



AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006
AND
MANAGEMENT'S DISCUSSION & ANALYSIS

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UNITED REEF LIMITED

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the audited financial statements of United Reef Limited ("United Reef" or the "Company") for the year ended November 30, 2007, with comparative figures for the year ended November 30, 2006. The audited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Additional information about United Reef is available on the SEDAR website at www.sedar.com, on CNQ's website at www.cnq.ca and on the Company's website at www.unitedreef.com

Overview

United Reef is a natural resource exploration company, founded in 1948 and currently holds interests in three projects; a past-producing nickel-copper property in the Sudbury area, Ontario, a mineral exploration property in Hants County, Nova Scotia and an oil and gas exploration project located in northeastern Central African Republic ("CAR"). The CAR project remains subject to a *force majeure* dispute. The Company's projects do not presently contain any known reserves or resources.

During the fourth quarter of 2007, management began to direct the Company's efforts towards the generation of new exploration projects with an emphasis on base and precious metal projects in Canada. Following interpretation of the 2007 reconnaissance exploration program results for the Hants County property in Nova Scotia, the Company initiated steps to increase its land position in the Kennetcook Basin. During January and February, 2008, the Company staked additional claims in the area to cover numerous positive Total Magnetic Intensity anomalies, which are believed to be prospective for base metal mineralization. The project now consists of 513 claims covering 81 km². Management is continuing to investigate other potential new projects.

In late January, 2008, the Company received notice from FNX Mining Company Inc. that they would not be proceeding to formalize the option and joint venture proposal they made to the Company in May, 2007 to earn an interest in the Nickel Offsets property. On March 6, 2008 the Company entered into a binding letter of intent with URSA Major Minerals Incorporated ("URSA Major") whereby the Company has granted URSA Major an option to earn a 70% interest in the Nickel Offsets property. The transaction is subject to the negotiation and execution of definitive option and joint venture agreements and to obtaining all required regulatory approvals or consents. See Nickel Offsets project below for further details.

Effective November 15, 2006 United Reef acquired a 5% equity interest in General Reef Corporation ("General Reef"), a newly incorporated private oil and gas exploration company, as part of a planned association with a technical team based in Calgary, Alberta. The initial seed capital invested in General Reef was utilized to execute a business plan focused on identifying investment opportunities in the exploration and development of low-cost, medium to low risk natural gas projects in North America. The Company had an option to increase its ownership in General Reef until June 28, 2007. Following the expiry of the option, the Company entered into negotiations with General Gas Corporation ("General Gas"), a private Alberta company and the majority shareholder of General Reef, relating to the corporate reorganization of General Reef. Effective September 24, 2007 the Company completed a transaction (the "Reorganization") with General Gas and its shareholders, Douglas Brown, Ron Hutzal and Paul MacKay (the "General Gas Shareholders") for the corporate reorganization of General Reef. The Reorganization resulted in the Company increasing its interest in General Reef to 40%.

On September 18, 2007 General Reef advised the Company that General Reef had entered into a definitive farmin and option agreement with EnCana Oil & Gas Partnership for certain farmin rights on 40.6 sections of freehold petroleum and natural gas rights in the Warner area of southern Alberta.

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General Reef advised the Company in December, 2007 that it drilled an initial well on the EnCana lands, utilizing funds in its treasury.

The Company is continuing to evaluate its investment in General Reef. Management believes that General Reef would have substantially exhausted its treasury by January, 2008. Management determined that at this time there is no recoverable value for the investment and wrote-down the investment in General Reef to nominal value at year end.

In spite of the promising potential of the CAR project, the Company has been unable to participate in any new exploration in CAR since becoming associated with the project in 2004. There was no progress made in resolving the issues stemming from the RSM Production Corporation ("RSM") and CAR contract dispute during the year. Management is unable to estimate the timing or outcome of the dispute and therefore determine when or if the Company will have an opportunity to participate in the project. Therefore the carrying value of the project was written-down to nominal value at year end.

The Company's common shares are listed on the TSX Venture Exchange under the symbol URP and on the CNQ stock exchange under the symbol URPL.

The Company has limited working capital at the present time which, until resolved, creates uncertainty about the Company's ability to continue as a going concern. Management is taking steps to raise new capital in the near future to allow the Company to advance its exploration projects and to fund its operating expenses. The Company will be required to continue to raise new equity financing through the capital markets for the foreseeable future.

Hants County, Nova Scotia

The Company has continued to expand its compilation of technical data on the Kennetcook (Windsor) Basin in north-central Nova Scotia and staked additional claims in Hants County during January and February, 2008 to cover additional areas of interest. The project now consists of 14 mineral licenses (513 claims) covering an area of 81 km², held 100% by the Company. The Windsor Basin limestones which underlie the predominantly till covered basin, are prospective for base metals (Pb, Zn, Cu) and Ag. The past-producing Walton Mine deposit (10 km NW) and the producing Gays River Mine (reserves: 4.6 Mt at 3.6% Zn, 1.7% Pb; 30 km SE) are hosted in similar Windsor carbonates. The historic Walton River Pb occurrence and a Gulf Minerals' drill hole (in 1975) with un-assayed Fe-sulphide-rich and hematized core sections are both adjacent to total magnetic intensity (TMI) anomalies situated on the Company's original claims. Continued compilation of the technical data within the Kennetcook Basin has revealed that several areas adjacent to TMI anomalies and localized along NW-trending faults are already known to be prospective for base metal (Pb, Zn) mineralization, including the Walton Mine deposit which also produced 4.4 Mt of barite.

The initial exploration target on the property is a prominent 12-km long by 200 to 300 m wide positive magnetic channel anomaly which extends from the Rawdon Hills gold belt to the south towards the centre of the sedimentary basin to the north. This magnetic anomaly was initially observed on a TMI image derived from an aeromagnetic survey undertaken for hydrocarbon exploration in 2001 by Northstar Energy, Inc. The Company confirmed the location and intensity of the anomaly via a ground magnetic survey completed in March 2007. In summer, 2007, the Company undertook a 4-hole, 2-fence drill program to test a 3-km portion of the magnetic anomaly in four vertical holes totalling 503 ft. (153.3 m). The maximum depth drilled, all within basin till, was 165 ft (50.3 m) and bedrock was not encountered in any of the holes.

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Ten-foot composite samples were submitted to SGS Minerals Services in Toronto, Ontario for geochemical analysis. The results suggest that within the first 50 metres of till, there is no prominent change in major and minor element geochemistry either down hole or laterally between holes. Representative samples were also submitted to ODM Laboratory in Nepean, Ontario for gold grain counting and heavy mineral concentrate (HMC) processing with only one gold grain recovered. The HMC's returned low values for the processed till samples ranging from 0.14 to 3.10% (total weight) of the tabled material. Based on these results, there does not seem to be a concentrating mechanism in the upper 50 metres of till section that is responsible for the magnetic channel anomaly.

The depth of the magnetic source remains unknown, efforts to obtain the original geophysical data from the 2001 aeromagnetic survey have been unsuccessful. However, interpretation of the magnetic intensity profiles obtained from the ground survey in March, 2007 suggests a depth to the top of the magnetic body of between 80 and 96 metres.

The Company has received an independent technical report, compliant with National Instrument 43-101, on the 2007 reconnaissance exploration program and the Company's internal compilation. The report, authored by Dr. Rudolph R. Stea, Ph.D., P. Geo., is available on the SEDAR and CNQ websites.

Several possible explanations for the source of the magnetic anomaly have been postulated based on information compiled to date, which are: a bedrock-hosted concentration of base metals along a fissure, fault or shear, similar to the Walton Mine deposit hosted by Windsor Group limestones 10 km to the northwest of the property; a paleochannel with northern provenance containing high-levels of magnetite and ilmenite analogous to titanium-bearing sands of the present day Shubenacadie River to the northeast; or the channel magnetic anomaly represents a buried paleochannel tapping potentially auriferous Rawdon Hills gold mineralization to the south (Meguma Group).

During January and February, 2008, the Company staked additional claims in the area to cover numerous positive TMI anomalies, which are believed to be prospective for base metal mineralization. The project now consists of 513 claims covering 81 km². The Company is planning follow-up ground geophysical surveys and a deeper diamond drilling program to test the numerous positive TMI anomalies below depths of 50 metres targeting the initial 12-km channel TMI anomaly and at least 8 untested NW-trending magnetic linears coincident or adjacent to fault structures on the claims.

Nickel Offsets Project, Sudbury

The Company holds a 100% interest in this approximately 358 ha (885-acre) property consisting of both patented and unpatented mining claims. The property includes the past-producing Nickel Offset (Ross) Mine (1943-1957) and is prospective for its nickel, copper and platinum group metals potential.

The Company entered into a binding letter of intent (the "LOI") on March 6, 2008 with URSA Major Minerals Incorporated ("URSA Major") whereby the Company granted URSA Major an option to earn a 70% interest in the Nickel Offsets property. The transaction is subject to the negotiation and execution of definitive option and joint venture agreements (the "Agreement") and to obtaining all required regulatory approvals or consents.

The Company has agreed to grant URSA Major an option to earn a 70% interest in the Nickel Offsets property whereby URSA Major will make exploration expenditures on the property totalling \$1.25 million over a period of three years from the effective date of the Agreement and make total cash payments of \$75,000 to the Company. An initial payment of \$25,000 was made to the Company on

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signing of the LOI. URSA Major will be required to make a minimum expenditure of \$250,000 during the first year of the option. The rate of expenditures during the second and third years of the option will be at the election of URSA Major with the right to accelerate their expenditures during the option period.

Upon URSA Major incurring \$1.25 million in exploration expenditures and making payments totalling \$75,000, the parties will form a joint venture for the further exploration and development of the property with URSA Major having a 70% interest and becoming the operator and the Company having a 30% interest. Thereafter the parties will fund their respective pro rata interest in the joint venture for approved programs and expenditures. Once a joint venture is formed, the Company may elect to fund its 30% interest in the joint venture or convert its interest to a 2% net smelter royalty and allow URSA Major to vest a 100% interest in the property. Should the Company elect to convert its interest to a net smelter royalty, URSA Major will have the right thereafter to purchase 1% of the royalty from the Company for consideration of \$1 million at any time. In the event that URSA Major fails to make the cash payments and incur \$1.25 million of expenditures on or before the third anniversary of the Agreement, their option will terminate and the property will revert to the Company.

During the year the Company carried out a voluntary review of the property to assess the potential need to undertake rehabilitation of mine hazards and environmental impacts associated with the past mining activity on the property. There is no closure plan for the property as operations ceased some fifty years ago, well before closure planning requirements came into force. The Company has no current obligation to prepare a closure plan but is responsible to ensure any mine hazards are addressed. The environmental mining engineer retained by the Company to carry out the assessment provided a report to the Company on his findings and recommendations to address certain existing physical mine hazards on the property and other property rehabilitation.

As a result of the report, new safety fencing and signage were installed around the hazards to prevent inadvertent public access. The Company is evaluating the consultant's other recommendations including, installation of new concrete caps on the two shafts at an estimated cost of \$25-35,000 each, covering the exposed tailings beach at an estimated cost of \$90,000 and continued periodic environmental water quality sampling and reporting estimated at a cost of \$10-15,000 to add to the knowledge data base on the property. Management has not yet determined what, if any, provision should be made for the fair value of any potential future asset retirement obligation related to the property. Therefore, no provision has been recorded in the Company's accounts for the year ended November 30, 2007.

General Reef Corporation

Effective November 15, 2006 the Company and General Gas Corporation ("General Gas"), a private Alberta company founded by Douglas Brown (P. Eng.), Ron Hutzal, (P. Eng.) and Paul MacKay, (P. Geol., P. Geoph.) (collectively the "General Gas Shareholders") entered into a unanimous Shareholders' Agreement to govern the operation and management of General Reef Corporation (formerly 1270194 Alberta Ltd.) ("General Reef"). General Reef was established for the purpose of acquiring, exploring and developing oil and gas properties in North America. Initial seed capital subscriptions to General Reef were made on November 15, 2006 in the amount of \$425,000 by the Company for a 5% interest and \$75,000 by General Gas for a 95% interest in General Reef. General Gas had developed a two year business plan, to be executed by General Reef, focused on identifying investment opportunities in the exploration and development of low cost, medium to low risk natural gas resources.

The initial seed capital of \$500,000 was used by General Reef to commence a land acquisition process in Alberta, continue development of a prospect portfolio and to establish an office in Calgary. The

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unanimous Shareholders' Agreement provided an option to the Company to increase its ownership interest in General Reef until June 28, 2007.

Pursuant to the terms of an amending agreement, on May 28, 2007 the Company advanced \$75,000 to General Reef as a non-interest bearing loan. In addition, the General Gas Shareholders advanced \$225,000 to the Company as non-interest bearing loans and upon receipt of these funds the Company advanced the \$225,000 to General Reef as an additional non-interest bearing loan. The General Gas Shareholders were granted the right to convert their loans to the Company into securities of the Company to be offered in a private placement financing announced by the Company on May 30, 2007. Effective June 19, 2007 the Company withdrew the private placement offering and terminated the fiscal advisory agreement with the agent. These loans and advances were settled in full as part of a reorganization of the ownership of General Reef completed in September, 2007.

Until September 24, 2007, the Company accounted for its investment in General Reef by the equity method, as it was contemplated to that date that the Company may increase its ownership interest in General Reef. The Company has included in operations its proportionate interest (5%) of General Reef's loss to September 24, 2007. Subsequent to completion of the reorganization of General Reef described below, the Company used the cost method to account for this investment as it no longer had significant influence over General Reef.

Effective September 24, 2007, the Company completed a transaction (the "Reorganization") with General Gas and the General Gas Shareholders for the corporate reorganization of General Reef. The Reorganization resulted in the Company increasing its interest in General Reef to 40% for a total cash investment of \$518,765, as described below. The Company partially wrote-down the carrying value of its investment in General Reef at August 31, 2007 to reflect the Company's pro rata share of the estimated fair value of General Reef at the completion of the Reorganization.

The remaining 60% equity interest in General Reef is held by General Gas, as to approximately 3%, and the General Gas Shareholders as to approximately 57%. The General Gas Shareholders and General Gas made an aggregate investment of \$300,000 in General Reef.

General Reef is managed by Messrs Brown (President), Hutzal (Vice President, Operations) and MacKay (Vice President, Exploration and Land), each of whom are also directors of General Reef. Michael Coulter, the President of the Company was a director of General Reef until February 19, 2008 and was the Secretary thereof until October 1, 2007. Each of Douglas Brown, Ron Hutzal and Paul MacKay is also a director and shareholder of General Gas.

At the time of closing the Reorganization, the Company and General Reef had two directors in common, namely Messrs Coulter and Brown, and two officers in common, namely Messrs Coulter and MacKay, respectively, the President and the Vice-President, Oil and Gas of the Company. Douglas Brown was appointed a director of the Company on December 12, 2006. At the commencement of negotiations between General Gas and the Company in June 2007 relating to the Reorganization, Mr. Brown declared his conflict of interest in the Reorganization and abstained from voting, in his capacity as a director of the Company, with respect to approval of the Reorganization. Mr. Brown resigned as a director of the Company on October 5, 2007. Paul MacKay was appointed Vice President, Oil and Gas of the Company in June 2005. He has also acted as an independent technical reviewer to the Company on an oil and gas project located in the Central African Republic since July 2002 and is the author of a NI 51-101 report on that project released by the Company in January 2005. Mr. MacKay resigned as the Company's Vice President, Oil and Gas on October 2, 2007.

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The Company acquired an additional 35% equity interest in General Reef through the Reorganization by acquiring 7,774 General Reef common shares from General Gas, as consideration for the termination of the Shareholders' Agreement, and 11,877 General Reef common shares from treasury, in full and final satisfaction of an aggregate of \$93,765 of outstanding loans and advances owed to the Company by General Reef.

	Number of General Reef Shares Held By the Company	Amount
Investment in General Reef at November 30, 2006	500	\$422,677
Less: Share (5%) of General Reef's loss for the period ended September 24, 2007	-	(16,252)
	500	406,425
Plus: Additional shares of General Reef acquired in settlement of \$93,765 of advances to General Reef	11,877	93,765
Plus: Shares of General Reef received as consideration from General Gas for termination of the unanimous Shareholders' Agreement	7,774	-
Less: Write-down to adjust carrying value of the Company's 40% interest to estimated fair value of General Reef at the completion of the Reorganization	-	(175,190)
Investment in General Reef at completion of the Reorganization on September 24, 2007	20,151	\$325,000

Subsequent to closing of the Reorganization the General Reef shares were split on a ratio of approximately 19.85:1 resulting in the Company's 20,151 shares of General Reef being exchanged into 400,000 General Reef common shares, representing 40% of General Reef's outstanding share capital.

The General Gas Shareholders acquired through the Reorganization, in aggregate, 28,500 General Reef common shares from treasury in full and final satisfaction of an aggregate of \$225,000 of outstanding loans and advances owed by General Reef. These loans and advances were initially made by the General Gas Shareholders to the Company, which in turn used these funds to make advances in the same amount to General Reef on May 28, 2007. In connection with the Reorganization, the Company received acknowledgements of repayment of these loans from the General Gas Shareholders and was released and fully discharged for any and all outstanding amounts owed to the General Gas Shareholders immediately prior to the Reorganization.

Following the Reorganization, the Company has the right, but no obligation, to participate in future financings of General Reef.

On September 18, 2007 General Reef advised the Company that General Reef had entered into a definitive farmin and option agreement with EnCana Oil & Gas Partnership for certain farmin rights on 40.6 sections of freehold petroleum and natural gas rights in the Warner area of southern Alberta.

The Company is continuing to evaluate its investment in General Reef. Management believes that General Reef substantially exhausted its treasury by January, 2008. Management has determined that at the present time there is no recoverable value for the investment and has written-down the Company's carrying value of the investment in General Reef to \$1 at November 30, 2007.

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Oil & Gas Project, CAR

In September 2004 the Company entered into an agreement, which gives the Company the right to earn a 25% interest in RSM Production Corporation's ("RSM") oil & gas exploration permit in the CAR. RSM obtained its rights pursuant to a Petroleum Exploration and Exploitation Contract (the "RSM Contract") with the State of CAR, which became effective in November 2000. The agreement governs the exploration and development of a 55,504-km² permit area, located in northeastern CAR along the Chad border. RSM declared "*force majeure*" under the terms of the RSM Contract in April 2003 as a result of continuing civil unrest in CAR which began in 2001. A coup took place in CAR in March, 2003 and a transitional government was formed shortly thereafter. The transitional government acknowledged to RSM in November 2003 that events of *force majeure* had occurred in the country. A democratically elected government was formed in CAR in June, 2005.

Based on management's technical due diligence of the RSM permit area and the resulting positive potential for oil and gas exploration on the permit, the Company has continued to monitor the RSM/CAR situation closely. In January 2007, RSM advised the Company that its application to the International Center for Settlement of Investment Disputes requesting arbitration of the dispute with CAR was formally registered and a case number was assigned to the request.

During the year no progress was made to resolve the RSM and CAR contract dispute on the key issue of the CAR government's failure to acknowledge suspension of RSM's contract due to *force majeure*. This situation has prevented the start of any new exploration on the project. At this time management is unable to estimate the timing of and/or the outcome of a resolution of these matters and determine when or if the Company will be able to participate in the project. As a result, at the year end management wrote-down the carrying value of the project to \$1.

The RSM permit covers the majority of the Doseo and Salamat Basins in northern CAR. These basins are part of the West and Central African Rift System ("WCARS"), which extends from Nigeria to Kenya. Several significant petroleum deposits have been discovered and are currently being produced in the WCARS, including an Exxon-led development in southern Chad, approximately 300 kilometres from the RSM permit.

The Salamat Basin portion of the RSM permit has an extensive 2D-seismic data base shot across it. Fifteen defined prospects have been interpreted from this data by the Company's consultants within the RSM permit, ranging in size from 200 hectares to 6,500 hectares. Only one oil & gas exploration well has ever been drilled (1986) in the CAR and lies within the (Salamat Basin) RSM permit. The well had extensive oil staining in the upper 4,500 feet of the section but did not test any hydrocarbons and was abandoned. There are reported hydrocarbon discoveries on the Chad portion of the Doseo Basin. An independent technical report has previously been released by the Company on the project. The report is available for viewing on the SEDAR and CNQ websites referred to above.

The Company may earn its interest in RSM's permit area by funding 50% of the cost to acquire 2,000 line kilometres of new 2D-seismic data over areas of the permit not previously covered and by funding 50% of the cost to drill the first eight exploration wells on the permit.

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Results of Operations

Selected Annual Information

The following table sets out audited financial information for each of the three most recently completed financial years of the Company.

	2007	2006	2005
Revenue	\$ Nil	\$ Nil	\$ Nil
Net loss	(1,445,865)	(420,274)	(447,627)
Net loss per share	(0.02)	(0.01)	(0.01)
Net loss per share, fully diluted	(0.02)	(0.01)	(0.00)
Total assets	404,748	1,454,224	1,858,730
Working capital surplus	42,984	537,483	1,323,131

The Company had no revenues during the periods reviewed.

General and administrative expenses in 2007 were \$650,763 (2006 - \$446,869) before recognition of the following items: interest and other income of \$10,960 (2006 - \$43,156); share of loss of General Reef Corporation of \$16,252 (2006 - \$2,323); write-down of exploration expenditures of \$289,621 (2006 - 99,999); and write-down of investment in General Reef Corporation of \$500,189 (2006 - Nil). There were two additional items included in net loss in 2006, a gain on sale of investments of \$96,200 and a write-down of investments of \$10,439.

The most significant items of increased expenditure during 2007 relate to increased management fees (see Related Party transactions below), insurance premiums, legal and audit fees and stock-based compensation expense. A breakdown of the Administration expenses component of the Statement of Operations and Deficit of \$215,416 for 2007 and \$222,778 for 2006 is provided below.

	2007	2006
Salaries and benefits	\$95,377	\$ 91,414
Administrative and accounting fees	50,800	60,430
Office and general	16,203	26,769
Professional development	2,035	142
Rent	36,877	29,198
Communications	5,586	5,873
Travel	8,538	8,952
Total	\$215,416	\$222,778

The level of operating expenses during 2007 is reflective of the increased level of activity of the Company including new project investigations. Management is continuing to implement steps to reduce the Company's administrative costs.

Stock-based Compensation

The Company has a stock-based compensation plan, which is used to compensate directors, officers and employees of the Company and consultants to the Company. The Company accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line

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basis over the vesting period of the options. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

Summary of Quarterly Results

The following table sets out selected unaudited financial information for the Company for the quarters identified.

2007	Q4	Q3	Q2	Q1
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net income (loss)	(831,420)	(312,452)	(163,401)	(138,592)
Net income (loss) per share	(0.01)	(0.01)	(0.00)	(0.00)
Net income (loss) per share, fully diluted	(0.01)	(0.01)	(0.00)	(0.00)
Total assets	404,748	1,205,248	1,527,278	1,355,021
Working capital surplus	42,984	139,100	278,639	420,745
2006	Q4	Q3	Q2	Q1
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net income (loss)	(262,247)	(80,980)	4,930	(81,977)
Net income (loss) per share	(0.00)	(0.00)	0.00	(0.01)
Net income (loss) per share, fully diluted	(0.00)	(0.00)	0.00	(0.00)
Total assets	1,454,224	1,669,112	1,740,374	1,768,162
Working capital surplus	537,483	1,104,139	1,220,447	1,227,975

Liquidity and Capital Resources

At November 30, 2007 the Company had cash resources of \$159,314 compared to \$576,901 at November 30, 2006. At November 30, 2007 the Company had a working capital surplus of \$42,984 (defined as the difference between current assets and current liabilities) compared with a surplus of \$537,483 at November 30, 2006.

Private Placement

The Company closed a non-brokered private placement on December 21, 2007 and January 7, 2008 of 1,537,500 Units at a price of \$0.08 per Unit with private investors for proceeds of \$123,000. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.12 for a period of two years from December 21, 2007 and January 7, 2008. Subscription proceeds of \$70,000 were received prior to November 30, 2007. The securities issued pursuant to the private placement are subject to a four month hold period in accordance with applicable securities law and the policies of the TSX Venture Exchange. The proceeds of the private placement provided some short term working capital for the Company.

Michael Coulter, President, and Marilyn Turner, Secretary, of the Company each subscribed for 156,250 Units of the private placement.

The Company has limited working capital at the present time which, until resolved, creates uncertainty about the Company's ability to continue as a going concern. Management is taking steps to raise new capital in the near future to allow the Company to advance its exploration projects and to fund its operating expenses. The Company will be required to continue to raise new equity financing through the capital markets for the foreseeable future.

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Outstanding Share Data

The following table sets out the number of shares, warrants and options outstanding at March 20, 2008 and November 30, 2007.

	March, 20, 2008	November 30, 2007
Common shares	65,960,980	64,423,480
Common share purchase warrants	1,537,500	-
Common share purchase options	3,212,500	3,825,000

Following are the exercise terms of the outstanding warrants and options at March 20, 2008.

100,000 options exercisable at \$0.15 until June 7, 2008

400,000 options exercisable at \$0.15 until August 21, 2009

650,000 options exercisable at \$0.10 until January 23, 2010

2,000,000 options exercisable at \$0.15 until January 23, 2010

62,500 options exercisable at \$0.10 until January 30, 2010

1,437,500 warrants each exercisable into one common share at \$0.12 until December 21, 2009

100,000 warrants each exercisable into one common share at \$0.12 until January 7, 2010

Related Party Transactions

During the year, the Company incurred expenses in the amount of \$130,000 (2006 - \$151,828 including rent) for accounting, administrative and management services provided by M.D. Coulter & Associates Inc. ("MDC"), a company whose shareholders are the President and Secretary of the Company. At November 30, 2007 the Company was indebted to MDC for \$32,879 (2006 - Nil), included in this amount is \$4,239 for unreimbursed expenditures made by the President for the Nickel Offsets property.

MDC provided furnished offices for the Company until November 30, 2006. Effective December 1, 2006 the Company agreed to be responsible for payment of the gross rental cost of the office space for the remainder of the lease term which ended August 31, 2009, net of any recoveries MDC may receive from other sub-tenants. In the event the Company wished to terminate the rental of the office space prior to August 31, 2009, the Company was to provide MDC with 120 days written notice. The gross monthly rent was \$5,059 plus GST. Effective November 30, 2007 the lease was terminated and the Company relocated its office.

Pursuant to an agreement between MDC and the Company, the services of Mr. Coulter and Ms. Turner are charged on the basis of a flat monthly fee, to be agreed between the parties from time to time. The monthly fee being charged for Mr. Coulter's services by MDC was \$5,000 per month until October 31, 2006. Effective November 1, 2006 the monthly fee was increased to \$8,000. Until October 31, 2006 Ms. Turner charged the Company on an hourly rate basis and effective November 1, 2006 Ms. Turner was paid a flat monthly rate of \$5,000. Effective August 1, 2007 MDC reduced the fees being charged for the services of Mr. Coulter and Ms. Turner to \$4,000 and \$2,500, respectively. The Agreement may be terminated by either party upon ninety (90) days written notice to the other party or upon seven (7) days notice for unremedied cause.

During the year, the Company incurred expenditures in the amount of \$77,956 (2006 - \$57,429) for professional fees paid to Macleod Dixon LLP, a law firm of which Richard Lachcik, a director of the Company, is a partner.

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Management believes the above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the Company's financial statements include management's estimate of recoverable value of its exploration properties and investments as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its exploration properties and associated exploration expenses is based on current market conditions for metals and oil and gas, underlying exploration potential associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

The Company is continuing to evaluate its investment in General Reef. General Reef operates in an industry that is dependent on a number of factors including environmental and legal risks, the existence of economically recoverable reserves, the ability of General Reef to obtain necessary financing to fund its future operations to allow it to acquire and develop projects with future profitable production or receive proceeds of disposition thereof. Management believes that General Reef would have substantially exhausted its treasury by January, 2008. Management has therefore determined that at this time there is no recoverable value for the investment and has written-down the Company's carrying value of the investment in General Reef to nominal value at November 30, 2007.

Adoption of Accounting Policies

Effective for the Company's fiscal year ended November 30, 2006, the Company adopted the equity accounting method to account for its investment in General Reef. Effective September 24, 2007 the Company adopted the cost method to account for this investment. See General Reef Corporation, above.

Changes In Accounting Policies

Effective December 1, 2006 the Company adopted new CICA Handbook Standards on a prospective basis with no restatement of prior period financial statements.

- (i) Section 3855, "Financial Instruments – Recognition and Measurement" provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. This new standard requires that all financial assets and liabilities be classified as either:

UNITED REEF LIMITED

Management's Discussion and Analysis of Financial Condition and Results of Operations

held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The subsequent recognition depends on their initial classification.

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Held-for-trading financial instruments are carried at fair value with changes in the fair value charged or credited to net earnings in the period in which they arise.
- Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The standard requires the Company to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

Following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 1, 2006:

Cash and cash equivalents	Held-for-trading
Prepaid and sundry receivables	Loans and receivables
Marketable securities and investment at cost in non-public companies	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities

- (ii) Section 1530, "Comprehensive Income", along with Section 3251, "Equity" which amends Section 3250, "Surplus", require enterprises to separately disclose comprehensive income and its components as well as net income in their financial statements. Further, they require enterprises to separately present changes in equity during the period as well as components of equity at the end of the period, including comprehensive income. Since the Company does not have any elements of comprehensive income, the adoption of these sections did not have any impact on the Company's financial statements.

UNITED REEF LIMITED

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- (iii) Section 3865, "Hedges" allows optional treatment providing that hedges be designated as either fair value hedges, cash flow hedges or hedges of a self-sustaining foreign operation. Since the Company does not currently have hedging programs in place which qualify for hedge accounting, the adoption of this section did not have any impact on the Company's financial statements.
- (iv) Section 3861, "Financial Instruments – Disclosure and Presentation". 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. Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.
- (v) CICA Emerging Issues Abstract 160 - "Stripping Cost Incurred in the Production Phase of a Mining Operation" ("EIC-160") which was effective January 1, 2007 requires stripping costs to be accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized over a unit of production basis over the proven and probable reserves to which they directly relate.

Recent Canadian Accounting Pronouncements

Effective January 1, 2007, the Company was required to adopt revised Canadian Institute of Chartered Accountants ("CICA") handbook section 1506, Accounting Changes. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retrospectively. CICA Section 1506 is effective for fiscal years beginning on or after January 1, 2007. The only impact in the current year is to provide disclosure of when an entity has not applied a new source of Generally Accepted Accounting Principles ("GAAP") that has been issued but is not yet effective.

The following accounting policies will be effective for fiscal 2008:

The Company will be required to adopt the CICA Handbook Section 3862 – Financial Instruments - Disclosures. This Section requires the disclosure of information about (i) the significance of financial instruments for the Company's financial position and performance and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The Company will be required to adopt the CICA Handbook Section 3863 – Financial Instruments - Presentation. This Section establishes standards for the presentation of financial instruments and non-financial derivatives.

The Company will be required to adopt the CICA Handbook Section 1535 – Capital Disclosures. This Section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

UNITED REEF LIMITED

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company will be required to adopt the CICA Handbook Section 1400 – General Standards of Financial Statement Presentation. This Section was amended to include guidance on an entity's ability to continue as a going concern. The revised standard explicitly requires management to assess the Company's ability to continue as a going concern.

The Company is assessing the impact of the adoption of the above standards on the financial statements of the Company.

Financial Instruments

Following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 1, 2006:

Cash and cash equivalents	Held-for-trading
Prepaid and sundry receivables	Loans and receivables
Marketable securities and investment at cost in non-public companies	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities

The adoption of this new section did not have any impact on the Company's financial statements for the year ended November 30, 2007.

Design of Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company have assessed (i) the design and evaluated the effectiveness of the Company's disclosure controls and procedures and (ii) the design of the Company's internal control over financial reporting as of November 30, 2007, pursuant to the certification requirements of Multilateral Instrument 52-109.

Disclosure controls require all staff to keep the CEO and CFO fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and ensure its accurate and timely release as appropriate. Access to such material by the CEO and CFO is facilitated by the small size of the Company's senior management and regular communication between them.

The CEO and CFO have satisfied themselves that no material misstatements exist in the Company's financial reporting for the year ended November 30, 2007 and that material information relating to the Company's business and operations has been disclosed in accordance with regulatory requirements and good business practices for the year then ended.

The CEO and CFO believe that its internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for the year ended November 30, 2007.

However, management has concluded that as at November 30, 2007 not all critical policies and procedures were formally documented or formally communicated within the Company and therefore a weakness existed in the design of internal control over financial reporting. The design weakness increases the future risk of material misstatements in the Company's financial reporting. This weakness should also be considered a weakness in the Company's disclosure controls and procedures. Management anticipates completing remediation of this weakness during the 2008 fiscal year. In areas where a lack of

UNITED REEF LIMITED

Management's Discussion and Analysis of Financial Condition and Results of Operations

segregation of duties currently exists, the Company relies on senior management to perform their tasks in a thorough and ethical manner.

There were no changes in the Company's internal controls over financial reporting during the year ended November 30, 2007 that have materially affected or are reasonably likely to affect its internal controls over financial reporting.

Forward Looking Statements

This management's discussion and analysis may contain certain forward looking statements relating, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors, as identified under "Risks and Uncertainties" below, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include, but are not limited to, economic, competitive, regulatory and business conditions. The Company disclaims any responsibility to update any such forward-looking statements. Readers should not place undue reliance on forward-looking statements.

Risks and Uncertainties

The Company's business is subject to risks inherent in mineral and oil and gas exploration and the future development of operations on its projects. In addition, there are risks associated with the Company's potential exploration activity in the case of its CAR oil and gas project which is in a foreign jurisdiction. The Company has identified certain risks pertinent to its business including: exploration and reserve risks, drilling and operating risks, costs and availability of materials and services, access to capital markets and the requirement for additional capital, loss of or changes to joint venture or related agreements, economic and sovereign risks, the possible effects of less developed legal systems, reliance on strategic relationships, market risk, volatility of future oil and gas and metal prices and foreign currency risk. Management attempts to monitor, assess and mitigate certain of these risks by retaining experienced professionals and using modern exploration technology.

March 20, 2008
Toronto, Ontario



KRAFT BERGER LLP CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
UNITED REEF LIMITED

We have audited the balance sheets of **UNITED REEF LIMITED** as at November 30, 2007 and 2006 and the statements of operations and deficit and cash flows for each of 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 financial statements present fairly the financial position of the company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Kraft Berger LLP

KRAFT BERGER LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 11, 2008

UNITED REEF LIMITED
(A Development Stage Company)
Balance Sheets
(Expressed in Canadian dollars)

As at November 30	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$ 159,314	\$ 576,901
Prepaid and sundry receivables	9,682	18,431
Advances to General Reef Corporation (Note 3)	-	18,765
	<u>168,996</u>	<u>614,097</u>
Investment in General Reef Corporation (Note 3)	-	422,677
Investment in exploration properties (Note 4)	222,262	398,659
Equipment (Note 5)	13,490	18,791
	<u>\$ 404,748</u>	<u>\$ 1,454,224</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 93,133	\$ 76,614
Due to a related party (Note 6)	32,879	-
	<u>126,012</u>	<u>76,614</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Note 7)	19,571,332	19,440,508
Shares to be issued (Note 7(c) and 11(b))	70,000	-
Contributed surplus:		
Warrants (Notes 7 (d) and (e))	297,628	298,635
Stock Options (Notes 7(f) and 11(a))	216,074	68,900
Deficit	(19,876,298)	(18,430,433)
	<u>278,736</u>	<u>1,377,610</u>
	<u>\$ 404,748</u>	<u>\$ 1,454,224</u>

Commitments and Contingencies (Notes 4(a) and (c) and 11(c) (ii))
Going Concern (Note 1)

See accompanying notes to the financial statements.

Approved on behalf of the Board

"Signed"

Michael D. Coulter
Director

"Signed"

William W. Ollerhead
Director

UNITED REEF LIMITED
(A Development Stage Company)
Statements of Operations and Deficit
(Expressed in Canadian dollars)

For the years ended November 30	2007	2006
Revenue	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Administration	215,416	222,778
Management fees	80,000	63,000
Consulting fees	-	1,440
Insurance	25,926	16,497
Shareholders' information and filing fees	26,538	23,903
Transfer Agent fees	14,008	17,947
Legal	77,956	60,701
Audit	32,130	25,400
Promotion	1,556	846
Amortization	5,026	3,594
Foreign exchange loss	6,570	2,242
Stock-based compensation (Note 7(f))	165,637	8,521
Loss before the following	<u>(650,763)</u>	<u>(446,869)</u>
Interest and other income	10,960	43,156
Share of loss of General Reef Corporation	(16,252)	(2,323)
Write-down of exploration expenditures	(289,621)	(99,999)
Write-down of Investment in General Reef Corporation	(500,189)	-
Write-down of Investments	-	(10,439)
Gain on sale of Investments	-	96,200
Net loss for the year	<u>(1,445,865)</u>	<u>(420,274)</u>
DEFICIT, beginning of year	<u>(18,430,433)</u>	<u>(18,010,159)</u>
DEFICIT, end of year	<u>\$ (19,876,298)</u>	<u>\$ (18,430,433)</u>
Loss per share for the year (Note 7(g))	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

See accompanying notes to the financial statements.

UNITED REEF LIMITED
(A Development Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended November 30	2007	2006
Operating activities		
Net loss for the year	\$ (1,445,865)	\$ (420,274)
Write-down of investments	-	10,439
Write-down of exploration expenditures	289,621	99,999
Share of loss of General Reef Corporation	16,252	2,323
Write-down of Investment in General Reef Corporation	500,189	-
Amortization of equipment	5,026	3,594
Gain on sale of investments	-	(96,200)
Stock-based compensation	165,637	8,521
	<u>(469,140)</u>	<u>(391,598)</u>
Non-cash components of working capital:		
Prepaid and sundry receivables	8,749	1,645
Accounts payable and accrued liabilities	16,519	18,131
	<u>(443,872)</u>	<u>(371,822)</u>
Investing activities		
Proceeds on sale of investments	-	108,177
Advances to General Reef Corporation	18,765	(18,765)
Increase in Investment in General Reef Corporation	(93,764)	(425,000)
Increase in equipment	-	(20,470)
Disposal of equipment	275	-
Expenditures on exploration properties, net	(113,224)	(56,758)
	<u>(187,948)</u>	<u>(412,816)</u>
Financing activities		
Issuance of common shares	111,354	-
Shares to be issued	70,000	-
Due from joint venture partner	-	3,318
Increase (decrease) in amounts due to a related party	32,879	(10,884)
	<u>214,233</u>	<u>(7,566)</u>
Change in cash and cash equivalents	(417,587)	(792,204)
CASH and cash equivalents, beginning of year	576,901	1,369,105
CASH and cash equivalents, end of year	\$ 159,314	\$ 576,901
Cash and cash equivalents consist of:		
Cash	\$ 80,264	\$ 101,901
Guaranteed investment certificates	79,050	475,000
	<u>\$ 159,314</u>	<u>\$ 576,901</u>
Supplementary Cash Flow Information		
Receipt of 100,000 common shares of International CHS	\$ -	\$ (6,500)

See accompanying notes to the financial statements.

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

United Reef Limited (the “Company”) is a Canadian natural resource exploration company with interests in three projects; a past-producing nickel-copper property in the Sudbury area, Ontario, a mineral exploration property in Hants County, Nova Scotia and an oil and gas project located in northeastern Central African Republic (see Notes 4(a), (b) and (c)), respectively. The Company owns a 40% equity interest in General Reef Corporation, a private Alberta oil and gas exploration company (see Note 3). To date, the Company has not earned significant revenue and is considered to be in the development stage.

These financial statements are prepared in accordance with generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern. The Company has sustained material losses in recent years and management anticipates that the Company will incur a further loss in the coming year which creates uncertainty about the Company’s ability to continue as a going concern. Management is undertaking steps to raise new capital, however, as of the date of completion of these financial statements, management is unable to determine the outcome of these efforts. The Company's ability to realize its assets, discharge its liabilities and continue its operations depends upon its ability to raise additional working capital and equity in the immediate future. These financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Changes In Accounting Policies

Effective December 1, 2006 the Company adopted new CICA Handbook Standards on a prospective basis with no restatement of prior period financial statements.

(i) Section 3855, “Financial Instruments – Recognition and Measurement” provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The subsequent recognition depends on their initial classification.

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.

- Held-for-trading financial instruments are carried at fair value with changes in the fair value charged or credited to net earnings in the period in which they arise.

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

- Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at cost or at amortized cost depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The standard requires the Company to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

Following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 1, 2006:

Cash and cash equivalents	Held-for-trading
Prepaid and sundry receivables	Loans and receivables
Marketable securities and investment at cost in non-public companies	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities

The adoption of this new section did not have any impact on the Company's financial statements.

- (ii) Section 1530, "Comprehensive Income", along with Section 3251, "Equity" which amends Section 3250, "Surplus", require enterprises to separately disclose comprehensive income and its components as well as net income in their financial statements. Further, they require enterprises to separately present changes in equity during the period as well as components of equity at the end of the period, including comprehensive income. Since the Company does not have any elements of

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

comprehensive income, the adoption of these sections did not have any impact on the Company's financial statements.

- (iii) Section 3865, "Hedges" allows optional treatment providing that hedges be designated as either fair value hedges, cash flow hedges or hedges of a self-sustaining foreign operation. Since the Company does not currently have hedging programs in place which qualify for hedge accounting, the adoption of this section did not have any impact on the Company's financial statements.
- (iv) Section 3861, "Financial Instruments – Disclosure and Presentation". 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. Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.
- (v) CICA Emerging Issues Abstract 160 - "Stripping Cost Incurred in the Production Phase of a Mining Operation" ("EIC-160") which was effective January 1, 2007 requires stripping costs to be accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized over a unit of production basis over the proven and probable reserves to which they directly relate.

Investment in General Reef Corporation

The Company used the equity method to account for its investment in General Reef Corporation until September 24, 2007. After that date the Company used the cost method to account for this investment, see Note 3.

Exploration Properties

- (i) Ontario and Nova Scotia

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established, or the properties are sold or abandoned. The ultimate recovery of these costs depends on the discovery and development of economic reserves or the sale of the mineral rights. Proceeds on sale of partial working interests in the property are charged against the costs. The amount shown for non-producing resource properties does not necessarily reflect present or future values.

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

(ii) Oil & Gas Project, Central African Republic

The Company follows the successful efforts method of accounting for its oil and gas activities. Accordingly, property acquisition costs, costs of successful exploration wells, development costs and costs of support equipment and facilities are capitalized. Costs of unsuccessful exploratory wells are expensed when determined to be non-productive. The costs associated with drilling and equipping wells not yet completed are capitalized as uncompleted wells, equipment and facilities. Production costs, overhead and all exploration costs other than costs of exploratory drilling are charged to expense as incurred.

Revenue Recognition

Oil and gas production revenue is recognized as income as production is extracted and sold. Other revenue is recognized at the time it is earned and the Company has a contractual right to receive the revenue.

Foreign Currency Transactions

Foreign currencies are translated to Canadian dollars as follows: monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date, non-monetary assets and liabilities are translated at historical exchange rates and revenue and expenditures at the rates of exchange prevailing on the dates of transactions. The resulting gains and losses are included in income.

Asset Retirement Obligation

The Company has adopted the recommendations under Section 3110, Asset Retirement Obligations, of the CICA handbook ("Section 3110"). Section 3110 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset.

These recommendations require that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Upon settlement of the liability, a gain or loss is recorded. This differs from the prior practice that involved accruing for the estimated reclamation and closure liability through charges to the statement of operations over the life of the project.

Long-lived Asset

The Company reviews, when circumstances indicate it to be necessary, the carrying values of its long-lived assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

which the asset carrying amount exceeds its fair value, based on quoted market prices, when available, or on the estimated current value of future cash flows.

Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to be recoverable or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements such as the valuation of mineral properties, stock-based compensation and investments in non-public corporations and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Equipment

Equipment is carried at cost. Amortization is provided for using the following annual rates and methods:

Computer equipment - 45%, declining balance basis
Office furniture and equipment - 20%, declining balance basis

When equipment is acquired during the year, one-half of the annual amortization is provided for.

Stock-based Compensation

The Company has a stock-based compensation plan, which is used to compensate directors, officers and employees of the Company and consultants to the Company (see Note 7(f)). The Company accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line basis over the vesting period of the options. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

UNITED REEF LIMITED
(A Development Stage Company)
Notes to the Financial Statements
November 30, 2007
(Expressed in Canadian dollars)

Recent Canadian Accounting Pronouncements

Effective January 1, 2007, the Company was required to adopt revised Canadian Institute of Chartered Accountants (“CICA”) handbook section 1506, Accounting Changes. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retrospectively. CICA Section 1506 is effective for fiscal years beginning on or after January 1, 2007. The only impact in the current year is to provide disclosure of when an entity has not applied a new source of Generally Accepted Accounting Principles (“GAAP”) that has been issued but is not yet effective.

The following accounting policies will be effective for fiscal 2008:

The Company will be required to adopt the CICA Handbook Section 3862 – Financial Instruments - Disclosures. This Section requires the disclosure of information about (i) the significance of financial instruments for the Company’s financial position and performance and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The Company will be required to adopt the CICA Handbook Section 3863 – Financial Instruments - Presentation. This Section establishes standards for the presentation of financial instruments and non-financial derivatives.

The Company will be required to adopt the CICA Handbook Section 1535 – Capital Disclosures. This Section specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company will be required to adopt the CICA Handbook Section 1400 – General Standards of Financial Statement Presentation. This Section was amended to include guidance on an entity’s ability to continue as a going concern. The revised standard explicitly requires management to assess the Company’s ability to continue as a going concern.

The Company is assessing the impact of the adoption of the above standards on the financial statements of the Company.

3. Investment in General Reef Corporation

Effective November 15, 2006 the Company acquired a 5% equity interest in General Reef Corporation (formerly 1270194 Alberta Ltd.) (“General Reef”) (a private Alberta

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company) for \$425,000 and entered into a unanimous Shareholders' Agreement to govern the operation and management of General Reef. General Reef was established for the purpose of acquiring, exploring and developing oil and gas properties in North America.

The unanimous Shareholders' Agreement provided an option, which expired on June 28, 2007, to allow the Company to increase its ownership interest in General Reef.

Pursuant to the terms of an amendment to the Shareholder's Agreement, on May 28, 2007 the Company advanced \$75,000 to General Reef as a non-interest bearing loan. In addition, the other General Reef shareholders advanced \$225,000 to the Company as non-interest bearing loans and upon receipt of these funds the Company advanced the \$225,000 to General Reef as an additional non-interest bearing loan. These loans and advances were settled in full as part of a reorganization of the ownership of General Reef completed in September, 2007.

Until September 24, 2007, the Company accounted for its investment in General Reef by the equity method, as it was contemplated to that date that the Company may increase its ownership interest in General Reef. The Company has included in operations its proportionate interest (5%) of General Reef's loss to September 24, 2007. Following completion of the reorganization of General Reef described below, the Company used the cost method to account for this investment as it no longer had significant influence over General Reef.

Effective September 24, 2007 the Company completed a transaction (the "Reorganization") with the other shareholders of General Reef which resulted in the Company increasing its interest in General Reef to 40% for a total cash investment of \$518,765, as described below. The Company partially wrote-down the carrying value of its investment in General Reef at August 31, 2007 to reflect the Company's pro rata share of the estimated fair value of General Reef at the completion of the Reorganization.

The Company acquired an additional 35% equity interest in General Reef through the Reorganization by acquiring 7,774 General Reef common shares from General Gas Corporation, one of the General Reef shareholders, as consideration for the termination of the unanimous Shareholders' Agreement, and 11,877 General Reef common shares from treasury, in full and final satisfaction of an aggregate of \$93,765 of outstanding loans and advances owed to the Company by General Reef.

	Number of General Reef Shares Held by the Company	Amount
Investment in General Reef at November 30, 2006	500	\$422,677
Less: Share (5%) of General Reef's loss for the period ended September 24, 2007	-	(16,252)
	500	\$406,425
Plus: Additional shares of General Reef acquired in settlement of \$93,765 of advances to General Reef	11,877	93,765
Plus: Shares of General Reef received as consideration		

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	Number of General Reef Shares Held by the Company	Amount
from General Gas for termination of the unanimous Shareholders' Agreement	7,774	-
Less: Write-down to adjust carrying value of the Company's 40% interest to estimated fair value of General Reef at the completion of the Reorganization	-	(175,190)
Investment in General Reef at completion of the Reorganization on September 24, 2007	20,151	\$325,000

Subsequent to closing of the Reorganization the General Reef shares were split on a ratio of approximately 19.85:1 resulting in the Company's 20,151 shares of General Reef being exchanged into 400,000 General Reef common shares, representing 40% of General Reef's outstanding share capital. Following the Reorganization, the Company has the right, but no obligation, to participate in future financings of General Reef.

On September 18, 2007 General Reef advised the Company that General Reef had entered into a definitive farmin and option agreement with EnCana Oil & Gas Partnership for certain farmin rights on 40.6 sections of freehold petroleum and natural gas rights in the Warner area of southern Alberta.

The Company is continuing to evaluate its investment in General Reef. Management believes that General Reef would have substantially exhausted its treasury by January, 2008. Management has therefore determined that at this time there is no recoverable value for the investment and has written-down the Company's carrying value of the investment in General Reef to nominal value at November 30, 2007.

4. Investment in Exploration Properties

Property Description	Balance at November 30, 2005	Expendi- tures	Recoveries	Balance at November 30, 2006	Expendi- tures	Recoveries/ Write- Downs	Balance at November 30, 2007
Nickel Offsets, Sudbury area, Ontario, Note 4(a)	\$167,293	\$ 8,944	\$ (23,464)	\$152,773	\$ 41,430	\$ (41,430)	\$152,773
Hants County, Nova Scotia, Note 4(b)	-	13,787	-	13,787	55,698	-	69,485
Oil & Gas Project, Central African Republic, Note 4(c)	281,104	50,991	(99,999)	232,096	16,096	(248,191)	1
Other	3	-	-	3	-	-	3
	<u>\$448,400</u>	<u>\$73,722</u>	<u>\$(123,463)</u>	<u>\$398,659</u>	<u>\$113,224</u>	<u>\$(289,621)</u>	<u>\$222,262</u>

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(a) Nickel Offsets, Sudbury area, Ontario

The Company holds a 100% interest in 12 patented and 5 unpatented mining claims located in Foy Township, Sudbury Mining Division, Ontario. Effective May 9, 2007 the Company entered into a non-binding letter of intent (the "LOI") with FNX Mining Company Inc. ("FNX") whereby the Company agreed to grant FNX an option to earn a 70% interest in the Nickel Offsets property. The LOI contemplated the negotiation and execution of formal option and joint venture agreements between the Company and FNX prior to which there was no binding agreement between the parties. On January 28, 2008 the Company received notice from FNX that they would not be proceeding to formalize the option and joint venture agreements and the option terminated. Subsequent to the year end the Company entered into a new option agreement on the property. See Note 11(c)(ii).

At November 30, 2007 the Company wrote-down expenditures incurred on the property during the year in the amount of \$41,430 which primarily related to the voluntary review initiated of the property by the Company to assess the potential need to undertake rehabilitation of mine hazards and environmental impacts associated with the past mining activity on the property.

There is no closure plan for the property as operations ceased some fifty years ago, well before closure planning requirements came into force. The Company has no current obligation to prepare a closure plan but is responsible to ensure any mine hazards are addressed. The independent environmental mining engineer retained by the Company to carry out the assessment provided a report to the Company on his findings and recommendations to address certain existing physical mine hazards on the property and other property rehabilitation.

As a result of the report, new safety fencing and signage were installed around the hazards to prevent inadvertent public access. The Company is evaluating the consultant's other recommendations including, installation of new concrete caps on the two shafts at an estimated cost of \$25-35,000 each, covering the exposed tailings beach at an estimated cost of \$90,000 and continued periodic environmental water quality sampling and reporting estimated at a cost of \$10-15,000 to add to the knowledge data base on the property.

Management has not yet determined what, if any, provision should be made for the fair value of any potential future asset retirement obligation related to the property. Therefore, no provision has been recorded in the Company's accounts for the year ended November 30, 2007.

The following table provides a breakdown of expenditures on the project to November 30, 2007.

	Balance at November 30, 2005	Expendi- -tures	Recoveries	Balance at November 30, 2006	Expendi- -tures	Write- -downs	Balance at November 30, 2007
Acquisition	\$ 20,001	\$ -	\$ -	\$ 20,001	\$ -	\$ -	\$ 20,001
Option payments	(60,000)	-	(16,500)	(76,500)	-	-	(76,500)
Assaying	9,324	-	-	9,324	-	-	9,324
Consulting	94,558	-	-	94,558	21,129	-	115,687
Drilling	202,072	-	(3,848)	198,224	-	-	198,224
Equipment rentals	-	-	-	-	3,204	-	3,204
Geology	158,542	3,755	-	162,297	9,860	-	172,157
Geophysical surveys	53,053	-	-	53,053	-	-	53,053
Management fees	5,000	-	-	5,000	-	-	5,000

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	Balance at November 30, 2005	Expendi- -tures	Recoveries	Balance at November 30, 2006	Expendi- -tures	Write- downs	Balance at November 30, 2007
Staking costs	3,434	-	-	3,434	-	-	3,434
Miscellaneous	18,695	5,189	-	23,884	7,237	-	31,121
Write-down	-	-	-	-	-	(41,430)	(41,430)
Exploration expenditures recovered	(337,386)	-	(3,116)	(340,502)	-	-	(340,502)
	<u>\$167,293</u>	<u>\$8,944</u>	<u>\$(23,464)</u>	<u>\$152,773</u>	<u>\$41,430</u>	<u>\$(41,430)</u>	<u>\$152,773</u>

(b) Hants County, Nova Scotia

At November 30, 2007, the Company held a 100% interest in 7 exploration licences in Hants County, Nova Scotia which cover 262 contiguous claims over an area of approximately 41km². The Company is continuing an evaluation of the claims. Subsequent to the year end the Company staked additional claims in Hants County. See Note 11(d).

The following table provides a breakdown of expenditures on the project to November 30, 2007.

	Balance at November 30, 2005	Expenditures	Balance at November 30, 2006	Expenditures	Balance at November 30, 2007
Consulting	\$ -	\$ 3,375	\$ 3,375	\$ 7,111	\$10,486
Geology	-	7,559	7,559	20,418	27,977
Geophysics	-	-	-	3,456	3,456
Staking costs	-	2,640	2,640	1,997	4,637
Drilling	-	-	-	16,347	16,347
Assaying	-	-	-	719	719
Travel	-	-	-	4,684	4,684
Miscellaneous	-	213	213	966	1,179
	<u>\$ -</u>	<u>\$13,787</u>	<u>\$13,787</u>	<u>\$55,698</u>	<u>69,485</u>

(c) Oil and Gas Project, CAR

The Company has the right to earn a 25% interest in RSM Production Corporation's ("RSM") 55,504 km² oil & gas exploration permit area and RSM's related operating agreement in the Central African Republic ("CAR"). RSM has declared *force majeure* under their agreement with CAR and submitted an application to the International Centre for Settlement of Investment Disputes ("ICSID") requesting arbitration to resolve a dispute between RSM and CAR over CAR's failure to acknowledge suspension of RSM's agreement due to *force majeure*. The Company has been advised that on January 18, 2007 ICSID formally registered RSM's request to arbitrate its dispute with CAR and a case number was assigned to the request.

The Company may earn its interest in RSM's permit area by funding 50% of the cost to acquire 2,000 line kilometres of new 2D-seismic data over areas of the permit not previously covered and by funding 50% of the cost to drill the first eight exploration wells on the permit.

The following table provides a breakdown of expenditures on the project to November 30, 2007.

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	Balance at November 30, 2005	Expendi- tures	Write- Down	Balance at November 30, 2006	Expendi- Tures	Write- Down	Balance at November 30, 2007
Communications/ Translation services	\$ 71,665	\$13,438	\$ -	\$ 85,103	\$ -	\$ (85,103)	\$ -
Consulting	69,829	1,825	-	71,654	-	(71,654)	-
Travel	43,701	3,219	-	46,920	-	(46,920)	-
Legals	37,741	289	-	38,030	-	(38,030)	-
Recoveries	(20,378)	-	-	(20,378)	-	20,378	-
CAR expenses	71,582	28,417	(99,999)	-	16,097	(16,097)	-
Miscellaneous	6,964	3,803	-	10,767	-	(10,766)	1
	<u>\$281,104</u>	<u>\$50,991</u>	<u>\$(99,999)</u>	<u>\$232,096</u>	<u>\$16,097</u>	<u>\$(248,192)</u>	<u>\$1</u>

There was no progress made during the year in resolving the *force majeure* issue between RSM and CAR. Therefore management is unable to estimate the timing or outcome of the dispute and determine when or if the Company will have an opportunity to participate in the project. Management has therefore written-down the carrying value of the project to nominal value at year end.

5. Equipment

	2007		2006	
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 7,941	\$5,031	\$2,910	\$ 5,291
Office furniture and equipment	14,725	4,145	10,580	13,500
	<u>\$22,666</u>	<u>\$9,176</u>	<u>\$13,490</u>	<u>\$18,791</u>

6. Related Party Transactions

- (a) During the year, the Company incurred expenses in the amount of \$130,000 (2006-151,828 including rent) for accounting, administrative and management services provided by M.D. Coulter & Associates Inc. ("MDC"), a company whose shareholders are the President and Secretary of the Company. At November 30, 2007 the Company was indebted to MDC for \$32,879 (2006 – Nil), included in this amount is \$4,239 for unreimbursed expenditures made by the President for the Nickel Offsets property.

MDC provided furnished offices for the Company until November 30, 2006. Effective December 1, 2006 the Company agreed to be responsible for payment of the gross rental cost of the office space for the remainder of the lease term which expired August 31, 2009, net of any recoveries MDC may receive from other sub-tenants. In the event the Company wished to terminate the rental of the office space prior to August 31, 2009, the Company was to provide MDC with 120 days written notice. The gross monthly rent was \$5,059 plus GST. Effective November 30, 2007 the lease was terminated and the Company relocated its office.

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- (b) During the year, the Company incurred expenditures in the amount of \$77,956 (2006 - \$57,429) for professional fees paid to Macleod Dixon LLP, a law firm of which Richard Lachcik, a director of the Company, is a partner.

Management believes the above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Capital Stock

- (a) *Authorized Capital:* Unlimited number of common shares without par value.

- (b) *Issued Share Capital:*

Common Shares	Number of Common Shares	Amount
Balance at November 30, 2005 and 2006	63,660,287	\$19,440,508
Issued for cash (exercise of options)	662,500	96,250
Issued for cash (exercise of broker warrants)	100,693	15,104
Issue of warrants, value assigned	-	1,007
Stock-based compensation expense	-	18,463
Balance at November 30, 2007	64,423,480	\$19,571,332

- (c) *Shares to be Issued*

Subsequent to the year end the Company completed a private placement. See Note 11(b).

- (d) *Common Share Purchase Warrants*

	Number of Common Share Purchase Warrants	Value Assigned \$	Average Exercise Price \$
Balance at November 30, 2005	9,918,918	250,397	-
Expired	(4,540,000)	-	0.15
Balance at November 30, 2006	5,378,918	250,397	0.20
Exercise of broker warrants	50,346	1,007	0.15
Expired	(5,429,264)	-	-
Balance at November 30, 2007	-	251,404	

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(e) Broker's Warrants

	Number of Broker's Warrants	Value Assigned \$	Average Exercise Price \$
Balance at November 30, 2005	1,515,627	48,238	-
Expired	(655,000)	-	0.10
Balance at November 30, 2006	860,627	48,238	0.15
Exercised	(50,346)	(2,014)	-
Expired	(810,281)	-	-
Balance at November 30, 2007	-	46,224	

(f) Common Share Purchase Options

At the Annual and Special Meeting of shareholders held on June 2, 2005, shareholders approved the adoption of a new stock option plan of the Company, the 2005 Stock Option Plan (the "Plan"). A total of 7,500,000 common shares of the Company are reserved for grant under the Plan which included the 3,200,000 options reserved for issuance under the previous plan. The Plan governs the granting and exercise of options issued to directors, officers, employees and consultants of the Company.

	Number of Options Outstanding
Balance at November 30, 2005	3,700,000
Expired	(400,000)
Granted	400,000
Balance at November 30, 2006	3,700,000
Expired	(2,200,000)
Forfeited	(275,000)
Granted	3,262,500
Exercised	(662,500)
Balance at November 30, 2007	3,825,000

The following table summarizes information about the number of options outstanding and exercisable at November 30, 2007.

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Number of Options Outstanding at November 30, 2007	Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Exercisable at November 30, 2007
500,000	0.15	0.5 years	500,000
400,000	0.15	1.5 years	300,000
662,500	0.10	2.2 years	331,250
2,200,000	0.15	2.2 years	1,100,000
62,500	0.10	2.2 years	31,250
3,825,000			2,262,500

During the year ended November 30, 2007, the Company recognized a stock based compensation expense of \$165,637 (2006 - \$8,521).

The cumulative stock-based compensation expense is as follows:

Balance at November 30, 2005	\$ 60,379
Stock-based compensation expense	8,521
Balance at November 30, 2006	68,900
Stock-based compensation expense	165,637
Transfer to share capital on exercise of stock options	(18,463)
Balance at November 30, 2007	\$216,074

The weighted average fair value at the date of grant for options granted during 2007 was \$0.060 (2006 - \$0.018).

Date of Grant	January 24 and 31, 2007	August 22, 2006
Risk-free interest rate	4.50%	4.50%
Expected dividend yield	-	-
Expected share price volatility	145%	70%
Expected life of the options	3 years	3 years

Certain stock options expired subsequent to the year end (see Note 11(a)).

(g) *Loss Per Share*

Loss per share is calculated using the basic and diluted weighted average number of shares outstanding during the year which was 64,089,059 shares (2006 - 63,660,287). The determination of the weighted average number of shares outstanding for the calculation of loss per share does not include the effect of outstanding options of 3,825,000 (2006 - 3,700,000) since they are anti-dilutive.

8. Income Taxes

The major components of the future tax assets and liabilities classified by the source of temporary differences that gave rise to the benefit are as follows.

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	2007	2006
Net operating losses	\$ 624,000	\$ 606,000
Net capital losses	670,000	831,000
Canadian exploration and development expenses	218,000	256,000
Foreign exploration and development expenses	338,000	330,000
Stock issuance cost	37,000	74,000
Total	1,887,000	2,097,000
Less: valuation allowance	(1,887,000)	(2,097,000)
	\$ -	\$ -

In assessing the realizability of the future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets and liabilities is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income tax planning strategies in making this assessment. As at November 30, 2007, based upon the level of historical taxable income and projections for future taxable income over the periods which the future tax assets are deductible, management believes it is more likely than not the corporation will not realize the benefits of these deductible differences.

The recovery of income taxes varied from the amounts that would be computed by applying the Canadian federal and provincial statutory rates of approximately 36% (2006 – 36%) to income before income taxes as follows:

	2007	2006
Expected income tax recovery using statutory income tax rates	\$ 522,000	\$ 151,000
Increase (decrease) in tax recovery resulting From:		
Stock-based compensation	(60,000)	(3,000)
Write-down of investments	(181,000)	-
Non-taxable portion of capital gains	-	10,000
Non-deductible expenses and other	(6,000)	(1,000)
Total	275,000	157,000
Tax benefit of losses not currently recognized	(275,000)	(157,000)
	\$ -	\$ -

As at November 30, 2007, the Company had the following approximate tax loss carryforwards available, to the extent permitted by tax regulations, to reduce future income taxes:

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(a) Non-Capital Losses

The Company has non-capital losses carried forward of approximately \$2,150,000 available, for income tax purposes, to reduce future years' taxable income. These losses expire in the years 2008 to 2027.

(b) Net Capital Losses

The Company has net capital losses carried forward of approximately \$4,618,000 available indefinitely, for income tax purposes, to reduce future years' taxable capital gains.

(c) Canadian Exploration and Development Expenses

The Company has Canadian Exploration and Development expenses of approximately \$975,000 available, for income tax purposes, to reduce future income from resource properties.

(d) Foreign Exploration and Development Expenses

The Company has Foreign Exploration and Development expenses of approximately \$1,166,000 available, for income tax purposes, to reduce future foreign income from resource properties.

9. Financial Instruments

(a) Fair Value

The carrying amounts reflected in the balance sheet for financial instruments approximated the fair values due to the short maturities of these instruments.

(b) Foreign Exchange

Foreign exchange risk is a risk where a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. A portion of the Company's transactions are denominated in US dollars. Significant foreign exchange gains (losses) are reflected as a separate component of expenses. The Company has not entered into forward foreign exchange derivative contracts.

10. Segmented Information

The Company's operations include the acquisition, exploration, development and production of oil and gas and mineral properties.

Details of these operations by industry and geographical segments are as follows:

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By Industry and Geographical Segments	2007	2006
Assets		
Mineral properties, Canada	\$222,261	\$166,563
Oil & Gas property, Central African Republic	1	232,096
	<u>\$222,262</u>	<u>\$398,659</u>
Capital Expenditures		
Mineral properties, Canada	\$ 97,128	\$ 22,731
Oil & Gas property, Central African Republic	16,097	50,991
	<u>\$113,225</u>	<u>\$73,722</u>

11. Subsequent Events

(a) Stock Options

On December 30, 2007, 12,500 vested common share purchase options expired, unexercised. On January 2 and January 5, 2008, 400,000 and 200,000 vested common share purchase options expired, unexercised.

(b) Private Placement

The Company closed a non-brokered private placement on December 21, 2007 and January 7, 2008 of 1,537,500 Units at a price of \$0.08 per Unit with private investors for proceeds of \$123,000. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.12 for a period of two years from December 21, 2007 and January 7, 2008. Subscription proceeds of \$70,000 were received prior to November 30, 2007.

Michael Coulter, President and Marilyn Turner, Secretary, of the Company each subscribed for 156,250 Units of the private placement.

The proceeds of the private placement will be used for general corporate purposes and asset acquisition investigations. The securities issued pursuant to the private placement are subject to a four month hold period in accordance with applicable securities law and the policies of the TSX Venture Exchange.

(c) Nickel Offsets Property

- (i) The Company received notice from FNX Mining Company Inc. ("FNX") on January 29, 2008 that FNX would not be proceeding to formalize the option and joint venture proposal they made to the Company in May, 2007 to earn an interest in the Nickel Offsets property.
- (ii) The Company entered into a binding letter of intent (the "LOI") with URSA Major Minerals Incorporated ("URSA Major") on March 6, 2008 whereby the Company has granted URSA Major an option to earn a 70% interest in the Nickel

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Offsets property. The transaction is subject to the negotiation and execution of definitive option and joint venture agreements (the "Agreement") and to obtaining all required regulatory approvals or consents.

The option grants URSA Major the right to earn a 70% interest in the Nickel Offsets property by making exploration expenditures on the property totalling \$1.25 million over a period of three years from the effective date of the Agreement and making annual cash payments of \$25,000 to the Company. The initial payment of \$25,000 was received on signing the LOI. URSA Major will be required to make a minimum expenditure of \$250,000 during the first year of the option. The rate of expenditures during the second and third years of the option will be at the election of URSA Major with the right to accelerate their expenditures during the option period.

Upon URSA Major incurring \$1.25 million in exploration expenditures and making payments totalling \$75,000, the parties will form a joint venture for the further exploration and development of the property with URSA Major having a 70% interest and becoming the operator and the Company having a 30% interest. Thereafter the parties will fund their respective pro rata interest in the joint venture for approved programs and expenditures. Once a joint venture is formed, the Company may elect to fund its 30% interest in the joint venture or convert its interest to a 2% net smelter royalty and allow URSA Major to vest a 100% interest in the property. Should the Company elect to convert its interest to a net smelter royalty, URSA Major will have the right thereafter to purchase 1% of the royalty from the Company for consideration of \$1 million at any time. In the event that URSA Major fails to make the cash payments and incur \$1.25 million of expenditures on or before the third anniversary of the Agreement, their option will terminate and the property will revert to the Company.

(d) Hants County, Nova Scotia

During January and February, 2008, the Company staked additional claims in Hants County to the north and west of the original property. The project is now made up of 14 mineral licences, consisting of 513 claims covering an area of 81 km².