

Consolidated Financial Statements of

MONROE MINERALS INC.

Nine months ended September 30, 2007
(Unaudited)

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

MONROE MINERALS INC.

Consolidated Balance Sheets - Unaudited

	September 30	December 31
	2007	2006
Assets		
Current assets:		
Cash	\$ 183,245	\$ 407,389
Accounts receivable	21,106	17,234
Inventory	4,728	6,885
Prepaid expenses and other	58,757	47,054
	267,836	478,562
Deposit	397,160	466,560
Mineral interests (Note 2)	608,353	306,135
	\$ 1,273,349	\$ 1,251,257
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	180,490	84,463
Current portion of long term debt (Note 3)	308,463	340,669
	488,953	425,132
Long term debt (Note 3)	308,463	340,669
Amount due to related party (Note 3)	220,000	380,000
	1,017,416	1,145,801
Shareholders' equity:		
Share capital (Note 4)	7,852,164	7,089,078
Warrants (Note 4)	411,000	762,000
Contributed surplus (Note 4)	895,945	269,008
Deficit	(8,903,176)	(8,014,630)
	255,933	105,456
	\$ 1,273,349	\$ 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		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Expenses:				
Project development	\$ 3,250	\$ 3,269	\$ 19,113	\$ 14,078
Amortization	5,621	1,874	18,914	5,974
General and administrative	262,210	93,469	781,794	399,127
Interest income	(398)	(192)	(2,858)	(667)
Interest on long term debt	11,154	11,058	34,309	32,335
Foreign exchange loss	27,358	28,038	37,274	61,857
Write down of mineral interest	-	-	-	241,081
Loss for the period	309,195	137,516	888,546	753,785
Deficit, beginning of period	8,593,981	5,187,103	8,014,630	4,570,834
Deficit, end of period	\$ 8,903,176	\$ 5,324,619	\$ 8,903,176	\$ 5,324,619
Loss per share - basic and diluted	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01

See accompanying notes

MONROE MINERALS INC.

Consolidated Statements of Cash Flow - Unaudited

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Cash flows from (used by) operating activities:				
Loss for the period	\$ (309,195)	\$ (137,516)	\$ (888,546)	\$ (753,785)
Add (deduct) non-cash items				
Amortization	5,621	1,874	18,914	5,974
Unrealized foreign exchange loss (gain)	(457)	28,038	(6,316)	61,857
Write down of mineral interests	-	-	-	241,081
Stock based compensation	45,887	14,180	116,937	36,430
Change in non-cash working capital	43,540	43,863	59,939	(38,069)
	(214,604)	(49,561)	(699,072)	(446,512)
Cash flows from (used by) financing activities:				
Shares issued for cash	-	-	866,000	992,800
Warrants issued for cash	-	-	141,000	45,000
Warrants exercised for cash	-	-	-	12,500
Share issue costs	(5,549)	(7,513)	(127,414)	(164,026)
Change in non-cash working capital	5,676	(258,670)	(148,696)	(313,671)
	127	(266,183)	730,890	572,603
Cash flows from (used by) investing activities:				
Mineral interests expenditures	(140,688)	(237,244)	(278,632)	(559,661)
Change in non-cash working capital	12,941	(6,005)	22,670	153,037
	(127,747)	(243,249)	(255,962)	(406,624)
Net increase (decrease) in cash	(342,224)	(558,993)	(224,144)	(280,533)
Cash at beginning of period	525,469	1,233,319	407,389	954,859
Cash at end of period	\$ 183,245	\$ 674,326	\$ 183,245	\$ 674,326
Supplemental cash flow information:				
Interest paid	\$ 11,199	\$ 22,014	\$ 23,005	\$ 22,014

See accompanying notes

MONROE MINERALS INC.

Notes to Consolidated Financial Statements

September 30, 2007 - Unaudited

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

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:

September 30, 2007	Cost	Accumulated depletion and amortization, and write downs	Net
London, South Africa	\$ 2,159,422	\$ 2,150,450	\$ 8,972
Skaapkop, South Africa	79,016	-	79,016
Cangandala, Angola	470,100	167,691	302,409
Alexis River, Canada	141,330	-	141,330
Mining, processing and office equipment	176,077	99,451	76,626
Total	\$ 3,025,945	\$ 2,417,592	\$ 608,353

December 31, 2006	Cost	Accumulated depletion and amortization, and write downs	Net
London, South Africa	\$ 2,150,450	\$ 2,150,450	\$ -
Skaapkop, South Africa	49,407	-	49,407
Cangandala, Angola	328,879	167,691	161,188
Mining, processing and office equipment	176,077	80,537	95,540
Total	\$ 2,704,813	\$ 2,398,678	\$ 306,135

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Notes to Consolidated Financial Statements
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2. Mineral interests (continued):

Mineral interests under development totalling \$522,755 (December 31, 2006 - \$210,595) are not subject to depletion and amortization. During the period, \$nil (2006 - \$229,959) of general and administrative expenses and \$170,267 (2006 - \$420,595) of salaries relating to exploration activities were capitalized to mineral interests.

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

	September 30 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 principal shareholder.	\$ 616,926	\$ 681,338
Less current portion	(308,463)	(340,669)
	\$ 308,463	\$ 340,669

The amount due to related party of \$220,000 (December 31, 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 \$50,000 (December 31, 2006 - \$nil) of unpaid salary is included in accounts payable and accrued liabilities. The President has agreed not to demand repayment of the balance before October 2008.

The Company is also indebted to the President of the Company in the amount of \$9,559 (December 31, 2006 - \$7,375), 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.

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, 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
Issued for cash in a private placement	10,570,000	908,500
Share issue costs		(145,414)
Balance, September 30, 2007	80,732,194	\$ 7,852,164

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Notes to Consolidated Financial Statements September 30, 2007 - Unaudited

4. 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	18,556,038	762,000
Issued for cash in a private placement	5,035,000	141,000
Finders' warrants issued	601,600	18,000
Expired	(14,564,500)	(510,000)
Balance, September 30, 2007	9,628,138	\$ 411,000

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	116,937
Warrants expired	510,000
Balance, September 30, 2007	\$ 895,945

(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.

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. Finders' 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.

On August 23, 2007, the Company issued 500,000 common shares at a purchase price of \$0.085 per share by way of private placement, in connection with an option agreement entered into with Altius Resources Inc. ('Altius') announced on July 24, 2007. Under the agreement, the Company may earn up to a 60% interest in the Alexis River uranium property, located in south eastern Labrador, Canada, over four years by spending \$1,250,000 on exploration, including a minimum first year commitment of \$175,000, and making share payments to Altius of 2,500,000 common shares, including 500,000 common shares on signing and 2,000,000 common shares divided equally over four years to be paid on each anniversary of the agreement.

(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) 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	6,375,000	\$0.15	4,050,000	\$0.15	Feb 2004 - Sep 2006	Feb 2009 - Sep 2010
Consultants	1,350,000	0.20	466,666	0.20	Sep 2006 - Apr 2007	Sep 2010 - Apr 2012
Total	7,725,000	\$0.13	4,516,666	\$0.15		

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
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		

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
Options and warrants						
Private placement	9,026,538	0.17	9,026,538	0.17	Apr 2006 - Apr 2007	Oct 2007 - Oct 2008
Finders' warrants	601,600	0.10	601,600	0.10	Apr 2007	Apr 2008
Total	9,628,138	\$0.17	9,628,138	\$0.17		

	September 30, 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	1,250,000	0.20	4,250,000	0.15
Expired	(1,180,000)	0.25	(1,950,000)	0.25
Outstanding at end of period	7,725,000	0.13	7,655,000	0.16
Exercisable at end of period	4,516,666	\$0.15	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	5,035,000	0.15	3,991,538	0.20
Finders' warrants issued	601,600	0.10	-	-
Warrants exercised	-	-	(100,000)	0.13
Warrants expired	(15,509,650)	0.19	(3,800,000)	0.19
Outstanding and exercisable at end of period	9,628,138	\$0.17	19,501,188	\$0.20

On April 27, 2007 the Company granted an option to acquire 1,250,000 shares at prices varying between \$0.12 per share to \$0.30 per share to a consultant. The options will vest on a schedule of one-third per annum and be valid for five years from the grant date.

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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:

	September 30, 2007	September 30, 2006
Income tax rate	32.1%	32.1%
Computed "expected" income tax reduction	\$ (285,223)	\$ (241,965)
Decrease resulting from:		
Stock based compensation	37,537	11,694
Effect of change in tax rate and other	23,920	62,118
	(223,766)	(168,153)
Valuation allowance	223,766	168,153
	\$ -	\$ -

The components of the net future income tax asset at June 30, 2007, no portion of which has been recorded in these financial statements, are as follows:

	September 30, 2007	December 31, 2006
Non-capital/net operating losses	\$ 1,840,000	\$ 1,633,000
Share issue costs	115,000	112,000
Capital losses	25,000	25,000
Mineral interests	1,592,000	1,566,000
	3,572,000	3,336,000
Valuation allowance	(3,572,000)	(3,336,000)
	\$ -	\$ -

6. Subsequent events:

On October 18, 2007, 3,991,538 warrants issued in connection with the financing on April 18, 2006 expired unexercised.

On October 24, 2007, the Company announced a non-brokered offering of up to 16,666,667 units at a purchase price of \$0.06 per unit, and 20,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of up to \$2,500,000 by way of private placement. Each unit will consist of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.10 per common share for twelve months from the date of issuance and \$0.12 per common share for the following twelve months, subject to earlier expiry in certain circumstances. Each flow-through unit will consist of one flow-through common share and one flow-through warrant exercisable into one common share at a price of \$0.12 per common share for twelve months following the date of issuance and \$0.15 per common share for the following twelve months, subject to earlier expiry in certain circumstances.

Eligible arm's length finders will receive a cash finder's fee in an amount of up to 8% of the gross proceeds of sales that result from introductions by the finder. Each eligible arm's length finder will also be issued a non-transferable finder's option to purchase units equal in number to 10% of the units or flow-through units sold in connection with the offering. Each finder's option will entitle the holder to purchase one finder's unit at a purchase price of \$0.075 on or before twelve months from the closing date of the offering. Each finder's unit will consist of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.12 for twelve months from the date of issuance of the finder's option, and \$0.15 per common share for the following twelve months, subject to earlier expiry in certain circumstances.

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6. Subsequent events (continued):

On November 9, 2007, the Company announced that it has completed the first tranche of the \$2,500,000 non-brokered private placement announced on October 24, 2007. The Company issued 16,016,665 units at a purchase price of \$0.06 per unit, and 14,348,331 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of \$2,037,125. The Company has increased the total offering to \$2,950,000, comprising 21,666,667 units at a purchase price of \$0.06 per unit and 22,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, subject to regulatory approval. A second closing is scheduled for late November 2007.

Finders' fees in the amount of \$84,000 and non-transferable finders' options to purchase 2,084,999 finders units at a purchase price of \$0.075 per finders' unit on or before November 8, 2008, were paid to arm's length finders.

The Board of Directors has granted options over 2,635,000 common shares at an exercise price of \$0.10 per share to seven directors, employees and consultants. The options vest one quarter annually and expire on November 5, 2012. The Company's shares must trade over \$0.12 per share for 20 consecutive trading days before the options may be exercised.

Management Discussion and Analysis

September 30, 2007

This Management Discussion and Analysis ('MD&A') of the financial condition and results of Monroe Minerals Inc. ('Monroe' or 'the Company') should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2007 and the audited consolidated financial statements for the year ended December 31, 2006 and accompanying notes thereto prepared in accordance with Canadian generally accepted accounting principles. This MD&A should also be read in conjunction with the Company's December 31, 2006 MD&A.

Information provided herein relating to 2007 and later years is based on assumptions regarding future events and results may vary.

All references are to Canadian dollars unless otherwise stated. On September 30, 2007, one Canadian dollar was worth \$1.01 U.S. dollars, the currency used for Angolan operations, R6.98 in the currency of the Republic of South Africa (Rand), and £0.49 British pounds.

This MD&A is dated November 21, 2007 and includes all relevant information and considerations to that date.

Third Quarter Highlights

Highlights during the third quarter of 2007 include:

- On July 24, 2007, the Company announced that it had entered into an option agreement with Altius Resources Inc. ("Altius") allowing it to earn up to a 60% interest in the Alexis River uranium property, located in south eastern Labrador, Canada. The Alexis River property is approximately 2,500 hectares in size and the area is underlain by rocks assigned to the Pinware Terrane of the Eastern Grenville Province, which are prospective hosts for uranium mineralization. The Property was staked on the basis of having the highest uranium concentration in a lake bottom sediment sample for all samples taken in Labrador in a program conducted by the Geological Survey of Canada ("GSC"). The GSC sample from the Alexis River property contained 926 ppm uranium (fluorimetric analysis) or 1030 ppm uranium (INAA analysis) in lake sediment. This site was the most anomalous of 18,640 lake sediment samples taken by the GSC in Labrador, in which the average uranium content is 3.8 ppm uranium.

Monroe may earn a 60% interest in the Alexis River property over four years by spending \$1,250,000 on exploration, including a minimum first year commitment of \$175,000; and making share payments to Altius of 2,500,000 Monroe shares, including 500,000 shares on signing and 2,000,000 shares divided equally over four years to be paid on each anniversary of the agreement.

- On September 26, 2007, the Company announced encouraging results from the helicopter borne radiometric and magnetometer survey completed in late July at the Alexis River uranium property in south-eastern Labrador, Canada. The airborne geophysical survey results revealed several radiometric anomalies within the Alexis River property. These

Monroe Minerals Inc.

included a strongly positive, broad (~ 0.8 by 1.0 km) radiometric anomaly that exists immediately to the east of Anomaly Lake, plus several other smaller unexplained radiometric anomalies. In addition, magnetics data indicated the Alexis River property is underlain by a diverse assemblage of lithologies. As well, there exist numerous faults with various orientations, including a possible north-north-westerly trending fault beneath Anomaly Lake.

- Subsequent to the quarter end, on October 24, 2007, the Company announced a non-brokered offering of up to 16,666,667 units at a purchase price of \$0.06 per unit, and 20,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of up to \$2,500,000 by way of private placement. On November 9, 2007, the Company announced that it had completed the first tranche of the \$2,500,000 non-brokered private placement and issued 16,016,665 units at a purchase price of \$0.06 per unit and 14,348,331 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of \$2,037,125. Monroe has increased the total offering to \$2,950,000, comprising 21,666,667 units at a purchase price of \$0.06 per unit and 22,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, subject to regulatory approval.

Properties

The Qualified Persons who have reviewed the information on Properties contained in this MD&A are Dr. Tania Marshall (diamonds) and Dr. Reg Olson (uranium).

Alexis River

The Alexis River property is approximately 2,500 hectares in size and the area is underlain by rocks assigned to the Pinware Terrane of the Eastern Grenville Province, which are prospective hosts for uranium mineralization. The Property was staked on the basis of having the highest uranium concentration in a lake bottom sediment sample for all samples taken in Labrador in a program conducted by the Geological Survey of Canada ("GSC").

The Geological Survey of Newfoundland and GSC have undertaken substantial mapping and geological interpretation in the Eastern Grenville Province. Notably, the Pinware Terrane (which includes the Alexis River property) has been recognized by geologists to contain potential for uranium and Rare Earth Element mineralization associated with nepheline- and/or aegerine-bearing syenite resulting from the extensive alkali-magmatism prevalent only in this part of the Eastern Grenville Province (Gower & Van Nostrand, 1994). The GSC program comprised an airborne magnetic survey (1974), lake sediment surveys (1984), and airborne radiometric surveys (1988), and covered the Alexis River area well.

The GSC sample from the Alexis River property contained 926 ppm uranium (fluorimetric analysis) or 1030 ppm uranium (INAA analysis) in lake sediment. In short, over 0.1% U₃O₈ in lake bottom sediment. This site was the most anomalous of 18,640 lake sediment samples taken by the GSC in Labrador, in which the average uranium content is 3.8 ppm uranium

Monroe may earn a 60% interest in the Alexis River property over four years by spending \$1,250,000 on exploration, including a minimum first year commitment of \$175,000; and making

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share payments to Altius of 2,500,000 Monroe shares, including 500,000 shares on signing and 2,000,000 shares divided equally over four years to be paid on each anniversary of the agreement.

Upon Monroe fulfilling its earn-in obligations, Altius may elect to either (a) form a 60:40 joint venture, with each partner contributing its pro-rata share of future expenditures (Altius retaining the right to dilute to a 10% net profits interest); (b) convert its interest to a sliding scale royalty tied to the uranium price and ranging from 2-3% gross sales royalty on uranium (and 2% net smelter royalty on base and precious metals); or (c) elect to convert to a 30% interest, which will be carried through to completion of a pre-feasibility study. Upon completion of the pre-feasibility study Altius may elect to contribute its pro-rata share of future expenditures or to convert its interest to a 2% gross sales royalty on uranium (and 2% net smelter royalty on base and precious metals).

The July helicopter borne radiometric and magnetometer survey provided encouraging results. The airborne geophysical survey results revealed several radiometric anomalies within the Alexis River property. These included a strongly positive, broad (~ 0.8 by 1.0 km) radiometric anomaly that exists immediately to the east of Anomaly Lake, plus several other smaller unexplained radiometric anomalies. In addition, magnetics data indicated the Alexis River property is underlain by a diverse assemblage of lithologies. As well, there exist numerous faults with various orientations, including a possible north-north-westerly trending fault beneath Anomaly Lake.

A field crew was mobilized to the Alexis River property during September to conduct follow-up prospecting, reconnaissance geological mapping and preliminary systematic lake sediment sampling of Anomaly Lake and an analysis of those results is awaited.

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 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 November and May and little field activity is possible. The program at the Cangandala Project planned for completion by Q2 2007 was delayed by senior staff changes. The program will now be partially completed during Q4 2007, before the onset of rains in November.. That program comprises:

- 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.

Monroe Minerals Inc.

- 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 (\$1,469) 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 for a full mining right was accepted in January 2007 for exclusive consideration by the DME. The normal review process takes thirteen months

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

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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, solely 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	September 30, 2007	Incurred during the period ended September 30, 2007, net of amortization	December 31, 2006
London, South Africa	\$ 9,000	\$ 9,000	\$ -
Skaapkop, South Africa	79,000	30,000	49,000
Cangandala, Angola	302,000	141,000	161,000
Alexis River, Canada	141,000	141,000	-
Plant and equipment	<u>77,000</u>	<u>(19,000)</u>	<u>96,000</u>
Total	\$ 608,000	\$ 302,000	\$ 306,000

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. A radiometric and magnetometer survey and follow-up sediment sampling were completed at the recently acquired Alexis River uranium project in Labrador. Pursuant to new minerals rights legislation in South Africa, the Company applied for a full mining licence for the London Mine in January 2007 for exclusive consideration by the DME. The normal review process takes thirteen months.

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General and Administration Expenses (G&A)

G&A, after reduction of capitalized items, amounted to \$781,794 (2006 - \$398,460) for the nine months ended September 30, 2007. Prior to capitalization, gross G&A for the period ended September 30, 2007 was \$952,061 (2006 - \$1,049,014), down slightly compared to the same period last year due to higher Angola office start up and Angola salary costs incurred last year.

The gross costs (with comparative figures for 2006) are analysed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Salaries and benefits	\$ 135,497	\$ 152,553	\$ 421,348	\$ 502,242
Financial administration	31,650	25,400	90,480	89,100
Audit and legal	12,772	16,227	60,719	76,199
Investor relations and stock options	66,254	37,506	206,690	139,988
General office and miscellaneous	33,654	71,814	92,393	141,894
Travel and marketing	<u>16,869</u>	<u>35,335</u>	<u>80,431</u>	<u>99,591</u>
Total	\$ 296,696	\$ 338,835	\$ 952,061	\$ 1,049,014

Salary and other costs capitalized to mineral interests amounted to \$170,267 (2006 - \$420,595) and \$nil (2006 - \$229,595) respectively for the nine months ended September 30, 2007. Audit fees during the period increased by \$19,476, reflecting higher fees paid in respect of the 2006 audit. These fees have increased in reaction to the current regulatory environment and not expanded activities by the Company and are thus expected to remain high. Stock based compensation expense included in Investor relations and stock options amounted to \$116,937 (2006 - \$33,730). 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 \$46,885 (2006 - \$55,009).

Interest on Long Term Debt

Interest expense for 2007 remained stable compared with 2006. Interest bearing debt is denominated in sterling.

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Summary of Quarterly Results

Quarterly results are unaudited.

(All figures are in \$ except share numbers)

	Three months ended							
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Project development	3,250	11,019	4,844	5,952	3,269	5,194	5,615	5,342
Amortization	5,621	6,302	6,991	1,766	1,874	1,340	2,760	1,569
Loss for the period	309,195	310,091	269,260	2,690,011	137,516	416,719	199,550	116,636
Working capital	(221,117)	159,778	(395,992)	53,430	211,997	621,892	41,067	465,398
Mineral interests	608,353	430,786	369,368	306,135	2,742,834	2,474,873	2,502,074	2,332,410
Total assets	1,273,349	1,490,950	987,262	1,251,257	3,944,209	4,308,869	3,717,299	3,903,417
Shareholders' equity	255,933	482,290	(128,279)	105,456	2,753,993	2,850,892	2,367,123	2,585,074
Shares outstanding	80,732,194	80,232,194	70,162,194	70,162,194	70,162,194	70,162,194	62,079,118	62,079,118
Net loss per share	0.00	0.00	0.00	0.04	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 September 30, 2007, the Company had working capital of \$(221,117) (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 September 30, 2007, the principal outstanding amounted to £261,133 (\$530,936) (December 31, 2006 - £261,133 (\$596,715)) and accrued interest of £42,293 (\$85,990) (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 £151,713 (\$308,463) of the total balance before October 2008. The Canadian dollar strengthened by 14% against sterling during the nine months ended September 30, 2007 and, provided this is maintained, the Company intends to repay a portion of long term debt as soon as its financial position allows.

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Unpaid salary due to the President of the Company amounts to \$270,000 (December 31, 2006 - \$380,000), of which \$50,000 is included in Accounts payable and accrued liabilities. The holder has agreed not to demand repayment of \$220,000 of the balance before October 2008.

Stock Options

No new stock options were granted or exercised during the period. Subsequent to the quarter end, the Board of Directors granted options over 2,635,000 common shares at an exercise price of \$0.10 per share to seven directors, employees and consultants. The options vest one quarter annually, and expire on November 5, 2012. The Company's shares must trade over \$0.12 per share for a period of 20 consecutive trading days before the options can be exercised.

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 (\$2,759,021) 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 (\$2,759,021) 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

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

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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.

On October 24, 2007, the Company announced a non-brokered offering of up to 16,666,667 units at a purchase price of \$0.06 per unit, and 20,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of up to \$2,500,000 by way of private placement. On November 9, 2007, the Company announced that it had completed the first tranche of the \$2,500,000 non-brokered private placement and issued 16,016,665 units at a purchase price of \$0.06 per unit and 14,348,331 flow-through units at a purchase price of \$0.075 per flow-through unit, for total consideration of \$2,037,125. Monroe has increased the total offering to \$2,950,000, comprising 21,666,667 units at a purchase price of \$0.06 per unit and 22,000,000 flow-through units at a purchase price of \$0.075 per flow-through unit, subject to regulatory approval.

Outlook

The Company's priority in 2007 is to complete the assembly of its portfolio of uranium properties and reorganize its diamond division. Good progress has been made in the new uranium division with the appointment of advisors and the commencement of exploration at the Alexis River property. In the diamond division, the program at the Cangandala Project, planned for completion by Q2 2007, has been delayed by the resignation of the geological project manager and the program will now commence in November 2007. 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. Work on the Skaapkop Kimberlite Project will determine if the Company's exploration program is suited to the complex regional geology. Monroe continues to work on the reorganization of the diamond division with a number of options being reviewed.

The Company's requirement for additional funding to finance exploration on its uranium portfolio and the Cangandala Project will be met by the private placement announced on October 24, 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.

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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 September 30, 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.

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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 addition, CHF has been granted an option to acquire 1,250,000 shares in the Company to April 2012 at prices varying between \$0.12 and \$0.30 per share. 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

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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.