

Consolidated Financial Statements of

MONROE MINERALS INC.

Three months ended March 31, 2006
(Unaudited)

Notice - These interim consolidated financial statements have not been reviewed by an auditor.

MONROE MINERALS INC.

Consolidated Balance Sheets - Unaudited

	March 31	December 31
	2006	2005
Assets		
Current assets:		
Cash	\$ 536,732	\$ 954,859
Accounts receivable	16,559	34,117
Inventory	64,124	80,724
Prepaid expenses and other	130,770	34,907
	748,185	1,104,607
Deposit (Note 2)	467,040	466,400
Mineral interests (Note 2)	2,502,074	2,332,410
	\$ 3,717,299	\$ 3,903,417
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 399,060	\$ 340,075
Current portion of long term debt (Note 3)	308,058	299,134
	707,118	639,209
Long term debt (Note 3)	308,058	299,134
Amount due to related party (Note 3)	335,000	380,000
	1,350,176	1,318,343
Shareholders' equity:		
Share capital and other (Note 4)	7,137,507	7,155,908
Deficit	(4,770,384)	(4,570,834)
	2,367,123	2,585,074
	\$ 3,717,299	\$ 3,903,417

See accompanying notes

On behalf of the Board:

"Derek J. Moran"
Derek J. Moran, Director

"Peter T. Farkas"
Peter T. Farkas, Director

MONROE MINERALS INC.

Consolidated Statements of Loss and Deficit - Unaudited

Three months ended March 31	2006	2005
Direct costs:		
Mining operations	\$ 5,615	\$ 6,148
Depletion and amortization	2,760	1,016
Loss from mining operations	8,375	7,164
General and administrative	175,449	172,213
Loss before the following:	183,824	179,377
Interest on long term debt	10,417	12,099
Foreign exchange loss (gain)	5,309	(10,533)
Loss on disposal of mineral interests	-	19,796
Loss before non-controlling interest:	199,550	200,739
Non-controlling interest	-	(32,668)
Loss for the period	199,550	168,071
Deficit, beginning of period	4,570,834	3,978,508
Deficit, end of period	\$ 4,770,384	\$ 4,146,579
Loss per share - basic and diluted	\$ 0.00	\$ 0.00

See accompanying notes

MONROE MINERALS INC.

Consolidated Cash Flow Statements - Unaudited

Three months ended March 31	2006	2005
Cash flows from (used by) operating activities:		
Loss for the period	\$ (199,550)	\$ (168,071)
Add (deduct) non-cash items		
Depletion and amortization	2,760	1,016
Foreign exchange loss (gain)	5,309	(10,533)
Loss on disposal of mineral interests	-	19,796
Stock options expense	11,125	12,474
Non-controlling interest	-	(32,668)
Change in non-cash working capital	(85,321)	28,010
	<u>(265,677)</u>	<u>(149,976)</u>
Cash flows from (used by) financing activities:		
Issuance of long term debt	-	1,829
Repayment of amount due to related party	(45,000)	-
Share issue costs	(29,526)	(1,756)
Change in non-cash working capital	(5,285)	31,959
	<u>(79,811)</u>	<u>32,032</u>
Cash flows from (used by) investing activities:		
Mineral interests	(135,108)	1,092
Change in non-cash working capital	62,469	210,852
	<u>(72,639)</u>	<u>211,944</u>
Net increase (decrease) in cash	(418,127)	94,000
Cash at beginning of period	954,859	522,650
Cash at end of period	\$ 536,732	\$ 616,650

See accompanying notes

MONROE MINERALS INC.

Notes to Consolidated Financial Statements

March 31, 2006 - Unaudited

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

1. Basis of presentation:

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and follow the same accounting principles and methods of application as those disclosed in Note 1 to the Company's audited consolidated financial statements for the year ended December 31, 2005. These financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and, accordingly, should be read in conjunction with the Company's consolidated financial statements included in the 2005 Annual Report.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from those estimates.

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

2. Mineral interests:

December 31, 2005

	Cost	Accumulated depletion and amortization, and write downs	Net
London	\$ 2,184,952	\$ 381,818	\$ 1,803,134
Allandale	51,753	-	51,753
Southwestern Transvaal	23,121	-	23,121
Middle Orange River	189,328	-	189,328
Angola	239,738	-	239,738
Mining, processing and office equipment	98,133	72,797	25,336
Total	\$ 2,787,025	\$ 454,615	\$ 2,332,410

March 31, 2006

	Cost	Accumulated depletion and amortization, and write downs	Net
London	\$ 2,195,048	\$ 381,818	\$ 1,813,230
Allandale	51,753	-	51,753
Southwestern Transvaal	23,121	-	23,121
Middle Orange River	189,328	-	189,328
Angola	384,944	-	384,944
Mining, processing and office equipment	115,255	75,557	39,698
Total	\$ 2,959,449	\$ 457,375	\$ 2,502,074

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Notes to Consolidated Financial Statements

March 31, 2006 - Unaudited

2. Mineral interests (continued):

Mineral interests under development totalling \$649,146 (December 31, 2005 - \$503,940) are not subject to depletion and amortization. During the period, \$45,054 (2005 - \$1,717) of general and administrative expenses and \$150,720 (2005 - \$36,511) of salaries relating to exploration activities were capitalized to mineral interests.

The reclamation and closure costs relating to the London project were incurred as part of operating costs for the year. Accordingly, there are no additional provisions required and the estimated future reclamation and closure costs at March 31, 2006 are \$nil (2005 - \$nil).

In connection with the Cangandala Concession in Angola, the Company has made a deposit of US \$400,000 with Endiama, the Angolan state diamond company.

3. Long term debt and amount due to related party:

	March 31 2006	December 31 2005
Loan, denominated in sterling, bearing interest at 7% per annum, with no repayment terms and secured by a charge on the income from the London, South Africa mineral interests, due to an entity controlled by the Company's controlling shareholder.	\$ 616,116	\$ 598,268
Less current portion	(308,058)	(299,134)
	\$ 308,058	\$ 299,134

The amount due to related party of \$335,000 (December 31, 2005 - \$380,000) is in respect of unpaid salary to the President of the Company, is unsecured, has no repayment terms and bears no interest. An additional \$100,000 (December 31, 2005 - \$50,000) of unpaid salary is included in accounts payable and accrued liabilities.

The Company is also indebted to the President of the Company in the amount of \$3,847 (December 31, 2005 - \$34,539) in respect of expenses incurred on its behalf. These amounts, included in accounts payable and accrued liabilities, have no fixed terms of repayment, are unsecured and bear no interest.

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

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Notes to Consolidated Financial Statements

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4. Share capital and other:

Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares in one or more series.

Common shares issued:	Number	Amount
Balance, December 31, 2004	47,827,618	\$ 5,463,598
Shares issued for cash pursuant to a Short Form Offering Document	9,451,500	869,695
Shares issued for cash in a private placement	4,800,000	488,000
Share issue costs	-	(368,889)
Balance, December 31, 2005	62,079,118	\$ 6,452,404
Share issue costs	-	(29,526)
Balance, March 31, 2006	62,079,118	\$ 6,422,878

Warrants issued:	Number	Amount
Balance, December 31, 2004	650,000	\$ 15,000
Warrants issued for cash pursuant to a Short Form Offering Document	9,451,500	359,000
Warrants issued for cash in a private placement	4,800,000	136,000
Warrants issued to broker	313,000	15,000
Balance, December 31, 2005 and March 31, 2006	15,214,500	\$ 525,000

Contributed surplus:	Amount
Balance, December 31, 2004	\$ 78,004
Stock options issued to consultants	44,500
Stock options issued to broker	56,000
Balance, December 31, 2005	\$ 178,504
Stock options issued to consultants	11,125
Balance, March 31, 2006	\$ 189,629

Share capital and other, December 31, 2005 \$ 7,155,908

Share capital and other, March 31, 2006 \$ 7,137,507

(a) Financing:

In November and December 2005, the Company issued 14,251,500 units at a purchase price of \$0.13 per unit for total consideration of \$1,852,695 by way of Short Form Offering Document and private placement. Each unit consists of one common share and one common share purchase warrant ("warrant"). Each warrant is exercisable for 18 months from the date of issuance into one common share at a price of \$0.20 per common share, subject to earlier expiry in certain circumstances. Agents for the financing received cash commissions totalling \$149,455, broker warrants to acquire up to 313,000 common shares at a purchase price of \$0.13 per common share on or before May 22, 2007, and agent options to acquire up to 945,150 units ("agent units") at a purchase price of \$0.13 per agent unit on or before May 17, 2007. Each agent unit consists of one common share and one common share purchase warrant ("agent warrant"). Each agent warrant is exercisable until May 17, 2007 into one common share at a price of \$0.20 per common share, subject to earlier expiry in certain circumstances.

(b) Diluted loss per share:

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

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4. Share capital and other (continued):

(c) Pro forma information:

The following pro forma information relates to the issuance of 2,275,000 employee/director options granted during the period January 1, 2002 to December 31, 2002. Pro forma annual option expense of \$27,488 results in a pro forma loss and loss per share of \$206,422 and \$0.00 per share respectively (2005 - 194,943 and \$0.00 per share) for the period ended March 31, 2006.

(d) Stock options and warrants:

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
Incentive stock plan options						
Employees/directors	4,500,000	\$0.20	3,550,000	\$0.21	Apr 2002 - Dec 2004	Jun 2006 - Dec 2009
Consultants	855,000	0.25	855,000	0.25	Apr 2002 - Jul 2002	Jun 2006 - Jul 2007
Total	5,355,000	0.21	4,405,000	0.22		
Other options						
Vuyal options	500,000	\$0.30	500,000	\$0.30	Dec 2003	Dec 2007
Total	500,000	0.30	500,000	0.30		
Options and warrants						
Short Form Offering Document	9,451,500	\$0.20	9,451,500	\$0.20	Nov 2005	May 2007
Private placement	8,050,000	0.20	8,050,000	0.20	Dec 2004 - Dec 2005	Jun 2006 - May 2007
Agent options	945,150	0.13	945,150	0.13	Nov 2005	May 2007
Broker warrants	963,000	0.13	963,000	0.13	Dec 2004 - Nov 2005	Jun 2006 - May 2007
Total	19,409,650	0.19	19,409,650	0.19		

	March 31 2006		December 31 2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Incentive stock plan options				
Outstanding at beginning of period	5,355,000	\$0.21	5,355,000	\$0.21
Outstanding at end of period	5,355,000	0.21	5,355,000	0.21
Exercisable at end of period	4,405,000	0.22	4,155,000	0.22
Other options				
Outstanding at beginning of period	500,000	\$0.30	500,000	\$0.30
Outstanding and exercisable at end of period	500,000	0.30	500,000	0.30
Options and warrants				
Outstanding at beginning of period	19,409,650	\$0.19	3,900,000	\$0.19
Warrants issued pursuant to Short Form Offering Document	-	-	9,451,500	0.20
Warrants issued pursuant to a private placement	-	-	4,800,000	0.20
Options granted to agent on Short Form Offering Document (*)	-	-	945,150	0.13
Warrants granted to brokers on private placement	-	-	313,000	0.13
Outstanding and exercisable at end of period	19,409,650	0.19	19,409,650	0.19

* Options granted are to acquire one common share and one common share purchase warrant (Note 4(a)).

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5. Income taxes:

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

	March 31 2006	March 31 2005
Income tax rate	32.1%	33.6%
Computed "expected" income tax reduction	\$ (64,055)	\$ (199,022)
Unrecognized benefit of unutilized losses	64,055	199,022
	\$ -	\$ -

The components of the net future income tax asset at March 31, 2006, no portion of which has been recorded in these financial statements, are as follows:

	March 31 2006	December 31 2005
Non-capital/net operating losses	\$ 1,148,000	\$ 1,340,000
Capital losses	28,000	29,000
Mineral interests	1,030,000	1,085,000
	2,206,000	2,454,000
Less valuation allowance	(2,206,000)	(2,454,000)
	\$ -	\$ -

6. Subsequent event:

On April 18, 2006, the Company issued 7,983,076 units at a purchase price of \$0.13 per unit for total consideration of \$1,037,800 by way of a private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of \$0.20 per common share until October 18, 2007. The Company has the right to accelerate expiry of the warrants should the trading price of its common shares exceed \$0.20 per share over a period of 20 consecutive trading days. The common shares and warrants are subject to a four month hold period from the date of issuance. A finders fee in the amount of \$51,738 was paid to an arm's length finder in connection with the offering.

Management Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the results for the quarter ended March 31, 2006 (referred to as the first quarter) should be read in conjunction with Monroe Minerals Inc.'s ("Monroe" or "the Company") audited consolidated financial statements for the year ended December 31, 2005 (filed on SEDAR on April 12, 2006) and the accompanying notes, as well as the Company's unaudited consolidated financial statements and notes for the three months ended March 31, 2006. The MD&A has been prepared as of May 26, 2006. Information provided herein relating to the balance of 2006 and later years is based on assumptions regarding future events and results may vary.

First Quarter Highlights

Highlights during the first quarter of 2006 include:

- On February 2, 2006, the Company announced its intention to raise further finance. Subsequently, on April 18, 2006, the Company issued 7,983,076 units ("Units") by way of private placement at a purchase price of \$0.13 per Unit for an aggregate consideration of \$1,037,800. Each Unit consists of one common share in the share capital of Monroe and one half of one Common Share purchase warrant. Each full Warrant is exercisable for 18 months from the date of issuance into one Common Share at a price of \$0.20 per Common Share, subject to earlier expiry in certain circumstances.
- The Company successfully completed a two year trial mining study at the London diamond property in Northwest Province, South Africa. The production test generated gross revenue of more than US\$3 million from both A0 and A1 diamondiferous gravels and in January the Company announced that it had applied to the Department of Minerals and Energy (DME) in South Africa for a full mining licence in respect of the project.

Monroe's Business

Background

Monroe is engaged in the exploration and development of gem quality diamond properties in Southern Africa. Monroe is a reporting issuer in Alberta and British Columbia and its shares trade on the TSX Venture Exchange under the symbol MMX.

New Developments

On April 18, 2006, the Company issued 7,983,076 units ("Units") by way of private placement at a purchase price of \$0.13 per Unit for an aggregate consideration of \$1,037,800 in relation to the financing announced on February 2, 2006. Each Unit consists of one common share in the share capital of Monroe and one half of one Common Share purchase warrant. Each full Warrant is exercisable for 18 months from the date of issuance into one Common Share at a price of \$0.20 per Common Share, subject to earlier expiry in certain circumstances. The Offering was placed principally in Europe and a finder's fee in the amount of \$52,000 paid to a finder that is arm's length to the Corporation. Monroe will use the proceeds of the Offering for diamond exploration and development in Southern Africa and for general working capital purposes.

Properties

Monroe's goal is profitable, long term production of gem quality diamonds. While the current focus is on Angola and South Africa, Monroe maintains a watching brief throughout the African Continent and internationally. Of particular note is the manner in which political and fiscal changes influence overall project economics. Monroe must be alert to these changes and management is presently conducting a portfolio review to ensure that opportunities are being optimized and resources allocated where maximum value can be achieved. The current portfolio comprises both kimberlite and alluvial diamond projects. The major projects are described below.

The Qualified Person who has reviewed the information on Properties contained in this MD&A is Dr. Tania Marshall.

The Cangandala Concession – the Cangandala diamond project is located in the Malanje and Cuanza Sul provinces of central Angola. The project is a joint venture between Endiama (the Angolan state diamond company) 25%, Mineral Star (an Angolan private company) 25%, and Monroe (through its subsidiaries, Crystal Mining Corporation Ltd. (“Crystal”) and Blue Diamond International Holding Inc. (“Blue”), that hold the interests in the Cangandala Joint Venture) 50%. Monroe’s beneficial interest is 40%. Crystal is obliged fund the initial exploration program on Cangandala and will have preferential return of investment in the event that the project is successful. The minimum expenditure for this initial program is US\$ 2 million. Blue is responsible for project development and technical direction.

The Cangandala project consists of two exploration targets, (a) kimberlite pipes and (b) alluvial gravels in and adjacent to the Cuanza River and its tributaries. The area of the concession covers some 3,000 sq km, including 120 km of the Cuanza River. To the west of the project, TransHex is currently assessing a number of kimberlites on its “Ganga” concession. To the south of the project, a number of local and South African companies operated commercial alluvial diamond ventures during the Angolan war years.

During the late 1960’s and 1970’s, both Diamang (a predecessor of De Beers and Endiama) and Condiama (a consortium managed by De Beers) investigated the diamond potential of this area. Throughout Angola, some two million samples were collected and several hundred kimberlite pipes were identified. During this program, the Cangandala Concession was sampled and kimberlitic indicator minerals recovered. After 1975, no formal exploration occurred in this area due to intense military activity during the civil war. However, successful barge mounted diving operations were conducted along the Cuanza River (directly adjacent to the south of the Cangandala concession) by at least one South African mining group (working for UNITA) which reported excellent results over the brief period during which it was active. After the cessation of hostilities in 2002, an unknown number of garimpeiros were operating on rapids along the Cuanza River, directly south of the Cangandala Concession.

Due to the limited information available on the Cangandala Concession, a detailed, three-phase prospecting program is planned to determine the diamond potential of the property. As it is typical in Angola that a joint venture must complete a minimum exploration program on secondary deposits before pursuing primary deposits, the initial focus is on alluvial diamond potential. Phase I of the program comprises barge operations on the rivers, principally the Cuanza and the Luando, combined with reconnaissance pitting and trenching on the floodplain and areas where higher terraces might be expected to occur. Phase II, contingent upon success in the first phase, includes bulk sampling the alluvial deposits previously identified as well as tightening up the resource estimation data. At this stage, a technical and financial study will be completed to establish if commercial mining can commence. Phase III is an aggressive program targeted at identifying the location of kimberlite pipes through the completion of airborne geophysical and detailed soil sampling surveys. The exploration budget for the first phase approximates US\$ 2.5 million.

The London Project – the London Project covers 2,121 hectares (5,242 acres) and is situated 320 km southwest of Johannesburg. Monroe holds 100% interest subject to a 10% royalty and R10,000 per month rental. In January, Monroe announced that it had applied to the DME for a full commercial mining permit. The project is located along a palaeodrainage channel that runs generally north-south for some 45 km. Operations commenced at London in January, 2003 and Monroe has identified A0 and A1 gravels. During the pre-feasibility program, the diamonds recovered realised an average of US\$ 400 per carat, with a record individual diamond price of US\$6,200 per carat for a 6.02 carat fancy orange diamond.

A summary of the results of operations is set out in ‘*Results of Operations*’. More details on the London Project are available in the technical report prepared by ACA Howe International Limited and filed on SEDAR on January 23, 2003.

The SW Transvaal Regional Kimberlite Project – covers an area between the towns of Schweizer Reneke and Wolmaransstad in Northwest Province (formerly SW Transvaal). The area comprises hundreds of square kilometres. The objective of this regional project is to locate and develop the kimberlite source of the Southwestern Transvaal alluvial diamond field. Up to 1984 (at which time the recording regime changed and subsequent production data is unavailable) the alluvial deposits in Northwest Province yielded approximately 14 million carats, worth in excess of US\$ 5 billion at current prices.

It is generally accepted that the diamonds from the Southwestern Transvaal alluvial field do not have an agreed kimberlite source. While small parcels have been recognised as being similar to diamonds recovered from the Premier and Boshof kimberlites, the vast majority of diamonds have been derived from as yet undiscovered sources. Interpretation of the sedimentary packages and the palaeodrainage systems that host the alluvial diamond deposits indicates that the diamonds could not have been sourced outside Northwest Province and, in fact, the source or sources likely lie within the confines of the presently known alluvial fields.

The mineral chemistry of the garnet population recovered from the same gravel deposits indicates that they are derived from diamondiferous kimberlites. Surface texture analysis further reveals that these garnets have not travelled substantial distances. Trace element geochemistry of ilmenites, combined with the garnet data as well as palaeodrainage interpretations indicate that the diamond deposits of the Northwest Province must have come from more than one discreet source.

The mineral rights regime in South Africa makes it expensive to purchase options over extensive tracts of land for kimberlite exploration. Accordingly, options will be acquired only when drill targets have been identified. Monroe's exploration program includes airborne geophysical surveys followed by ground geophysical, geochemical and mineralogical surveys to identify drill targets.

Southern Africa has long been considered highly prospective for kimberlites due to the presence of three large cratons. Although its share of world production has declined since the development of kimberlite mines in Siberia, Australia and Canada, the African continent remains the largest diamond producer, with climatic conditions favouring year-round exploration and a well-developed infrastructure reducing exploration and logistical costs.

The Middle Orange River – located in Northern Cape Province in South Africa. Monroe has secured rights to prospect in the Middle Orange River area. It is targeting large scale projects, capable of early cash flow and long mine life. A number of the land parcels are within 20 kilometres of the Saxendrift Mine. One land parcel has been identified as presenting exploration potential and a resource delineation program is being prepared.

Projects outside South Africa

Monroe has set a priority on expanding and continues to research opportunities in Angola, Botswana, the Democratic Republic of Congo and South Africa.

Property Analysis

The following table presents the carrying value and expenditures on Monroe's mineral properties.

Property	March 31, 2006	Incurred during the period ended March 31, 2006, net of depletion and amortization	December 31, 2005
London	\$ 1,813,000	\$ 10,000	\$ 1,803,000
Allandale	52,000	0	52,000
Southwestern Transvaal	23,000	0	23,000
Middle Orange River	189,000	0	189,000
Angola	385,000	145,000	240,000
Plant and equipment	40,000	15,000	25,000
Total	\$ 2,502,000	\$ 170,000	\$ 2,332,000

Results of Operations

Operations

Monroe applied for a full mining licence for the London Project in January 2006 and, in accordance with regulations, suspended mining activities while the application is being considered. Activities at London during the first quarter focused on rehabilitation and processing stockpiles. Hence the production results below for the first quarter 2006 are not representative of the overall project. The Company has responded to all enquiries received to date from the DME in relation to the licence application. The application process can be lengthy and it is possible that Monroe will not receive a determination for several more months.

The Company continued to treat the London Project as a development stage project reported in the Consolidated Balance Sheet through the Mineral Interests account.

The results of production activities for the quarter ended March 31, 2006 (with comparative figures for 2005) were as follows:

	2006 (three months)	2005 (three months)
Tonnes processed	56,800	202,851
Plant availability	61%	80%
Carats produced	539	1,253
Carats sold	609	2,412
Sales proceeds (net of royalty) (C\$)	271,000	1,101,000
Operating costs	226,000	1,054,000
Grade (cpht)	0.95	0.62
Estimated quality (per ct) (US\$)	440	400
Average stone size (ct)	0.9	1.2

General and Administration Expenses (G&A)

G&A, after reduction of capitalized items, amounted to \$175,449 (2005 - \$172,213) for the three months ended March 31, 2006. Prior to capitalization, gross G&A for the period ended March 31, 2006 was \$371,223 (2005 - \$210,450).

The gross costs (with comparative figures for 2005) are analysed as follows:

	2006 (three months)	2005 (three months)
Salaries, benefits and stock options	\$ 199,690	\$ 75,298
Financial administration	34,831	21,008
Audit and legal	9,831	14,025
Investor relations, stock exchange	52,454	32,920
General office and miscellaneous	41,168	35,488
Travel and marketing	33,249	31,711
Total	\$ 371,223	\$ 210,450

Salary and general office costs capitalized to mineral interests amounted to \$150,720 and \$45,054 respectively for the period ended March 31, 2006, an increase of approximately \$155,000 over 2005 due to the commencement of exploration activities in Angola. Stock option expense included in G&A amounted to \$10,225 (2004 - \$12,474). Financial administration costs increased as a result of the commencement of exploration activities in Angola. Investor relations comprises the investor relations contract as well as regulatory and filing fees. General office expenses for the period ended March 31, 2005 included \$11,575 paid to consultants.

Interest on Long Term Debt

Interest expense for 2006 remained stable compared with 2005. Interest bearing debt is denominated in sterling.

Summary of Quarterly Results

Quarterly results are unaudited.

(All figures are in \$ except share numbers)

	Three months ended							
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
Diamond revenues, net of royalties	-	-	-	-	-	-	-	-
Direct mining costs	5,615	5,342	5,506	5,760	6,148	5,720	6,462	5,955
Depletion and amortization	2,760	1,569	1,979	2,066	1,016	910	2,450	1,268
Operating loss	8,375	6,911	7,485	7,826	7,164	6,630	8,912	7,223
Loss for the period	199,550	116,636	105,495	202,124	168,071	253,822	209,138	202,758
Working capital	41,067	465,398	(15,538)	171,126	293,131	439,951	(92,340)	(13,323)
Mineral interests	2,502,074	2,332,410	2,171,180	2,141,642	2,171,539	2,162,911	2,266,990	2,274,654
Shareholders' equity	2,367,123	2,585,074	1,058,699	1,228,392	1,420,741	1,578,094	847,084	999,272
Shares outstanding	62,079,118	62,079,118	47,827,618	47,827,618	47,827,618	47,827,618	39,327,618	39,127,618
Net loss per share	0.00	0.01	0.00	0.01	0.00	0.02	0.01	0.01

1. No dividends have been paid since incorporation. Fully diluted per share amounts are not presented because the results are antidilutive.
2. The above information has been summarized from the consolidated financial statements of the Company prepared in accordance with accounting principles generally accepted in Canada.
3. Refer to 'Results of Operations' for a discussion of factors that have caused period to period variations, significant acquisitions, changes in direction of Monroe's business and other information relevant to an understanding of the Company's financial condition and results of operations.

Liquidity

Working Capital

At March 31, 2006, the Company had working capital of \$41,067 (December 31, 2005 - \$465,398), due mainly to the financing completed in November and December 2005. The Company does not generate positive cash flow from operations and is dependent on its current working capital, on loans from related parties, private placements and the exercise of stock options to supplement its limited financial resources.

Long Term Debt

Debt owing to an entity controlled by Monroe's controlling shareholder bears interest at 7% per annum and is denominated in sterling. At March 31, 2006, the principal outstanding amounted to £261,133 (December 31, 2005 - £261,133) and rolled-up interest to £42,178 (December 31, 2005 - £37,032). The debt is secured by a charge on the income from the London Project. The term of this financing facility has expired and repayment is under discussion. The holder has agreed not to demand repayment of £151,656 of the total balance before April 2007 unless the capital strength of the Company improves significantly.

Unpaid salary due to the President of the Company amounts to \$435,000 (December 31, 2005 - \$430,000). The holder has agreed not to demand repayment of \$335,000 of the total balance before April 2007 unless the capital strength of the Company improves significantly.

Stock Options

No new stock options were granted or exercised during the period.

Non-controlling Interest

The non-controlling interest in the Company's South African subsidiary, Monroe SA, results from the investment of Vuya! Investments (Pty) Limited ('Vuya!') in that company. This interest is recorded based on book values and does not reflect underlying fair value.

Environmental Liabilities

Monroe maintains its environmental rehabilitation liabilities on a current basis, thus obviating the need to accumulate a provision for this purpose. In addition, at the London Project in South Africa where it has been trial mining, Monroe meets the DME requirements for rehabilitation.

Capital Resources

Subsequent to the quarter end, on April 18, 2006, the Company issued 7,983,076 units ("Units") by way of private placement at a purchase price of \$0.13 per Unit for an aggregate consideration of \$1,037,800 in relation to the financing announced on February 2, 2006. Each Unit consists of one common share in the share capital of Monroe and one half of one Common Share purchase warrant. Each full Warrant is exercisable for 18 months from the date of issuance into one Common Share at a price of \$0.20 per Common Share, subject to earlier expiry in certain circumstances. The Offering was placed principally in Europe and a finder's fee in the amount of \$52,000 paid to a finder that is arm's length to the Corporation. Monroe will use the proceeds of the Offering for diamond exploration and development in Southern Africa and for general working capital purposes.

Transactions with Related Parties

Except for the debt arrangements referred to in '*Liquidity*' there were no significant transactions with related parties.

Critical Accounting Estimates

The Company's accounting policies are discussed in Note 1 to the consolidated financial statements.

Changes in Accounting Policies Including Initial Adoption

No changes in accounting policy were implemented in 2005 or the first quarter of 2006.

Financial Instruments and Other Instruments

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

Other Matters

Investor Relations

CHF Investor Relations of Toronto and Calgary is the Company's investor relations counsel. The investor relations program is aimed primarily at investor communications and interaction with the financial community in Canada. The monthly fee is \$5,000, plus expenses which arise, *inter alia*, in relation to briefings, presentations and the provision of publicity materials. In 2002, an option over 480,000 shares of the Company, exercisable at \$0.25 each and expiring in April 2007 was granted to CHF.

Business Risks

The exploration and development of diamond properties involves a wide range of risks which includes, but is not limited to, the uncertainty of discovery, lack of commercial deposits following discovery, title to properties, changes in government regulations, uninsured risks, product price fluctuations, environmental factors, political and economic risks, exchange rate fluctuations and exchange controls.

Monroe is at an early stage of its development. Its success will depend on the expertise of its management in pursuing business opportunities. The Company is in competition with companies possessing greater financial resources for both properties and personnel. The Company does not generate positive cash flow, has limited financial resources and must raise additional capital to implement its programs.

Readers are directed to the Company's web site (www.monroeminerals.com) for a fuller disclosure of business risks.

Additional Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.