

Consolidated Financial Statements of

# **MONROE MINERALS INC.**

Three months ended March 31, 2008  
(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
	2008	2007
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,814,571	\$ 2,147,152
Accounts receivable	19,286	13,352
Inventory	2,495	2,862
Prepaid expenses and other	28,233	49,790
	<u>1,864,585</u>	<u>2,213,156</u>
<b>Mineral interests (Note 2)</b>	<b>154,775</b>	<b>125,777</b>
	<u>\$ 2,019,360</u>	<u>\$ 2,338,933</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 127,159	\$ 121,392
Current portion of long term debt (Note 3)	230,819	221,785
	<u>357,978</u>	<u>343,177</u>
<b>Long term debt (Note 3)</b>	<b>230,819</b>	<b>221,785</b>
<b>Amount due to related party (Note 3)</b>	<b>220,000</b>	<b>220,000</b>
	<u>808,797</u>	<u>784,962</u>
<b>Shareholders' equity:</b>		
Share capital (Note 4)	9,435,791	9,816,363
Warrants (Note 4)	734,200	734,200
Contributed surplus (Note 4)	1,270,846	1,207,433
Deficit	(10,230,274)	(10,204,025)
	<u>1,210,563</u>	<u>1,553,971</u>
	<u>\$ 2,019,360</u>	<u>\$ 2,338,933</u>

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	2008	2007
Expenses:		
Project development	\$ 35,155	\$ 4,844
Amortization	1,002	6,991
General and administrative	379,335	244,325
Interest income	(10,741)	(1,366)
Interest on long term debt	7,844	11,788
Foreign exchange loss	23,654	2,678
Loss before future income taxes	436,249	269,260
Future income tax recovery (Note 7)	(410,000)	-
<b>Loss for the period</b>	<b>26,249</b>	<b>269,260</b>
Deficit, beginning of period	10,204,025	8,014,630
<b>Deficit, end of period</b>	<b>\$ 10,230,274</b>	<b>\$ 8,283,890</b>
<b>Loss per share - basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

See accompanying notes

# MONROE MINERALS INC.

## Consolidated Statements of Cash Flow - Unaudited

Three months ended March 31	2008	2007
<b>Cash flows from (used by) operating activities:</b>		
Loss for the period	\$ (26,249)	\$ (269,260)
Add (deduct) non-cash items		
Amortization	1,002	6,991
Unrealized foreign exchange (gain) loss	18,662	(750)
Stock based compensation	63,413	35,525
Future income tax recovery	(410,000)	-
Change in non-cash working capital	43,826	(33,810)
	<u>(309,346)</u>	<u>(261,304)</u>
<b>Cash flows from (used by) financing activities:</b>		
Repayment of amount due to related party	-	(160,000)
Share issue costs	(572)	-
Change in non-cash working capital	(20,098)	(5,233)
	<u>(20,670)</u>	<u>(165,233)</u>
<b>Cash flows from (used by) investing activities:</b>		
Mineral interests expenditures	-	(70,224)
Change in non-cash working capital	(2,565)	21,716
	<u>(2,565)</u>	<u>(48,508)</u>
<b>Net decrease in cash</b>	<b>(332,581)</b>	<b>(475,045)</b>
<b>Cash at beginning of period</b>	<b>2,147,152</b>	<b>407,389</b>
<b>Cash at end of period</b>	<b>\$ 1,814,571</b>	<b>\$ (67,656)</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 8,437	\$ 11,788

See accompanying notes

# MONROE MINERALS INC.

## Notes to Consolidated Financial Statements

March 31, 2008 - 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 uranium resource properties.

### 1. Basis of presentation and significant accounting policies:

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, 2007. 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 2007 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.

As disclosed in the December 31, 2007 annual audited consolidated financial statements, on January 1, 2008 the Company adopted the following accounting standards:

'Capital Disclosures' requires the Company to disclose its objectives, policies and processes for managing its capital structure (Note 5).

'Financial Instruments - Presentation' and 'Financial Instruments - Disclosures' increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed (Note 6). The new presentation standards carry forward the former presentation requirements.

'Inventories' replaces the previous inventories standard and requires inventory to be value on a first-in, first-out or weighted average basis. The new standard allows the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

### 2. Mineral interests:

<b>March 31, 2008</b>	<b>Cost</b>	<b>Accumulated depletion, amortization and write downs</b>	<b>Net</b>
Alexis River, Canada	\$ 42,500	\$ -	\$ 42,500
Boxey Point, Canada	24,000	-	24,000
Berry Hill, Canada	6,000	-	6,000
Skaapkop, South Africa	65,754	-	65,754
Cangandala, Angola	337,353	337,353	-
London, South Africa	2,150,450	2,150,450	-
Mining, processing and office equipment	185,459	168,938	16,521
<b>Total</b>	<b>\$ 2,811,516</b>	<b>\$ 2,656,741</b>	<b>\$ 154,775</b>

# MONROE MINERALS INC.

## Notes to Consolidated Financial Statements

March 31, 2008 - Unaudited

### 2. Mineral interests (continued):

December 31, 2007	Cost	Accumulated depletion, amortization and write downs	Net
Alexis River, Canada	\$ 42,500	\$ -	\$ 42,500
Skaapkop, South Africa	65,754	-	65,754
Cangandala, Angola	337,353	337,353	-
London, South Africa	2,150,450	2,150,450	-
Mining, processing and office equipment	185,459	167,936	17,523
Total	\$ 2,781,516	\$ 2,655,739	\$ 125,777

Mineral interests under development totalling \$138,254 (December 31, 2007 - \$108,254) are not subject to depletion and amortization. During the period \$nil (2007 - \$nil) of general and administrative expenses and \$nil (2007 - \$66,610) of salaries relating to exploration activities was capitalized to mineral interests.

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

	March 31 2008	December 31 2007
Loan, denominated in sterling in the amount of £226,149, 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 largest shareholder. The shareholder has agreed not to demand repayment of one half of the balance before April 2009.	\$ 461,638	\$ 443,570
Less current portion	(230,819)	(221,785)
	\$ 230,819	\$ 221,785

The amount due to related party of \$220,000 (December 31, 2007 - \$220,000) is in respect of unpaid salary to the President of the Company, is unsecured, has no repayment terms and bears no interest. The President has agreed not to demand repayment of the balance before April 2009.

The Company is also indebted to the President of the Company in the amount of \$846 (December 31, 2007 - \$9,572), 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.

# MONROE MINERALS INC.

## Notes to Consolidated Financial Statements

March 31, 2008 - Unaudited

### 4. Share capital and other (continued):

Common shares issued:	Number	Amount
Balance, December 31, 2006	70,162,194	\$ 7,089,078
Issued for cash in private placements	29,463,298	1,834,598
Issued for cash on a flow-through basis in a private placement	21,844,531	1,338,340
Issued for property in a private placement	500,000	42,500
Share issue costs	-	(488,153)
Balance, December 31, 2007	121,970,023	9,816,363
Issued for property in a private placement	500,000	30,000
Future income tax liability arising from tax benefits renounced on flow-through shares	-	(410,000)
Share issue costs	-	(572)
Balance, March 31, 2008	122,470,023	\$ 9,435,791

Warrants issued:	Number	Amount
Balance, December 31, 2006	18,556,038	\$ 762,000
Issued for cash in private placements	24,428,298	336,000
Issued for cash on a flow-through basis in a private placement	21,844,531	300,000
Finder's warrants and options issued	3,695,949	98,200
Expired	(18,556,038)	(762,000)
Balance, December 31, 2007 and March 31, 2008	49,968,778	\$ 734,200

Contributed surplus:	Amount
Balance, December 31, 2006	\$ 269,008
Stock based compensation	176,425
Warrants expired	762,000
Balance, December 31, 2007	1,207,433
Stock based compensation	63,413
Balance, March 31, 2008	\$ 1,270,846

### Stock options and warrants:

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
<b>Incentive stock plan options</b>						
Employees/directors	9,010,000	\$0.13	4,958,750	\$0.14	Feb 2004 - Nov 2007	Feb 2009 - Nov 2012
Consultants	1,350,000	0.20	466,666	0.20	Sep 2006 - Apr 2007	Sep 2010 - Apr 2012
Total	10,360,000	\$0.14	5,425,416	\$0.15		
<b>Other option and finder's warrants</b>						
Vuya! options	500,000	\$0.30	500,000	\$0.30	Dec 2003	Dec 2008
Finder's warrants	601,600	0.10	601,600	0.10	Apr 2007	Apr 2008
Finder's options	3,094,349	0.08	3,094,349	0.08	Nov 2007	Nov 2009
Total	4,195,949	\$0.11	4,195,949	\$0.11		
<b>Warrants</b>						
Common share warrants	24,428,298	\$0.11	24,428,298	\$0.11	Apr 2007 - Nov 2007	Oct 2008 - Nov 2009
Flow-through share warrants	21,844,531	0.12	21,844,531	0.12	Nov 2007	Nov 2009
Total	46,272,829	\$0.11	46,272,829	\$0.11		

# MONROE MINERALS INC.

Notes to Consolidated Financial Statements  
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## 4. Share capital and other (continued):

### Stock options and warrants (continued):

	March 31, 2008		December 31, 2007	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
<b>Incentive stock plan options</b>				
Outstanding at beginning of period	10,360,000	\$0.14	7,655,000	\$0.16
Granted	-	-	3,885,000	0.13
Expired	-	-	(1,180,000)	0.25
Outstanding at end of period	10,360,000	\$0.14	10,360,000	\$0.14
Exercisable at end of period	5,425,416	\$0.15	5,425,416	\$0.15
<b>Other options and finder's warrants</b>				
Outstanding at beginning of period	4,195,949	\$0.11	500,000	\$0.30
Finder's warrants issued	-	-	601,600	0.10
Finder's options issued	-	-	3,094,349	0.08
Outstanding and exercisable at end of period	4,195,949	\$0.11	4,195,949	\$0.11
<b>Warrants</b>				
Outstanding at beginning of period	46,272,829	\$0.11	19,501,188	\$0.20
Common share warrants issued pursuant to private placements	-	-	24,428,298	0.11
Flow-through share warrants issued pursuant to a private placement	-	-	21,844,531	0.12
Warrants expired	-	-	(19,501,188)	0.20
Outstanding and exercisable at end of period	46,272,829	\$0.11	46,272,829	\$0.11

## 5. Capital management:

The Company's capital structure reflects its strategy and the financial environment in which it operates. The objectives when managing capital are to maintain adequate levels of funding to support the acquisition, exploration and development of uranium resource properties, to maintain the necessary corporate and administrative functions to facilitate these activities, and to safeguard the Company's ability to continue as a going concern.

The Company's current portfolio of properties is in the exploration stage and the Company is dependent primarily on external equity financing to fund its activities. There can be no assurance that the Company will be able to raise capital in this manner in the future. The Company will utilize its existing working capital, and raise additional amounts as required, to carry out planned exploration and to fund administrative costs. The Company will continue to assess new properties and to seek to acquire interests in additional properties if it believes sufficient economic potential exists and it has adequate financial resources to do so.

There was no change in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

## 6. Financial risk factors:

The types of risk exposure, their potential impact on financial instruments, and the manner in which risk is managed, are summarized hereunder.

### Credit risk

The Company does not engage in any sales activities and has no significant credit risk arising from operations. The Company's receivables largely comprise refunds of sales taxes due from the national governments of Canada and South Africa and management believes that there is no significant concentration of credit risk.

# MONROE MINERALS INC.

## Notes to Consolidated Financial Statements

March 31, 2008 - Unaudited

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### 6. Financial risk factors (continued):

#### Liquidity risk

Financial liquidity represents the Company's ability to fund future activities and obligations as and when required. The Company endeavours to ensure that it has sufficient capital to meet short term business requirements. As at March 31, 2008, the Company had a cash balance of \$1,814,571 (December 31, 2007 - \$2,147,152) to meet current obligations of \$337,978 (December 31, 2007 - \$343,177), which includes the current portion of long term debt of £113,075 (\$230,819) (December 31, 2007 - £113,075 (\$221,785)). The Canadian dollar strengthened by 14% against sterling during the year ended December 31, 2007 and, provided this is maintained, the Company intends to repay a further portion of long term debt as soon as its financial position allows, or upon completion of the sale of the Company's diamond division (Note 9).

The amount due to a related party as of March 31, 2008 of \$220,000 (December 31, 2007 - \$220,000) is unsecured, and the holder has agreed not to demand repayment before April 2009.

#### Market risk

##### a) Interest rate risk

The Company invests its cash balances in short term treasury accounts with the Bank of Nova Scotia, which yielded an average interest rate of 3.08% in the first quarter of 2008. The long term debt bears a fixed rate of interest at 7%, and is expected to be repaid upon completion of the sale of the diamond division (Note 9).

##### b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds its South African office in South African rand acquired through funding from its Canadian dollar bank accounts. Management considers that the foreign exchange risk derived from operational currency conversions is not significant and it is unnecessary to hedge this risk. The long term debt is denominated in sterling. The terms of this debt are being renegotiated and management considers that it is inappropriate currently to consider hedging any foreign exchange risk derived from long term debt. An increase (decrease) in the foreign exchange rate of 10% results in an increase (decrease) in the principal balance of long term debt by \$44,400, and annual interest expense by \$3,100.

##### c) Price risk

The Company is a development stage company and has no production or sales revenues. Accordingly, it is not exposed to price risk with respect to commodity prices.

# MONROE MINERALS INC.

Notes to Consolidated Financial Statements  
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## 7. 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 2008	December 31 2007
Income tax rate	29.5%	32.1%
Computed expected income tax reduction	\$ (7,743)	\$ (702,796)
Decrease resulting from:		
Stock based compensation	18,707	56,666
Effect of change in tax rate and other	(1,672)	142,887
	9,292	(503,243)
Valuation allowance	(9,292)	503,243
	\$ -	\$ -

The components of the net future income tax asset at March 31, 2008, no portion of which has been recorded in these financial statements, are as follows:

	March 31 2008	December 31 2007
Non-capital/net operating losses	\$ 1,421,000	\$ 1,846,000
Share issue costs	123,000	137,000
Capital losses	23,000	23,000
Mineral interests	1,433,000	1,433,000
	3,000,000	3,439,000
Valuation allowance	(3,000,000)	(3,439,000)
	\$ -	\$ -

In February 2008, the Company renounced the tax credits associated with the \$1,638,340 flow-through share financing completed in 2007. In accordance with Canadian GAAP, a future income tax liability of \$410,000 and a corresponding reduction of share capital were recorded in the first quarter of 2008, in order to recognize the tax benefits conferred to the subscribers of the flow-through shares. As the Company has future income tax assets that have not previously been recognized, and the taxable temporary differences relating to the flow-through shares are expected to reverse during the loss carry forward period, the future income tax liability has been reduced, and a future income tax recovery of \$410,000 has been recorded.

## 8. Commitments:

The Company has flow-through commitments for expenditures of \$1,638,340 on exploration and development activities in relation to its issuance of flow-through common shares in 2007, to be incurred prior to December 31, 2008. As of March 31, 2008, the Company has incurred \$37,220 of eligible flow-through expenditures leaving a balance of \$1,601,120 to be incurred.

## 9. Subsequent event:

On May 13, 2008, the Company announced that it had entered into an agreement for the sale of its South African subsidiary, Monroe Mining (Pty) Limited ('Monroe SA'). The terms of the agreement include cash proceeds of approximately \$1.4 million and a carried equity interest of 10% in any projects that develop from the intellectual database of Monroe SA. The completion of the transaction is subject to regulatory approval, which, in the case of South Africa, may take an uncertain length of time.

## Management Discussion and Analysis

March 31, 2008

This Management Discussion and Analysis ('MD&A') has been prepared as of May 27, 2008. 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, 2007. Information provided herein relating to 2008 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 2008 include:

- On January 8, 2008 the Company issued 500,000 common shares at a purchase price of \$0.06 per common share for total consideration of \$30,000 pursuant to option agreements with Altius Resources Inc. ('Altius'), allowing the Company to earn up to a 60% interest in the Boxey Point and Berry Hill uranium properties.
- On February 15, 2008 the Company incorporated a wholly-owned Canadian subsidiary, Monroe Exploration Inc., which will hold the Company's Canadian uranium properties.
- On March 25, 2008 the Company announced that it had been granted a full mining right in respect of the London alluvial diamond mine, pursuant to section 23(1) of the Mineral and Petroleum Resources Development Act 2002, by the Department of Minerals and Energy Affairs of South Africa.
- Subsequent to the first quarter end, on May 13, 2008, the Company announced that it had entered into an agreement for the sale of its South African subsidiary, Monroe Mining (Pty) Limited ('Monroe SA'). The terms of the sale agreement include cash proceeds of \$1.4 million and a carried equity interest of 10% in any projects that develop from the intellectual database of Monroe SA. The completion of the transaction is subject to regulatory approval, which in the case of South Africa may take approximately one year.

### Properties

Monroe's technical expertise lies in project selection and exploration planning and implementation. Present goals for the uranium division include the identification of additional exploration properties in Canada, as well as the selection of larger scale uranium projects in Africa and elsewhere. Monroe presently has three uranium properties, all of which are located in Newfoundland & Labrador.

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

# Monroe Minerals Inc.

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## 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 hosts for uranium mineralization. The Geological Survey of Canada ('GSC') and the Geological Survey of Newfoundland & Labrador ('GSNL') 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 as containing potential for uranium and Rare Earth Element mineralization associated with nepheline-bearing 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 and GSNL programs comprised an airborne magnetic survey (1974), lake sediment surveys (1984), and airborne radiometric surveys (1988), and covered the Alexis River area. The samples from the Alexis River property contained 926 ppm uranium (fluorimetric analysis) or 1,030 ppm uranium (INAA analysis) in lake sediment. In short, over 0.1% U<sub>3</sub>O<sub>8</sub> in lake bottom sediment. This site, named 'Anomaly Lake', 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 minimum 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 Resources Inc. ('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.

The July 2007 helicopter borne radiometric and magnetometer survey provided encouraging results. The airborne geophysical survey 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.

Preliminary follow-up prospecting, reconnaissance geological mapping and systematic lake sediment sampling of Anomaly Lake was completed in September 2007 and February 2008 and the geochemical analytical results for the follow-up lake sediment samples is expected during the second quarter 2008.

## BOXEY POINT AND BERRY HILL

In January 2008, the Company entered into option agreements with Altius allowing the Company to earn a 60% interest in the Boxey Point and Berry Hill uranium exploration properties, located in Newfoundland, Canada.

The Boxey Point property totals thirty-six claims and is approximately 900 hectares in size. It is located in the Fortune Bay area along the southern coast of Newfoundland, between and a little south of the Coomb's Cove and English Harbour West settlements. The property is about 600 km by road from St. John's. A recent soil sampling program yielded elevated uranium results and two rock samples tested 738 ppm and 1,498 ppm uranium (0.09 to 0.18% U<sub>3</sub>O<sub>8</sub>) respectively. There is

## Monroe Minerals Inc.

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also remarkable alteration of the sedimentary strata on the property. The expected deposit type could be similar to the conglomerate-hosted uranium prospects that exist at the Beaverdell deposits in southern B.C. or the former Midnite/Blackhawk Mine near Spokane, Washington.

Monroe may earn a 60% interest in the Boxey Point property over four years by spending \$1,000,000 on exploration, including a minimum first year commitment of \$100,000, and making share payments to Altius of 2,000,000 Monroe shares, including 400,000 shares issued on signing and 1,600,000 shares divided equally over four years to be paid on each anniversary of the agreement.

The Berry Hill property totals fifty-seven claims and is 1,425 hectares in size. It is located on the Burin Peninsula about 160 km due west or 235 km by road from St. John's. The Berry Hill property is a conceptual play based on fluorite occurrences and a number of stream sediment, lake sediment and till samples with elevated concentrations of one or more of uranium, molybdenum and fluorine. The expected deposit type is a granitic-hosted uranium deposit such as the Rossing mine in Namibia, Radium Hill in South Australia or the Johan-Beetz uranium prospect in Quebec. Granite-hosted uranium deposits tend to be relatively low grade (e.g., <0.1% U<sub>3</sub>O<sub>8</sub>), although they can be very large.

Monroe may earn a 60% interest in the Berry Hill property over four years by spending \$475,000 on exploration, including a minimum first year commitment of \$50,000, and making share payments to Altius of 500,000 Monroe shares, including 100,000 shares issued on signing and 400,000 shares divided equally over four years to be paid on each anniversary of the agreement.

The earning under each of the Boxey Point and Berry Hill projects is independent of whether earning occurs under the other. Upon Monroe fulfilling its earn-in obligations, the parties will form a 60:40 joint venture, with each partner contributing its pro-rata share of future expenditures. If either party dilutes its interest to less than 10% in the joint venture, its interest shall be converted to a royalty of 1% of gross uranium sales.

Information regarding the London Mine and the Skaapkop Kimberlite Project, which are subject to the sale agreement referred to in First Quarter Highlights above, may be found in the 2007 Annual Report.

# Monroe Minerals Inc.

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## Properties Analysis

The following table presents the carrying amounts and expenditures on the Company's mineral properties.

Property	December 31, 2007	Incurring during the period ended March 31, 2008	Expensed, amortized or written down in 2008	March 31, 2008
Alexis River, Canada	\$ 42,500	\$ 20,700	\$ 20,700	\$ 42,500
Boxey Point, Canada	-	24,000	-	24,000
Berry Hill, Canada	-	6,000	-	6,000
London, South Africa	-	300	300	-
Skaapkop, South Africa	65,800	-	-	65,800
Cangandala, Angola	-	7,700	7,700	-
Plant and equipment	<u>17,500</u>	<u>-</u>	<u>1,000</u>	<u>16,500</u>
Total	\$ <u>125,800</u>	\$ <u>58,700</u>	\$ <u>29,700</u>	\$ <u>154,800</u>

## Results of Operations

### Operations

The Company is 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:

- Follow-up sediment sampling was completed at the Alexis River uranium project in Labrador during February.
- In response to its application to the DME in January 2007, the Company was granted a full mining right for the London Mine in January 2008.
- One of the Company's objectives during 2008 is the identification of suitable uranium companies and assets for acquisition, merger, strategic partnership or joint venture. During the first quarter the Company completed a survey of such companies and assets in Canada and Africa.
- No work was carried out on the London Mine or the Skaapkop Kimberlite Project as these are now subject to the sale agreement referred to in First Quarter Highlights above.

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## General and Administration Expenses ('G&A')

G&A for the period ended March 31, 2008 was \$363,535 (2007 - \$310,935). The costs (with comparative figures for 2007) are as follows:

	2008	2007
Salaries and benefits	\$ 103,801	\$ 144,873
Financial administration	45,791	29,411
Audit and legal	38,866	14,901
Investor relations	49,896	17,175
Stock based compensation expense	63,413	35,525
General office and miscellaneous	66,899	47,912
Travel and marketing	<u>10,669</u>	<u>21,138</u>
Total	\$ <u>379,335</u>	\$ <u>310,935</u>

Salary costs were lower in 2008 due to the closure of the Angola office and reduced activity in the diamond division in South Africa. Salary costs capitalized to mineral interests amounted to \$nil (2007 - \$66,610). Financial administration increased due to a higher volume of work in the uranium division, including the investigation of new opportunities and the administration of flow-through obligations. Investor relations increased due to the inclusion of Annual Report expenses, regulatory fees and news release costs in the 2008 number which, in 2007, were mostly incurred in the second quarter. The increase in stock based compensation expense was caused by the issuance of stock options in the fourth quarter of 2007.

## Interest on Long Term Debt

Interest expense on long term debt decreased from \$11,788 to \$7,844 as a consequence of the partial repayment of principal and of accumulated interest in the fourth quarter of 2007. 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							
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Project development	35,155	121,250	3,250	11,019	4,844	5,952	3,269	5,194
Amortization	1,002	3,313	5,621	6,302	6,991	1,766	1,874	1,340
Loss for the period	26,249	1,300,849	309,195	310,091	269,260	2,690,011	137,516	416,719
Working capital	1,506,607	1,869,979	(221,117)	159,778	(395,992)	53,430	211,997	621,892
Mineral interests	154,775	125,777	608,353	430,786	369,368	306,135	2,742,834	2,474,873
Total assets	2,019,360	2,338,933	1,273,349	1,490,950	987,262	1,251,257	3,944,209	4,308,869
Shareholders' equity	1,210,563	1,553,971	255,933	482,290	(128,279)	105,456	2,753,993	2,850,892
Shares outstanding	122,470,023	121,970,023	80,732,194	80,232,194	70,162,194	70,162,194	70,162,194	70,162,194
Net loss per share	0.00	0.03	0.00	0.00	0.00	0.04	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, 2008, the Company had working capital of \$1,506,607 (December 31, 2007 - \$1,869,979), due mainly to a private placement which closed in the fourth quarter of 2007. 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 largest shareholder bears interest at 7% per annum and is denominated in sterling. At March 31, 2008, the principal outstanding amounted to £226,149 (\$461,638) (December 31, 2007 - £226,149 (\$443,570)) and accrued interest of £nil (\$nil) (December 31, 2007 - £nil (\$nil)). The debt is secured by a charge on income from the London Mine and will be repaid from the proceeds from the sale of Monroe SA, referred to in First Quarter Highlights above, as required by the terms of the sale agreement. The balance sheet of the Company at March 31, 2008 shows that the holder of the debt has agreed not to demand

## Monroe Minerals Inc.

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repayment of £113,075 (\$230,819) of the total balance before April 2009 in the event that the sale agreement does not close by that date.

Unpaid salary of \$220,000 (December 31, 2007 - \$220,000) is due to the President of the Company, who has agreed not to demand repayment before April 2009.

### **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 Black Economic Empowerment ('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 (\$2,755,388) 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 (\$2,755,388) 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.

The Company intends to exercise its right to recover all of the interest of Vuya! in Monroe SA prior to the completion of the sale of Monroe SA, referred to in First Quarter Highlights above.

### **Environmental Liabilities**

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

### **Capital Resources**

On January 8, 2008 the Company completed a private placement, issuing 500,000 common shares at a purchase price of \$0.06 per common share for total consideration of \$30,000 to acquire the rights in the Boxey Point and Berry Hill uranium properties.

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## **Outlook**

The Company's priorities in 2008 are the completion of its portfolios of uranium properties in Canada and in Africa, the reorganization of its diamond division, and the growth of the Company's market capitalization through corporate activity. Good progress has been made in the new uranium division during the first quarter 2008 with the appointment of new advisors, the commencement of exploration at the Alexis River property, the addition of the Boxey Point and Berry Hill properties, and a survey of suitable uranium companies and assets for acquisition, merger, strategic partnership or joint venture.

## **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, 2007.

## **Changes in Accounting Policies Including Initial Adoption**

Changes in accounting policies and recent accounting pronouncements are discussed in Notes 1(b) and 1(l) to the consolidated financial statements for the year ended December 31, 2007. These include the adoption of standards with respect to 'Financial Instruments – Recognition and Measurement', 'Hedges', and 'Comprehensive Income', effective January 1, 2007, and the effects of the adoption of standards with respect to 'Financial Instruments – Disclosure', 'Financial Instruments – Presentation', 'Capital Disclosures', and 'Inventories' as of January 1, 2008.

## **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 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.

## **Controls and Procedures**

Disclosure controls and procedures ('DC&P') are intended 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. Internal controls over financial reporting ('ICFR') are intended 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. In common with many of its peers, the Company faces challenges in achieving these objectives.

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In the light of the Company's small size, DC&P are affected by the limited ability to obtain independent confirmation of data. To mitigate potential control weaknesses, (a) the Chief Executive Officer ('CEO') is actively involved in the day to day business of the Company including in its overseas jurisdictions, (b) the CEO and Chief Financial Officer ('CFO') have identified those individuals carrying responsibility for compiling the relevant data 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. 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 filed on SEDAR.

The issue regarding limitations on independent confirmation of data is equally applicable when considering ICFR. 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. Monroe currently has no plans to remediate the above mentioned weaknesses which are linked with its current size and nature of operations.

Commencing with the 2005 fiscal year end, the CEO and CFO are required to provide and file on SEDAR a certificate regarding the Company's financial statements and annual filings. Based on their respective knowledge of the relevant facts and information and having exercised reasonable diligence, in the required filings, the CEO and CFO have confirmed their continued belief that (a) the annual 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, for the period covered by the annual filings, and (b) the annual financial statements together with the other financial information included in the annual 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.

As Monroe is a TSX Venture listed company, its CEO and CFO are not required to provide representations in the 2007 annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in MI 52-109. In particular, the certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible

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for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **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 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](http://www.monroeminerals.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).