

Consolidated Financial Statements of

MONROE MINERALS INC.

Three months ended March 31, 2007
(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
	2007	2006
Assets		
Current assets:		
Cash	\$ -	\$ 407,389
Accounts receivable	8,292	17,234
Inventory	5,239	6,885
Prepaid expenses and other	142,003	47,054
	155,534	478,562
Deposit	462,360	466,560
Mineral interests (Note 2)	369,368	306,135
	\$ 987,262	\$ 1,251,257
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft (Note 3)	\$ 67,656	\$ -
Accounts payable and accrued liabilities	139,855	84,463
Current portion of long term debt (Note 4)	344,015	340,669
	551,526	425,132
Long term debt (Note 4)	344,015	340,669
Amount due to related party (Note 4)	220,000	380,000
	1,115,541	1,145,801
Shareholders' equity:		
Share capital (Note 5)	7,089,078	7,089,078
Warrants (Note 5)	762,000	762,000
Contributed surplus (Note 5)	304,533	269,008
Deficit	(8,283,890)	(8,014,630)
	(128,279)	105,456
	\$ 987,262	\$ 1,251,257

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	2007	2006
Expenses:		
Project development	\$ 4,844	\$ 5,615
Amortization	6,991	2,760
General and administrative	244,325	175,691
Interest income	(1,366)	(242)
Interest on long term debt	11,788	10,417
Foreign exchange loss	2,678	5,309
Loss for the period	269,260	199,550
Deficit, beginning of period	8,014,630	4,570,834
Deficit, end of period	\$ 8,283,890	\$ 4,770,384
Loss per share - basic and diluted	\$ 0.00	\$ 0.00

See accompanying notes

MONROE MINERALS INC.

Consolidated Statements of Cash Flow - Unaudited

Three months ended March 31	2007	2006
Cash flows from (used by) operating activities:		
Loss for the period	\$ (269,260)	\$ (199,550)
Add (deduct) non-cash items		
Amortization	6,991	2,760
Unrealized foreign exchange loss (gain)	(750)	5,309
Stock based compensation	35,525	11,125
Change in non-cash working capital	(33,810)	(85,321)
	<u>(261,304)</u>	<u>(265,677)</u>
Cash flows from (used by) financing activities:		
Repayment of amount due to related party	(160,000)	(45,000)
Share issue costs	-	(29,526)
Change in non-cash working capital	(5,233)	(5,285)
	<u>(165,233)</u>	<u>(79,811)</u>
Cash flows from (used by) investing activities:		
Mineral interests expenditures	(70,224)	(135,108)
Change in non-cash working capital	21,716	62,469
	<u>(48,508)</u>	<u>(72,639)</u>
Net increase (decrease) in cash	(475,045)	(418,127)
Cash at beginning of period	407,389	954,859
Cash (bank overdraft) at end of period	\$ (67,656)	\$ 536,732
Supplemental cash flow information:		
Interest paid	\$ 11,788	\$ 10,417

See accompanying notes

MONROE MINERALS INC.

Notes to Consolidated Financial Statements

March 31, 2007 - 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 consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada, 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, 2006. These financial statements do not include all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements and, accordingly, should be read in conjunction with the Company's consolidated financial statements included in the 2006 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 upon 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 was not valid.

2. Mineral interests:

March 31, 2007	Cost	Accumulated depletion and amortization, and write downs	Net
London	\$ 2,159,673	\$ 2,150,450	\$ 9,223
Allandale	51,753	51,753	-
Skaapkop	54,571	-	54,571
Middle Orange River	189,328	189,328	-
Angola	384,716	167,691	217,025
Mining, processing and office equipment	176,077	87,528	88,549
Total	\$ 3,016,118	\$ 2,646,750	\$ 369,368

December 31, 2006	Cost	Accumulated depletion and amortization, and write downs	Net
London	\$ 2,150,450	\$ 2,150,450	\$ -
Allandale	51,753	51,753	-
Skaapkop	49,407	-	49,407
Middle Orange River	189,328	189,328	-
Angola	328,879	167,691	161,188
Mining, processing and office equipment	176,077	80,537	95,540
Total	\$ 2,945,894	\$ 2,639,759	\$ 306,135

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2. Mineral interests (continued):

Mineral interests under development totalling \$271,596 (December 31, 2006 - \$310,595) are not subject to depletion and amortization. During the period, \$nil (2006 - \$45,054) of general and administrative expenses and \$66,610 (2006 - \$150,720) of salaries relating to exploration activities were capitalized to mineral interests.

3. Bank overdraft:

Bank overdraft at March 31, 2007 consisted of outstanding cheques issued in excess of cash on deposit.

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

	March 31 2007	December 31, 2006
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.	\$ 688,030	\$ 681,338
Less current portion	(344,015)	(340,669)
	\$ 344,015	\$ 340,669

The amount due to related party of \$220,000 (2006 - \$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 \$40,000 (2006 - \$100,000) of unpaid salary is included in accounts payable and accrued liabilities. The President has agreed not to demand repayment of the balance before April 2008.

The Company is also indebted to the President of the Company in the amount of \$1,648 (2006 - \$3,847), included in accounts payable and accrued liabilities, in respect of expenses incurred on its behalf.

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.

5. 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, 2005	62,079,118	\$ 6,452,404
Issued for cash in a private placement	7,983,076	785,800
Issued on exercise of warrants	100,000	14,800
Share issue costs		(163,926)
Balance, December 31, 2006	70,162,194	7,089,078
Share issue costs		-
Balance, March 31, 2007	70,162,194	\$ 7,089,078

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Notes to Consolidated Financial Statements March 31, 2007 - Unaudited

5. Share capital and other (continued):

Warrants issued:	Number	Amount
Balance, December 31, 2005	18,464,500	\$ 525,000
Issued for cash in a private placement	3,991,538	252,000
Exercised	(100,000)	(2,300)
Expired	(3,800,000)	(12,700)
Balance, December 31, 2006 and March 31, 2006	18,556,038	762,000

Contributed surplus:	Amount
Balance, December 31, 2005	\$ 178,504
Stock options issued to directors, employees and consultants	77,804
Warrants expired	12,700
Balance, December 31, 2006	269,008
Stock options issued to directors, employees and consultants	35,525
Balance, March 31, 2007	\$ 304,533

(a) Financing:

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 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. A finder's fee in the amount of \$51,738 was paid to an arm's length finder in connection with the offering.

(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.

(c) 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	6,975,000	\$0.16	3,512,500	\$0.17	Apr 2002 - Sep 2006	Apr 2007 - Aug 2010
Consultants	680,000	0.24	605,000	0.25	Apr 2002 - Sep 2006	Apr 2007 - Aug 2010
Total	7,655,000	\$0.16	4,117,500	\$0.18		
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	8,791,538	0.20	8,791,538	0.20	Nov 2005 - Apr 2006	May 2007 - Oct 2007
Agent options	945,150	0.13	945,150	0.13	Nov 2005	May 2007
Broker warrants	313,000	0.13	313,000	0.13	Nov 2005	May 2007
Total	19,501,188	\$0.20	19,501,188	\$0.20		

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5. Share capital and other (continued):

	March 31, 2007		December 31, 2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Incentive stock plan options				
Outstanding at beginning of period	7,655,000	\$0.16	5,355,000	\$0.21
Granted	-	-	4,250,000	0.15
Expired	-	-	(1,950,000)	0.25
Outstanding at end of period	7,655,000	0.16	7,655,000	0.16
Exercisable at end of period	4,117,500	\$0.18	3,867,500	\$0.18
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	19,501,188	\$0.20	19,409,650	\$0.19
Warrants issued pursuant to a private placement	-	-	3,991,538	0.20
Warrants exercised	-	-	(100,000)	0.13
Warrants expired	-	-	(3,800,000)	0.19
Outstanding and exercisable at end of period	19,501,188	\$0.20	19,501,188	\$0.20

6. 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 2007	March 31 2006
Income tax rate	32.1%	32.1%
Computed "expected" income tax reduction	\$ (86,433)	\$ (64,056)
Decrease resulting from:		
Stock based compensation	11,404	3,571
Effect of change in tax rate	7,246	-
	(67,783)	(60,485)
Valuation allowance	67,783	60,485
	\$ -	\$ -

The components of the net future income tax asset at March 31, 2007, no portion of which has been recorded in these financial statements, are as follows:

	March 31 2007	December 31 2006
Non-capital/net operating losses	\$ 1,698,000	\$ 1,633,000
Share issue costs	107,000	112,000
Capital losses	25,000	25,000
Mineral interests	1,581,000	1,566,000
	3,411,000	3,336,000
Valuation allowance	(3,411,000)	(3,336,000)
	\$ -	\$ -

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7. Subsequent events:

On April 4, 2007, the Company completed a private placement, issuing 10,070,000 units at a purchase price of \$0.10 per unit for total consideration of \$1,007,000. Each unit consists of one common share and one-half of one common share purchase warrant. One whole warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until October 2, 2008. The Company has the right to accelerate expiry of the warrants should the trading price of the common shares exceed \$0.15 per common share over a period of 20 consecutive trading days. The common shares and warrants are subject to a 4 month hold period from the date of issuance. Finder's fee in the amount of \$60,160 and non-transferable finder's warrants to purchase 601,600 common shares at a price of \$0.10 per common share until April 2, 2008 were paid to arm's length finders in connection with the private placement.

Management Discussion and Analysis

The following Management Discussion and Analysis ('MD&A') has been prepared as of May 29, 2007. It should be read in conjunction with Monroe Minerals Inc.'s ('Monroe' or 'the Company') consolidated financial statements and accompanying notes for the year ended December 31, 2006. Information provided herein relating to 2007 and later years is based on assumptions regarding future events and results may vary. All prices are in Canadian dollars unless otherwise stated.

First Quarter Highlights

Highlights during the first quarter of 2007 include:

- An application for the grant of full mining rights at the London Mine, South Africa, was accepted in January 2007 for exclusive consideration by the Department of Minerals and Energy ('DME'). Until such licence is granted, Monroe has no active mining operations in progress.
- In February 2007 the Company announced that it would initiate the investigation of business opportunities currently available in the natural resources sector in addition to those in diamonds. Ultimately, the goal of Monroe is to pursue opportunities that can benefit from the addition of the expertise and knowledge of the Board and senior management. The Company subsequently announced that it would work towards the assembly of a portfolio of uranium properties, which activity consumed most of management's time for the balance of the quarter.
- The Company announced in February 2007 that it was proceeding, subject to regulatory approval, with a non brokered offering of up to 15,000,000 units by way of a private placement at a purchase price of \$0.10 per unit for aggregate consideration of up to \$1,500,000. Each unit consisted of one common share and one-half common share purchase warrant ('warrant'). One whole warrant is exercisable into one common share at a price of \$0.15 per common share for 18 months from the date of issuance, subject to earlier expiry in certain circumstances. The offering was closed on April 4, 2007, as described below in the Capital Resources section.
- Weather conditions prevented any field operations on the Cangandala Concession in Angola. The Company notes that despite progress on various administrative matters connected with the Concession, a repeat of delays experienced during 2006 would not be unexpected.

Properties

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, which holds a nominal 50% interest, beneficial 40% interest and funds the initial program, the minimum expenditure for which is US\$ 2 million (\$2.3 million).

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. There is prolific diamond exploration in Angola and successful barge mounted diving operations were conducted along the Cuanza River in the 1990's by at least one South African mining group, which reported excellent results over the brief period during which military operations allowed activity.

Angola has seasonal rains between December and May and little field activity is possible. With the assistance of reconnaissance information, the following forward prospecting program is planned to commence in June:

- Systematic geological mapping of the property and the surrounding area, identifying the bedrock, the nature of the alluvial deposits, topographical features and the type and location of structures (fractures, faults, etc) that may be instrumental in localising potential source rocks.
- Taking small gravel samples at the confluence of all the streams flowing into the Cuanza River and looking for heavy minerals (both kimberlitic and non-kimberlitic) to determine potential upstream sources of kimberlite and Calonda deposits. This will, further, indicate whether the source(s) may be of sufficient size or continuity to have developed a commercial alluvial deposit on the property or whether the deposits are likely to be small and patchy. It may also give an indication of where (regionally) better concentrations of heavy minerals (including diamonds) will be found.
- Visual and sedimentological characterisation of the sediment that hosts the diamonds, as found in the local garimpeiro operations.
- Investigation of the garimpeiro operations to determine the geological reasons for their localisation and whatever information on the diamond recoveries (in terms of carats recovered, sizes, values, etc) is available.
- Determination of the depositional environment that would be responsible for the deposition and preservation of this sediment type.
- Investigation of the concession area (by satellite image interpretation, physical mapping and auger sampling) for reasonably large areas that would be expected to host these sediments. Any samples recovered will be sieved on-site and investigated for their sedimentary characteristics.

The London Project – The London Alluvial Diamond Mine area covers 2,121 hectares (5,242 acres) and is situated 320 km southwest of Johannesburg. Monroe holds 100% interest subject to a 10% royalty (reducing to 5% in 2009) and R10,000 (\$1,653) per month rental. The project is located along a palaeodrainage channel that runs generally north-south for 45 km. Sampling has identified both A0 and A1 gravels. The prospecting program included processing over one million tonnes of gravel at an average grade of 0.8 cpht and the diamonds recovered realised an average of US\$ 400 per carat. The record individual diamond price was US\$6,200 per carat for a 6.02 carat fancy orange diamond.

The gravel resource is 1.1 million tonnes indicated and 4.7 million tonnes inferred. The business plan proposes a ten year mine with annual production of 3,000 cts and revenues of \$1.5 million. The Company's application, made in November 2005 pursuant to new minerals rights legislation in South Africa, to the DME for a mining right for the London Mine was rejected in December 2006. The rejection was related to a misunderstanding at the DME regarding Monroe's BEE credentials. A new application was accepted in January 2007 for exclusive consideration by the DME. The normal review process takes thirteen months although it is expected that this timeframe will be reduced in the current circumstances.

The Skaapkop Kimberlite Project – This regional kimberlite program covers an area centred around the towns of Schweizer Reneke and Wolmaransstad in Northwest Province (formerly SW Transvaal). The objective is to locate and develop the kimberlite sources of the Southwestern Transvaal alluvial diamond field, which has recorded production of 14 million carats, worth in excess of US\$ 6 billion at current prices. 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 sources likely lie within the confines of the presently known alluvial fields.

The current phase of the program, sole funded by Monroe with 100% interest, is the continuing identification of anomalies through synthesizing the substantial database that has been accumulated. This will result in further modelling involving palaeodrainage scenarios and the influence of kimberlitic indicator minerals. Follow-up will entail, *inter alia*, airborne gravity surveys followed by detailed soil sampling. Provided positive results are achieved, this would be followed by percussion and core drilling of individual anomalies for petrography, mineral chemistry and micro-diamond assessment.

Property Analysis

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

Property	December 31, 2006	Incurred during the period ended March 31, 2007, net of amortization	March 31, 2007
London	\$ -	\$ 9,000	\$ 9,000
Skaapkop	49,000	5,000	54,000
Angola	161,000	56,000	217,000
Plant and equipment	96,000	(7,000)	89,000
Total	\$ 306,000	\$ 63,000	\$ 369,000

Results of Operations

Operations

The Company is still in the exploration and development stage of its operations. Therefore, other than minimal interest earned on its cash deposits, the Company continues to create operating losses as a result of general and administration expenses required to review, acquire and evaluate assets and to maintain a public listing.

All of Monroe's projects are at the exploration or development stage. Pursuant to new minerals rights legislation in South Africa, the Company applied for a full mining licence for the London Mine in November 2005 and, in accordance with regulations, suspended mining activities in January 2006 while the application was being considered. In December 2006, the Company's application was refused by the DME in South Africa due largely to a misunderstanding at the DME regarding Monroe's BEE credentials. A new application was accepted in January 2007 for exclusive consideration by the DME. The normal review process takes thirteen months although it is expected that this timeframe will be reduced in the current circumstances. In view of the uncertainty surrounding the continuation of the project, the Company recognized a write down of all of the carrying value on the London Mine in the fourth quarter of 2006.

General and Administration Expenses (G&A)

G&A, after reduction of capitalized items, amounted to \$244,325 (2006 - \$175,691). Prior to capitalization, gross G&A for the period ended March 31, 2007 was \$309,569 (2006 - \$371,223).

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

	2006	2005
Salaries and benefits	\$ 144,873	\$ 199,690
Financial administration	29,411	34,831
Audit and legal	14,901	9,831
Investor relations and stock options	52,700	52,454
General office and miscellaneous	42,312	41,168
Travel and marketing	25,372	33,429
Total	\$ 309,569	\$ 371,223

Salary and other costs capitalized to mineral interests amounted to \$66,610 (2006 - \$150,478) and \$nil (2006 - \$45,054) respectively for the three months ended March 31, 2007. Stock based compensation expense included in Investor relations and stock options amounted to \$35,525 (2006 - \$10,225). Investor relations comprises the investor relations contract as well as regulatory and filing fees. General office and miscellaneous costs include Angola office rent expense of \$25,785 (2006 - \$nil).

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, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Project development	4,844	5,952	3,269	5,194	5,615	5,342	5,506	5,760
Amortization	6,991	1,766	1,874	1,340	2,760	1,569	1,979	2,066
Loss for the period	269,260	2,690,011	137,516	416,719	199,550	116,636	105,495	202,124
Working capital	(395,992)	53,430	211,997	621,892	41,067	465,398	(15,538)	171,126
Mineral interests	369,368	306,135	2,742,834	2,474,873	2,502,074	2,332,410	2,171,180	2,141,642
Total assets	987,262	1,251,257	3,944,209	4,308,869	3,717,299	3,903,417	2,574,745	2,641,670
Shareholders' equity	(128,279)	105,456	2,753,993	2,850,892	2,367,123	2,585,074	1,058,699	1,228,392
Shares outstanding	70,162,194	70,162,194	70,162,194	70,162,194	62,079,118	62,079,118	47,827,618	47,827,618
Net loss per share	0.00	0.04	0.00	0.01	0.00	0.01	0.00	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, 2007, the Company had working capital of (\$395,992) (December 31, 2006 - \$53,430). 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, 2007, the principal outstanding amounted to £261,133 (\$596,715) (December 31, 2006 - £261,133 (\$596,715)) and accrued interest of £42,178 (\$95,676) (December 31, 2006 - £37,032 (\$84,622)). 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 (\$344,015) of the total balance before April 2008.

Unpaid salary due to the President of the Company amounts to \$260,000 (December 31, 2006 - \$380,000), of which \$40,000 is included in Accounts payable and accrued liabilities. The holder has agreed not to demand repayment of \$220,000 of the balance before April 2008.

Stock Options

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

Off Balance Sheet Arrangements

The Company does not have any off balance sheet financial arrangements.

Non-controlling Interest

The non-controlling interest in the Company's South African subsidiary, Monroe SA, results from the investment of Vuya! in that company. This investment arises consequent upon the requirements of the SA Government in relation to BEE. The interest is recorded based on book values and does not reflect underlying fair value.

The Company has the right to recover all or part of the 26% interest of Vuya! in Monroe SA for nominal consideration in the event that Vuya! does not pay the full consideration of R19,253,000 (\$3,180,315) or Vuya! ceases to be a BEE company. Arrangements between the Company and Vuya! are determined by an agreement dated August 16, 2004 and are for a minimum four year period, during which Vuya! will identify diamond projects valued at no less than R19,253,000 (\$3,180,315) on behalf of the Company or pay this amount in cash and generally assist the Company with the development of its business in South Africa.

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 quarter end, on April 4, 2007, the Company completed a private placement, issuing 10,070,000 units at a purchase price of \$0.10 per unit for total consideration of \$1,007,000. Each unit consists of one common share and one-half of one common share purchase warrant. One whole warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until October 2, 2008. The Company has the right to accelerate expiry of the warrants should the trading price of the common shares exceed \$0.15 per common share over a period of 20 consecutive trading days. The common shares and warrants are subject to a 4 month hold period from the date of issuance. Finder's fees in the amount of \$60,160 and non-transferable finder's warrants to purchase 601,600 common shares at a price of \$0.10 per common share until April 2, 2008 were paid to arm's length finders in connection with the private placement.

Outlook

The Company's priority in 2007 is to complete the assembly of its portfolio of uranium properties. In the diamond division: the current program at the Cangandala Project is planned for completion by Q2 2007 and its results may validate continued exploration activities there; the result of the application for mining rights for the London Mine should be available by the end of 2007; and work on the Skaapkop Kimberlite Project will determine if the Company's exploration program is suited to the complex regional geology. The Company will require additional funding to finance exploration on its uranium portfolio and the Cangandala Project after the current program. The timing of such funding will be determined by market conditions but is presently scheduled for October 2007.

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 for the year ended December 31, 2006.

Changes in Accounting Policies Including Initial Adoption

No changes in accounting policy were implemented in 2006 or 2007.

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.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management.

The Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007 and have concluded that they are adequate and effective to ensure accurate and complete disclosure except as described below.

In light of the Company's small size, the ability to obtain independent confirmation of data is limited. To mitigate potential control weaknesses, (a) the CEO is actively involved in the day to day business of the Company including in its overseas jurisdictions, (b) the CEO and CFO have identified those individuals carrying responsibility for compiling the relevant information for each line of information in the financial statements and requested that they confirm the accuracy and completeness of same, and (c) the Company has implemented accounting data review procedures to assist the integrity of reports.

Commencing with the certificates for the 2005 fiscal year end, the CEO and CFO are also required to provide a statement in their certificate regarding their view of the Company's disclosure controls. During 2005 the Company adopted a written corporate policy documenting its disclosure practices which forms part of the support for these officers' statements in their certificates.

Internal Controls over Financial Reporting

The CEO and CFO of Monroe are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Monroe's management has assessed the design of internal controls over financial reporting.

The issue disclosed above under 'Disclosure Controls and Procedures' regarding limitations on independent confirmation of data is equally applicable when considering internal controls over financial reporting. In addition, it is not economically feasible at the Company's current size and with the limited number of staff available to achieve optimum or complete segregation of duties. Also, Monroe does not have a sufficient number of finance personnel, with all of the technical accounting knowledge, to address all complex and non-routine accounting transactions that may arise. These weaknesses in internal controls raise the possibility that a material misstatement may not be prevented or detected.

Management and the board of directors work to mitigate the risk of material misstatements: the integral role of the CEO in day to day operations provides a direct connection to source data and accounting data review procedures provide a further level of assurance. Notwithstanding, management has not been able to conclude that the possibility of a material misstatement does not exist. Monroe currently has no plans to remediate these weaknesses which are linked with its current size and nature of operations.

Based on their respective knowledge of the relevant facts and information, in the required filing the CEO and CFO have confirmed their continued belief that i) the quarterly filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made and ii) the quarterly financial statements together with the other financial information included in the quarterly filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented in the annual filings.

Other Matters

Investor Relations

The investor relations program is aimed primarily at investor communications and interaction with the financial community in Canada and Europe. CHF Investor Relations of Toronto and Calgary is the Company's investor relations counsel in Canada. The monthly fee is \$6,000, 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. Investment Connections of Versoix, Switzerland, is the Company's investor relations counsel in Europe. Remuneration arrangements are on a *per diem* basis as well as a finder's fee for private placements of the Company's securities.

Business Risks

The exploration and development of natural resource 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 for a fuller disclosure of business risks.

Additional Information

Additional information regarding the Company is available on the Company's web site at www.monroeminerals.com and on SEDAR at www.sedar.com.