



**MESA URANIUM CORP.**  
**2007 ANNUAL REPORT**

**Mesa Uranium Corp.**  
(formerly “Fintry Enterprises Inc.”)

Management’s Discussion and Analysis  
For the period ended March 31, 2007

**Mesa Uranium Corp.**  
**(formerly “Fintry Enterprises Inc.”)**  
**Management’s Discussion & Analysis**  
**Twelve months ended March 31, 2007, as of July 23, 2007**

**General**

This Management’s Discussion and Analysis of Mesa Uranium Corp. (the “Corporation”) has been prepared by management as of July 23, 2007 and should be read in conjunction with the audited annual financial statements and related notes thereto of the Corporation for the year ended March 31, 2007. The comparative information for March 31, 2006 is presented for the legal subsidiary, BZU Minerals Ltd. (“BZU”), which was identified as the continuing entity under the reverse takeover transaction completed on December 21, 2005. BZU was incorporated in October 2005. All amounts are expressed in Canadian Dollars unless otherwise indicated.

**Forward-Looking Statements**

Certain statements contained in the following Management’s Discussion and Analysis may be deemed forward-looking statements. All statements other than statements of historical facts, including the likelihood of commercial mining and possible future financings are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include unsuccessful exploration results, changes in commodity prices, changes in the availability of funding for mineral exploration, unanticipated changes in key management personnel and general economic conditions. Mining exploration is an inherently risky business. Accordingly the actual events may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements while considering the risks set forth below.

**Description of Business**

On December 21, 2005, Fintry Enterprises Inc. (“Fintry”), inactive since December 18, 2003, acquired all the shares of BZU through an exchange of shares which resulted in a Reverse Takeover (“RTO”) by BZU and the Corporation concurrently changed its name to Mesa Uranium Corp. Pursuant to the transaction, the Corporation issued the following securities to acquire BZU (all numbers post-consolidation): 6,000,000 common shares and 4,000,000 special warrants exercisable to acquire common shares on a one-for-one basis for no additional consideration for a period of 10 years. Of these securities, 5,220,000 were subject to escrow restrictions as of March 31, 2007. Subsequent to March 31, 2007, 1,305,000 escrow shares were released from escrow.

The Corporation is engaged in the exploration and development of mineral properties and owns three mineral property interests. The Lisbon Valley property is located in the Colorado Plateau region, southeastern Utah in San Juan County near the border with Colorado. Over 85 million pounds of uranium were produced in the district from 1952 until the early 1990’s from an arcuate belt 16 miles long by ½ mile wide along the southwestern flank of the Lisbon Valley anticline. All of the major ore bodies did not outcrop and were discovered by exploration drilling. The Lisbon Valley district accounted for over 80% of the uranium mined in the state of Utah and had some of the highest uranium grades in the United States ranging from 0.2 to 0.4 percent uranium. The Corporation is working toward reactivating this uranium mining district by exploring for economic deposits and moving them to production by following a strategy of acquiring a dominant land position and systematically drilling high-priority targets. Most of the targets are located on mineralized trends adjacent to or between historic uranium mines in the Lisbon Valley. The Corporation wholly owns the Lisbon Valley uranium project and now controls approximately 7,700 hectares of mining claims and state mineral leases in the Lisbon Valley Mining District in Utah, USA.

During February 2007, the Corporation acquired an additional uranium property. The property, known as the Moonshine Springs project, is owned 100% by Mesa, and is located in Mohave County, Arizona, consisting of a 590-acre lease from the State of Arizona. During April 2007, the Corporation acquired an additional 2,460 acres, bringing the total acreage for the project to 3,050 acres (4.8 square miles). The previous owner of the property conducted uranium exploration drilling in 1979. Mesa possesses data on four widely spaced drill holes completed and the best intercept was six feet grading 0.4% U3O8 (8 pounds per ton). This high grade uranium mineralization is within a stream channel in the Chinle sandstone. The 6 million pound Moonshine Springs uranium deposit is located within 2 miles of the project and is hosted in the Chinle formation.

During May 2007, the Corporation increased its landholdings in the Arizona Strip Uranium District. Thirteen exploration permits have been acquired from the State of Arizona consisting of 7,585 acres (12 square miles) in Mohave and Coconino counties of northern Arizona. The area, known as the Arizona Strip district, had historic uranium production of over 20 million pounds at an average grade of 0.65% U3O8. These high-grade underground mines were discovered and mined in 1980's and contained some of the highest grade and most profitable uranium mines in the United States.

### Overview of Performance

The Corporation's working capital as of March 31, 2007 was \$245,594 (March 31, 2006 was \$2,280,311) and was provided by the private placement raising proceeds of \$2,586,737, net of issue costs concurrent with the RTO, and an additional \$37,500 in warrants exercised. The Corporation started its drilling programs at the beginning of this fiscal year and has been actively exploring on its 100% owned Lisbon Valley property. During the twelve months ended March 31, 2007, the Corporation used \$491,150 in operating activities and \$1,485,897 in acquisition of mineral properties and exploration activities, and \$92,761 in purchase of reclamation bonds in the Lisbon Valley and Moonshine Springs properties. The loss for the twelve months ended March 31, 2007 was \$510,691 or \$0.03 per share compared with a net loss of \$606,615 or \$0.07 per share for the twelve months ended March 31, 2006.

### Selected Information

The following table sets forth selected consolidated annual financial information of the Corporation for, and as of the end of, each of the last two fiscal years. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Corporation.

	<b>March 31, 2007</b>	<b>Restated March 31, 2006</b>
	\$	\$
Net loss	510,691	606,615
Net loss per share	0.03	0.07
Total cash and cash equivalents	277,959	2,255,121
Working capital	245,594	2,280,311
Total liabilities	42,719	34,036
Total assets	2,420,305	2,865,788
Shareholders' equity	2,377,586	2,831,752

### Results of Operations

For the twelve months ended March 31, 2007, the Corporation had a net loss of \$510,691 or \$0.03 per share. General administration and exploration office expenses totalled \$531,454. Stock-based compensation of \$19,025 was recognized in this period for options granted to employees. The total loss was offset by \$39,788 interest income received from short-term investment. A total of \$1,485,897 was spent in mineral property acquisition, drilling and exploration related activities and \$92,761 was spent in the purchase of reclamation bonds for this period.

## Summary of Quarterly Results

Selected consolidated financial information for the most recently completely quarters is as follows:

	<b>Interest income</b>	<b>Net loss</b>	<b>Net loss per share</b>
	\$	\$	\$
March 31, 2007	2,440	179,606	0.01
December 31, 2006	10,081	125,682	0.01
September 30, 2006	10,994	109,744	0.01
June 30, 2006	16,273	95,659	0.01
March 31, 2006	19,294	599,717	0.07
December 31, 2005	-	6,898	0.01

## Liquidity and Capital Resources

Concurrently with the completion of the RTO, the Corporation completed a private placement raising gross proceeds of \$2,959,500 by the issuance of 5,919,000 units at \$0.50 per unit. Each unit consisted of one common share and one transferable share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.75 per share until December 21, 2007. The warrants were listed for trading on the TSX Venture Exchange as of April 24, 2006. The Corporation also issued 591,900 agent's warrants to Canaccord Capital Corporation exercisable to purchase 591,900 common shares of the Corporation at a price of \$0.75 per share until December 21, 2007 and 250,000 units as a corporate finance fee having the same terms as the above units.

The Corporation's working capital as at March 31, 2007 was \$245,594 (March 31, 2006 - \$2,280,311). During the twelve months ended March 31, 2007, \$1,485,897 was used in mineral acquisitions and exploration activities and \$92,761 was used to purchase reclamation bonds in the Lisbon Valley and Moonshine Springs mineral projects and \$491,150 was used in operating and administrative expenses. The expenditures were offset by proceeds of \$37,500 from exercising 62,500 warrants to purchase common shares at \$0.60 per share.

## Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangement.

## Transactions with Related Parties

During the 2007 year, the Corporation incurred the following related party transactions:

- a) Management and administration services of \$90,000 (2006 - \$22,500) was incurred from a company with common directors.
- b) Consulting fees of \$58,454 (2006 - \$25,500) were incurred from the President of the Corporation or a company controlled by the President and reported as mineral property engineering and environmental costs.
- c) Management and geological consulting expenses of \$134,142 (2006 - \$7,761) were paid to directors and a company controlled by the President.
- d) Included in accounts payable is \$15,010 (2006 - \$nil) owed to a company controlled by the President.

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Corporation and the related party.

## **Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer have instituted a system of disclosure controls for the Corporation to ensure proper and complete disclosure of material information. The limited number of employees within the Corporation facilitates access to real time information about developments in the business for the person responsible for drafting disclosure documents and reporting financial and other information. All documents are circulated to responsible members of management and the board of directors according to the disclosure time-lines contained within the disclosure controls policy. The disclosure controls conform with the Corporation's Corporate Governance policies.

The Chief Executive Officer and Chief Financial Officer also have designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the integrity and reliability of financial reporting information and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. After evaluating the effectiveness of the Corporation's disclosure controls and procedures, the Officers have concluded that the Corporation's disclosure controls and procedures were effective to ensure that material information relating to the Corporation was made known to them by others within the Corporation during the period.

## **Critical Accounting Estimates and Risk Factors**

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimated net recoverable value of these mineral properties. The business of mineral exploration involves a high degree of risk since very few properties that are explored and developed ultimately achieve commercial production. At present, none of the Corporation's properties have a known body of commercial ore.

The Corporation's determination of impairment and resulting estimated net recoverable values for its mineral projects are based on estimated underlying mineral resources associated with the properties and estimated future costs required for ultimate realization through mining operations or by sale of the properties. The Corporation is in an industry that is exposed to a number of risks and uncertainties, including exploration, development, commodity, operating, ownership, political, funding, currency and environmental risk. While factoring these risks the Corporation has relied on very preliminary resource estimates on its properties, however, these estimates include assumptions that are potentially subject to significant changes that are not yet determinable. Accordingly, there is always the potential for a material change to the presentation in the financial statements relating to the carrying value of the Corporation's mineral properties.

## **New Accounting Policy**

Effective April 1, 2007, the Corporation has adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

### Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

In accordance with this new standard the Corporation now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations. This change in accounting policy had no material effect on the Corporation's previous financial statements.

### Comprehensive Income (CICA handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Corporation now reports a consolidated statement of comprehensive loss and a new category, accumulated other comprehensive income, and has been added to the shareholders' equity section of the consolidated balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any.

### Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

### **Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash and cash equivalents, amounts receivable, reclamation bonds, accounts payable and accrued liabilities. It is management's opinion that we are not exposed to significant interest, currency or credit risks arising from our cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities unless otherwise noted.

The Corporation is exposed to currency risk on the acquisition and exploration expenditures on its properties since it has to settle expenditures either in local currency or U.S. dollars. The Corporation's expenditures are negatively impacted by increases in value of either the U.S. dollar or local currencies versus the Canadian dollar.

### **Use of Financial and Other Instruments**

The Corporation has not entered into any specialized financial agreements to minimize its investment, currency or commodity risk. There are no off-balance sheet arrangements. The principal financial instruments affecting the Corporation's financial condition and results of operations is currently its cash and cash equivalents.

### **Outlook**

The Corporation intends to focus the majority of its exploration and development efforts in the United States for purposes of acquiring, exploring and developing high-grade uranium projects.

As an Exploration Stage Company the future liquidity of the Corporation will be affected principally by the level of its development and exploration expenditures and by its ability to raise an adequate level of capital through the capital markets. In management's opinion the Corporation's current working capital position, including the proceeds of its April 11, 2007 \$3,000,000 private placement outlined below, will be sufficient to complete its planned exploration programs at the Lisbon Valley and Moonshine Springs Projects.

The Corporation will continue to evaluate its funding requirements on a going forward basis in its efforts to meet its future development and growth initiatives.

### **Other Requirements**

Additional disclosure pertaining to the Corporation's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## Subsequent Events

Subsequent to March 31, 2007:

- a) On April 11, 2007, the Corporation completed a private placement of 6,000,000 units at \$0.50 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.75 per share until April 11, 2009. The Corporation incurred share issue costs of \$21,650. The Corporation also paid \$87,350, issued 245,300 agent's units and granted 600,000 non-transferable compensation options as agent's commission. The agent's unit have the same terms as the above units. Each agent's options is exercisable to acquire on common share at a price \$0.55 per share until April 11, 2009.
- b) On April 13, 2007, the Corporation granted 750,000 stock options to employees and officers at price of \$0.70 per share expiring April 13, 2012.
- c) Subsequent to March 31, 2007, the Corporation issued 1,925,000 common shares on exercise of 1,925,000 special warrants for no additional consideration.
- d) On May 31, 2007, 100,000 options were cancelled.
- e) Effective June 15, 2007, the Corporation entered a new agreement and agreed to pay a consultant for investor relations services at US\$3,000 per month under an online investor relations agreement through June 15, 2008. The Corporation may renew the agreement for an additional twelve months under the same terms.
- f) On June 22, 2007, 1,305,000 escrow shares were released from escrow.
- g) On June 29, 2007, the Corporation terminated the previous investor relations agreement.

## **Mesa Uranium Corp.**

Consolidated Financial Statements  
For the year ended March 31, 2007 and the period from  
October 12, 2005 (Date of Incorporation) to March 31, 2006  
together with the Auditors' Report



MANNING ELLIOTT  
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## AUDITORS' REPORT

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To the Shareholders of  
Mesa Uranium Corp.

We have audited the consolidated balance sheets of Mesa Uranium Corp. as at March 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the year ended March 31, 2007 and for the period from October 12, 2005 (date of incorporation) to March 31, 2006. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated 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 Corporation as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended March 31, 2007 and for the period from October 12, 2005 (date of incorporation) to March 31, 2006 in accordance with Canadian generally accepted accounting principles.

/s/ "Manning Elliott LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

June 29, 2007

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

# Mesa Uranium Corp.

## CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

As at March 31, 2007 and 2006

	(Restated – Note 13)	
	2007	2006
	\$	\$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	277,959	2,255,121
Amounts receivable	10,354	51,820
Prepaid expenses	-	7,406
	288,313	2,314,347
Reclamation bonds (Note 3)	92,761	-
Mineral properties (Note 4)	2,035,916	550,019
Office equipment (Note 5)	3,315	1,422
	2,420,305	2,865,788
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	42,719	34,036
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (Note 7)	2,987,154	2,949,654
Contributed surplus (Note 8)	507,738	488,713
Deficit	(1,117,306)	(606,615)
	2,377,586	2,831,752
	2,420,305	2,865,788

Nature of Operations and Continuance of Business (Note 1)

Commitments (Note 9)

Subsequent Events (Note 10)

### APPROVED ON BEHALF OF THE BOARD,

Signed: Brian P. Kirwin

Director

Signed: Foster Wilson

Director

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

## Mesa Uranium Corp.

### CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in Canadian Dollars)

		(Restated – Note 13)
	Year ended March 31, 2007	Period from October 12, 2005 (Date of Incorporation) to March 31, 2006
	\$	\$
<b>INCOME</b>		
Interest	39,788	19,294
<b>EXPENSES</b>		
Amortization	516	203
Exploration office expenses	69,342	604
Foreign exchange	12,139	-
General and administrative	92,133	16,289
Management and geological consulting fees	152,250	8,038
Professional fees	37,326	73,440
Public company expenses	167,748	38,622
Stock based compensation (Note 7)	19,025	488,713
	550,479	625,909
<b>Net Loss for the Year</b>	510,691	606,615
<b>Deficit, Beginning of Year</b>	606,615	-
<b>Deficit, End of Year</b>	1,117,306	606,615
<b>Net Loss Per Share – Basic and Diluted</b>	0.03	0.07
<b>Weighted Average Number of Shares Outstanding</b>	18,665,985	9,158,946

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

# Mesa Uranium Corp.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	(Restated – Note 13)	
	Year ended March 31, 2007	Period from October 12, 2005 (Date of Incorporation) to March 31, 2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(510,691)	(606,615)
Non-cash items		
Amortization	516	203
Stock-based compensation	19,025	488,713
	(491,150)	(117,699)
Changes in non-cash working capital items		
Amounts receivable	41,466	(51,820)
Prepaid expenses	7,406	(7,406)
Accounts payable and accrued liabilities	8,683	34,036
	(433,595)	(142,889)
<b>INVESTING ACTIVITIES</b>		
Purchase of reclamation bonds	(92,761)	-
Acquisition of mineral properties and exploration expenses	(1,485,897)	(187,102)
Purchase of equipment	(2,409)	(1,625)
	(1,581,067)	(188,727)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net of issue costs	37,500	2,586,737
Increase in Cash and Cash Equivalents	(1,977,162)	55,121
Cash and Cash Equivalents, Beginning of Year	2,255,121	-
Cash and Cash Equivalents, End of Year	277,959	2,255,121
Supplemental Disclosures		
Interest Paid	-	-
Income Tax Paid	-	-
Non-cash Financing Transactions		
Shares issued to acquire mineral properties	-	362,917

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

# Mesa Uranium Corp.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

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### 1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Mesa Uranium Corp. (the "Corporation"), formerly Fintry Enterprises Inc. ("Fintry"), is an exploration stage mining company engaged in the identification, acquisition and exploration of uranium mineral properties located in the United States. It was incorporated in British Columbia and its shares are listed on the TSX Venture Exchange under the trading symbol MZU.

The Corporation acquired its wholly-owned subsidiary, BZU Minerals Ltd. ("BZU"), by issuing 6,000,000 of its common shares and 4,000,000 warrants in exchange for all of the shares of BZU on December 21, 2005 and then changing its name from Fintry Enterprises Inc. to Mesa Uranium Corp. As the former shareholders of BZU acquired control of the Corporation this transaction was accounted for as a reverse takeover, and these consolidated financial statements are a continuation of the historical financial statements of BZU from the date of its incorporation on October 12, 2005.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The Corporation's ability to continue as a going concern is dependent upon the continued support of its shareholders, obtaining sufficient financing to complete its acquisition and exploration objectives and generating revenues sufficient to cover its operating costs or, ultimately obtaining proceeds from profitable disposal of its properties. There is no certainty that the Corporation will be able to achieve these objectives. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Corporation be unable to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, BZU Minerals Ltd. (incorporated in British Columbia) and BZU Holdings, Inc. (incorporated in Nevada, USA). All inter-company transactions and balances have been eliminated on consolidation.

#### Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions regarding certain assets and liabilities based on careful judgement and actual results could differ from such estimates. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property deferred costs, amounts receivable, quantification of future income tax assets and liabilities and assumptions used in valuing options and warrants in stock-based compensation calculations.

#### Foreign currency translation

The reporting and functional currency of the Corporation and its Canadian subsidiary (BZU Minerals Ltd.) is the Canadian dollar. The Corporation's foreign subsidiary (BZU Holdings, Inc.) is dependent on funding from the Corporation.

Accordingly, the temporal method of translating the accounts of the foreign subsidiary has been adopted. Under this method, monetary assets and liabilities are translated to Canadian dollars at the prevailing year end exchange rate. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rates of exchange in effect at the time of the transactions. Translation gains and losses are included in the statement of operations and deficit.

# Mesa Uranium Corp.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Cash and cash equivalents**

Cash and cash equivalents consists of cash on deposit with banks and highly liquid short-term interest bearing securities with original terms of maturity of less than ninety days at time of acquisition, or which are redeemable at the option of the Corporation.

#### **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, reclamation bonds, accounts payable and accrued liabilities and commitments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Financial instruments that potentially subject the Corporation to concentration of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Corporation places these instruments with high credit quality financial institutions.

The Corporation has operations in the United States which are transacted into U.S. dollars. Accordingly, the Corporation is exposed to foreign exchange risk in respect to these transactions. The Corporation has not undertaken hedging activities to mitigate this risk.

#### **Mineral properties and deferred exploration costs**

Costs related to mineral activities, which include the investigation, exploration, and development of mining properties, are capitalized on a property-by-property basis until such time as the Corporation determines that economically recoverable reserves are established or the property is evaluated as non-productive or uneconomical. Where exploration activities are conducted jointly with others, only the Corporation's proportionate cost in the related mineral projects is included in these financial statements.

Management reviews conditions relating to mineral properties on a quarterly basis, taking into account factors such as the property's stage of exploration or development, exploration results, market prices for ores, and the economic viability of the properties. Carrying values relating to non-productive or uneconomical properties are written down by charges to earnings. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, securing and maintaining title to the properties and obtaining the necessary financing to complete the exploration and development of these projects and attaining future profitable production or from proceeds from disposal of the properties. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

#### **Asset retirement obligations**

The Corporation recognizes and records 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 asset using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and the increase in the carrying value of the asset is amortized on the same basis as exploration properties.

#### **Environmental protection and reclamation costs**

The operations of the Corporation may be affected from time to time by changes in environmental regulations, including those for future rehabilitation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Corporation may vary from region to region and are not entirely predictable. The Corporation's policy is to meet standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against statements of earnings as incurred or capitalized and amortized depending upon their future economic benefits. The Corporation does not anticipate any material capital expenditures for environmental control facilities because it is at an early stage of exploration

# Mesa Uranium Corp.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Office equipment

Office equipment, consisting of office and computer equipment, is recorded at cost and amortized on a straight-line basis over five years.

#### Impairment of long-lived assets

The Corporation monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Corporation's policy is to record an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the discounted estimate of future cash flows from use or disposal of the asset.

#### Income taxes

The Corporation uses the asset and liability method of accounting for income taxes, under which future tax assets and liabilities are recognized on differences between the carrying amounts of assets and liabilities and their respective tax bases. Where applicable, future tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which temporary differences are expected to be reversed and the effect of a change in tax rates is recognized in income in the period of enactment. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. A valuation allowance is recorded for any tax assets unless they are more likely than not to be realized.

#### Stock-based compensation

The Corporation applies the fair value method to stock-based payments for all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the related contributed surplus are credited to share capital.

#### Loss per share

Basic loss per share is calculated using the treasury stock method to determine the weighted average number of common shares outstanding. Outstanding stock options and share purchase warrants have not been included in the computation of diluted loss per share because they are anti-dilutive. The weighted average number of issued and outstanding common shares for the period prior to the reverse take over has been retroactively adjusted for that transaction.

### 3. RECLAMATION BONDS

During the 2007 year, the Corporation posted environmental bonds of \$17,574 (US\$15,000) and \$75,187 (US\$67,000) for the Moonshine Springs and Lisbon Valley properties respectively.

### 4. MINERAL PROPERTIES

#### a) Lisbon Valley

BZU holds mineral claims and leases in the Lisbon Valley uranium mining district of Utah comprising an area of approximately 7,700 hectares (approximately 28 square miles) of unpatented United States federal

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 4. MINERAL PROPERTIES (continued)

mining claims and Utah State mineral leases. The Lisbon Valley uranium mining district is located in the Colorado Plateau region, in southeastern Utah in San Juan County.

#### b) Moonshine Springs

The Moonshine Springs project is located in Mohave County, Arizona. The project is wholly-owned by the Corporation and consists of 590 acres.

Mineral property expenditures are comprised as follows:

	Lisbon Valley	Moonshine Springs	Total 2007	Total 2006
	\$	\$	\$	\$
Balance, beginning	550,019	-	550,019	447,066
Drilling	958,474	-	958,474	-
Assaying and surveying	2,941	2,929	5,870	-
Geophysics	56,018	-	56,018	-
Engineering and environmental	204,406	-	204,406	83,374
Land Fees, Permit, Licenses	98,406	6,351	104,757	7,711
Property acquisition and related	146,721	-	146,721	-
Site maintenance and camp	9,651	-	9,651	11,868
	1,476,617	9,280	1,485,897	102,953
Balance, ending	2,026,636	9,280	2,035,916	550,019

### 5. OFFICE EQUIPMENT

	Cost	Accumulated Amortization	2007 Net Carrying Amount	2006 Net Carrying Amount
	\$	\$	\$	\$
Office equipment	4,034	719	3,315	1,422

### 6. RELATED PARTY TRANSACTIONS

During the 2007 year, the Corporation incurred the following related party transactions:

- Management and administration services of \$90,000 (2006 - \$22,500) was incurred from a company with common directors.
- Consulting fees of \$58,454 (2006 - \$25,500) were incurred from the President of the Corporation or a company controlled by the President and reported as mineral property engineering and environmental costs (Note 4).
- Management and geological consulting expenses of \$134,142 (2006 - \$7,761) were paid to directors and a company controlled by the President.
- Included in accounts payable is \$15,010 (2006 - \$nil) owed to a company controlled by the President.

Related party transactions are recorded at the amount paid or received as established by contract or as agreed upon by the Company and the related party.

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 7. SHARE CAPITAL

#### Authorized

Unlimited common shares without par value

	(Restated, see Note 13)	
<b>Issued</b>	Number of Common Shares (post- consolidation)	Amount
		\$
Balance, March 31, 2005	3,461,152	6,114,611
Shares issued for private placement – net of issue costs	1,341,500	250,000
Adjustment one for two share consolidation	(2,401,326)	-
Shares issued to settle debts	2,014,826	664,893
Adjustment for reverse takeover by BZU	-	(6,666,587)
Shares issued on reverse takeover by BZU	6,000,000	-
Shares issued for private placement – net of issue costs	6,169,000	2,586,737
Special warrants exercised	1,500,000	-
Balance, March 31, 2006	18,085,152	2,949,654
Agents warrants exercised	62,500	37,500
Special warrants exercised	575,000	-
Balance, March 31, 2007	18,722,652	2,987,154

On June 2, 2005, pursuant to a non-brokered private placement, the Corporation issued 1,250,000 units at \$0.20 per unit for gross proceeds of \$250,000. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each warrant was exercisable to acquire one common share at a price of \$0.30 per share until May 30, 2006. The Corporation issued 91,500 units with the same terms for payment of finder's fees.

Effective December 20, 2005, the Corporation completed a one for two share consolidation on 4,802,652 shares outstanding.

On December 21, 2005, the Corporation issued 2,014,826 common shares at \$0.33 per share for a total value of \$664,893 in settlement of amounts payable to creditors.

On December 21, 2005, the Corporation issued 6,000,000 shares and 4,000,000 special warrants on the reverse takeover by BZU (see also Note 1).

On December 21, 2005, pursuant to a private placement, the Corporation issued 5,919,000 units at \$0.50 per unit for gross proceeds of \$2,959,500. Each unit consisted of one common share and one transferable share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$0.75 per share until December 21, 2007. The Corporation also issued 250,000 units, having the same terms as the above units, and 591,900 agent's warrants, exercisable to purchase 591,900 common shares of the Corporation at a price of \$0.75 per share until December 21, 2007 to Canaccord Capital Corporation for payment of the corporate finance fee. All of these securities were subject to a four-month hold period expiring April 22, 2006. The Corporation also incurred share issue costs of \$372,763. The Corporation applied the residual approach and allocated the entire proceeds of \$2,959,500 to the common shares issued with no value allocated to the share purchase warrants and agent's warrants issued.

On January 27, 2006, 1,500,000 common shares were issued on exercise of 1,500,000 special warrants for no additional consideration.

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 7. SHARE CAPITAL (continued)

In April and May 2006, 62,500 common shares were issued on exercise of 62,500 warrants at \$0.60 per share, for total proceeds of \$37,500.

On April 10, 2006 and March 9, 2007, 500,000 and 75,000 common shares, respectively, were issued on exercise of 575,000 special warrants for no additional consideration.

#### Options

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the "Plan") approved by the shareholders on December 21, 2005. The Plan has been structured to comply with the rules of the TSX Venture Exchange. The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Corporation as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of five years. If the Optionee ceases to be qualified to receive options from the Corporation those options expire immediately. All options vest when granted unless otherwise specified by the Board of Directors.

During the 2007 year, the Corporation granted 50,000 options (2006 - 1,805,000) to employees and officers and recorded \$19,025 (2006 - \$488,713) as stock-based compensation expense. All of these options vested upon grant.

	Number of Options	Exercise Price	Expiry Date
Granted: December 21, 2005	1,225,000	\$0.50	December 21, 2010
Granted: February 2, 2006	580,000	\$0.72	February 2, 2011
Balance, March 31, 2006	1,805,000	\$0.57	
Granted: April 11, 2006	50,000	\$0.76	April 11, 2011
Balance, March 31, 2007	1,855,000	\$0.58	

At March 31, 2007, the weighted average remaining contractual life for the options outstanding is 3.79 years (2006 - 3.78 years).

The Corporation uses the Black-Scholes option pricing model to value stock options which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following assumptions were used in deriving the weighted average fair value of \$0.38 per option (2006 - \$0.27):

(Restated - Note 13)

	2007	2006
Interest rate	4.2%	4.04%
Expected life (in years)	4	2.5
Expected volatility	60.6%	75%
Expected dividend yield	0.0%	0.0%

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 7. SHARE CAPITAL (continued)

#### Warrants

Warrants issued and exercised are as follows:

	Number of Warrants (Post-consolidation)	Exercise Price	Expiry Date
Private Placement of 625,000 units – June 2, 2005	312,500	\$0.60	May 30, 2006
Finders fee	23,438	\$0.60	May 30, 2006
	335,938		
Special warrants issued	4,000,000	\$0.00	December 21, 2015
Private Placement of 5,919,000 units	5,919,000	\$0.75	December 21, 2007
Agent warrant and finders fee	841,900	\$0.75	December 21, 2007
Special Warrants exercised	(1,500,000)	\$0.00	December 21, 2015
Balance, March 31, 2006	9,596,838		
Special warrants exercised	(575,000)	\$0.00	December 21, 2015
Warrants exercised	(62,500)	\$0.60	May 30, 2006
Warrants expired	(273,438)	\$0.60	May 30, 2006
Balance, March 31, 2007	8,685,900		

The following table summarizes the share purchase warrants outstanding and exercisable as at March 31, 2007:

Number of warrants	Exercise Price	Expiry Date
1,925,000	Nil	December 21, 2015
6,760,900	\$0.75	December 21, 2007
8,685,900		

#### Securities held in escrow

Pursuant to the escrow agreement on shares and warrants issued to acquire BZU, 5,055,000 common shares and 3,645,000 warrants issued and outstanding were escrowed and are scheduled for release at 10% on date of issue and at 15% on every six months from date of grant to December 21, 2008. At March 31, 2007, 3,575,000 common shares and 1,645,000 warrants remained in escrow. Subsequent to March 31, 2007, 1,305,000 escrow shares were released from escrow (see Note 10 (f)).

### 8. CONTRIBUTED SURPLUS

Contributed surplus is comprised as follows:

	Amount
	\$
Fair value of stock options granted	488,713
Balance, March 31, 2006 (Restated – see Note 13)	488,713
Fair value of stock options granted	19,025
Balance, March 31, 2007	507,738

# Mesa Uranium Corp.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

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### 9. COMMITMENTS

a) Investor Relations Agreement

The Corporation is committed to expenditures of \$30,000 to a consultant for investor relations services at \$6,000 per month under an investor relations agreement through August 2, 2007. Also under this agreement the Corporation is committed to grant to the consultant 100,000 stock options with an expiry date of August 31, 2011. On April 13, 2007, 50,000 options were granted with exercise price at \$0.70. On June 29, 2007, the agreement was terminated.

b) Management and Administration Services Agreement

The Corporation is committed to a management and administration service agreement to a company with some common directors and some common management for management services at \$7,500 per month. This agreement is automatically extended for successive six-month terms unless terminated by the Corporation or the company. The current six-month term expires June 20, 2007.

### 10. SUBSEQUENT EVENTS

Subsequent to March 31, 2007:

- a) On April 11, 2007, the Corporation completed a private placement of 6,000,000 units at \$0.50 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.75 per share until April 11, 2009. The Corporation incurred share issue costs of \$21,650. The Corporation also paid \$87,350, issued 245,300 agent's units and granted 600,000 non-transferable compensation options as agent's commission. The agent's unit have the same terms as the above units. Each agent's options is exercisable to acquire one common share at a price \$0.55 per share until April 11, 2009.
- b) On April 13, 2007, the Corporation granted 750,000 stock options to employees and officers at a price of \$0.70 per share expiring April 13, 2012.
- c) Subsequent to March 31, 2007, the Corporation issued 1,925,000 common shares on exercise of 1,925,000 special warrants for no additional consideration.
- d) On May 31, 2007, 100,000 options were cancelled.
- e) Effective June 15, 2007, the Corporation agreed to pay a consultant for investor relations services at US\$3,000 per month under an online investor relations agreement through June 15, 2008. The Corporation may renew the agreement for an additional twelve months under the same terms.
- f) On June 22, 2007, 1,305,000 common shares were released from escrow.
- g) On June 29, 2007, the investor relations agreement described in Note 9 (a) was terminated.

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 11. SEGMENTED INFORMATION

The Corporation operates in the single business segment of mineral exploration and development in the United States ("USA").

The Corporation operates in two geographic segments. The accounting policies of the segments are the same as those described in Note 3.

Geographic distribution of operating results in the four geographic segments is as follows:

	2007		
	Canada	USA	Total
Mineral properties and office equipment	\$ -	\$ 2,039,231	\$ 2,039,231
Interest revenue	\$ 39,788	\$ -	\$ 39,788

	2006		
	Canada	USA	Total
Mineral properties and office equipment	\$ -	\$ 551,441	\$ 551,441
Interest revenue	\$ 19,294	\$ -	\$ 19,294

### 12. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2007	2006
Canadian statutory income tax rate	34.12%	34.12%
Income tax recovery at statutory rate	\$ 174,248	\$ 206,977
(Decrease) increase resulting from:		
Amortization	(176)	(69)
Stock based compensation	(6,491)	(166,749)
Share issue costs	25,437	-
Non-deductible items	3,752	-
Valuation allowance	(196,770)	(40,159)
Income tax recoverable	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the future tax assets at March 31, 2007 and 2006 are as follow:

	2007	2006
Non-capital losses carried forward	\$ 585,000	\$ 468,000
Share issue costs	76,000	102,000
Valuation allowance	(661,000)	(570,000)
	\$ -	\$ -

# Mesa Uranium Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

### 12. INCOME TAXES (continued)

The Corporation has approximately \$1,712,000 (2006 - \$1,373,000) in non-capital losses, which can be applied to reduce future taxable income. These losses expire as follows:

2008	\$	266,000
2009		276,000
2013		169,000
2014		181,000
2015		52,000
2026		212,000
2027		556,000
	\$	<u>1,712,000</u>

The Corporation has not recognized any future income tax assets. The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carry-forward periods to utilize all future income tax assets.

### 13. RESTATEMENT

Management has determined that the fair value of 1,805,000 stock options granted to directors and officers in the 2006 period should have been \$488,713 (previously reported as \$311,720), using the Black Scholes option pricing model with the following weighted average assumptions:

	March 31, 2006 As Restated	March 31, 2006 As Previously Reported
Interest rate	4.04%	4.04%
Expected life (in years)	2.5	1
Expected volatility	75%	75%
Dividend yield	0.0%	0.0%

Management has also determined that the fair value of the 591,900 agent's warrants and the 250,000 share purchase warrants attached to the 250,000 agent's units issued as corporate finance fees for the 5,919,000 units issued on December 21, 2005 should have been \$nil (previously reported as \$127,265), using the residual approach.

The effect of these adjustments on the Corporation's consolidated balance sheet as at March 31, 2006 is as follow:

	As Restated \$	As Previously Reported \$
Shareholders' Equity		
Share capital	2,949,654	2,822,389
Contributed Surplus	488,713	438,985
Deficit	(606,615)	(429,622)

# Mesa Uranium Corp.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the year ended March 31, 2007 and period from October 12, 2005 (Date of Incorporation) to March 31, 2006

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### 13. RESTATEMENT (continued)

The effect of these adjustments on the Corporation's consolidated results of operations for the period from October 12, 2005 (date of incorporation) to March 31, 2006 is as follow:

	<u>As Restated</u>	<u>As Previously Reported</u>
	\$	\$
Stock-based compensation	488,713	311,720
Net loss for the period	606,615	429,622
Net loss per common share, basic and diluted	0.07	0.05

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### 14. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current year.

## **CORPORATE INFORMATION**

### **DIRECTORS**

Brian P. Kirwin  
*Reno, United States*

Giulio T. Bonifacio  
*Vancouver, Canada*

Foster Wilson  
*Reno, United States*

Greg Andrews  
*Vancouver, Canada*

### **OFFICES**

Corporate Office  
*Suite 305 – 675 West Hastings St.*  
*Vancouver, British Columbia*  
*Canada, V6B 1N2*  
*Telephone (604) 681-5152*  
*Fax (604) 681-0122*

Exploration Office  
*Suite 7, 290 Gentry Way*  
*Reno, Nevada*  
*United States, 89502*  
*Telephone (775) 826-9888*  
*Fax (775) 826-9886*

### **INVESTOR RELATIONS CONTACT**

Wayne Marsden  
*Telephone (866) 337-1235*  
*Email [investors@mesauranium.com](mailto:investors@mesauranium.com)*

### **WEBSITE**

Additional information about the Corporation can be found at our website [www.mesauranium.com](http://www.mesauranium.com)

### **OFFICERS**

Brian P. Kirwin  
*Non-Executive Chairman*

Foster Wilson  
*President & Chief Executive Officer*

Lisa Ng  
*Chief Financial Officer*

Catherine Tanaka  
*Corporate Secretary*

### **REGISTRAR AND TRANSFER AGENT**

Computershare Investor Services Inc.  
*Vancouver, Canada*

### **SHARES LISTED**

TSX Venture Exchange: MZU

### **CAPITALIZATION**

(As at July 24, 2007)  
Shares Issued and Outstanding: 26,892,953

### **AUDITOR**

Manning Elliott, Chartered Accountants  
*Vancouver, Canada*

### **LEGAL COUNSEL**

Axium Law Corporation  
*Vancouver, Canada*