611) which can be carried forward indefinitely and applied against future capital gains in Canada.

# Anglo Minerals Ltd.

## Notes to the Consolidated Financial Statements

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### 9. BHPB Agreements

Pursuant to certain agreements dated June 5, 2006, BHPB purchased 60% interest in the company's Potash Project by paying the company \$4,184,560 (US\$3.8 million) (note 10[b]) and subscribing for 1,039,093 common shares of the company for gross proceeds of \$1,101,200 (US\$1.0 million) (note 3[c]).

In addition, BHPB has agreed to:

- (a) spend up to US\$40 million over the next approximately 54 months in order to keep the Potash Project in good standing and to complete a feasibility study; and
- (b) Contingent upon satisfactory results of the feasibility study, pay the company a further US\$10 million within 54 months of closing.

If BHPB fails to complete the feasibility study or expend the US\$40 million or make the US\$10 million contingent payment, up to a 56% interest in the Potash Project is subject to relinquishment back to the company.

### 10. Commitments

- a. Pursuant to a contract with a corporation wholly-owned by the president of the company, the company has committed to pay that corporation \$8,000 a month for management consulting services until December 31, 2007. The total commitment remaining on the contract is \$48,000.
- b. Pursuant to the potash exploration and development permits, the company is committed to spend certain amounts to maintain the permits in good standing. As a result of BHPB agreeing to incur 100% of the costs to a maximum of US\$40 million, of the Potash Project, the company's commitments will be covered by expenditures made by BHPB.

### 11. Financial Instruments

#### a. Fair values

The fair values of cash, accounts receivable, accounts payable and accrued liabilities and due to an officer and director approximate their carrying value due to their short term nature

#### b. Credit risk

The company's maximum credit risk exposure is limited to carrying value of accounts receivable of \$99,791 (2006 - \$608,730).

#### c. Foreign exchange risk

A substantial portion of the company's cash is denominated in U.S. dollars. Consequently, the company is subject to the risk of fluctuating exchange rates.