MONROE MINERALS INC.

ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2004

AUGUST 8, 2005

TABLE OF CONTENTS

INTRODUCTION

Cautionary Statement on Forward-Looking Information

This report contains forward-looking statements. When used in this report, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which are, by their very nature, not guarantees of Monroe’s future operational or financial performance, and are subject to risks and uncertainties. This forward-looking information mainly concerns Monroe’s plans for its diamond initiatives and is based on the conclusions of management. With respect to Monroe’s future revenues from its marketing activities, differences may result from developments in world diamond markets and diamond valuations and other factors. With respect to alluvial and other projects, actual events may differ from current expectations due to exploration results, new exploration opportunities, changing budget priorities of Monroe or its joint venture partners and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Due to risks and uncertainties, actual events may differ materially from current expectations.

Note: Unless otherwise specified, the currency in this document is Canadian dollars. On December 31, 2004, one Canadian dollar was worth approximately R4.71 in currency of South Africa (Rand) and US$0.7752.

CORPORATE STRUCTURE

Name and Incorporation

Monroe Minerals Inc. (formerly Blue Ice Minerals Limited, and prior to that, Bluebird Minerals Ltd. which was formed by an amalgamation on August 31, 1996) ("Monroe" or the "Company"), incorporated under the *Business Corporations Act* (Alberta), is engaged in the acquisition, exploration and development of diamond resource properties in sub-Saharan Africa. On November 27, 2001, the common shares of the Company were consolidated on a three for one basis and the name of the Company was changed to Monroe Minerals Inc. In March 2002, concurrent with the closing of a private placement financing of $609,500, Monroe completed a reverse takeover ("RTO") and acquired all of the shares of 708741 Alberta Ltd. ("708741") (formerly Monroe Minerals Limited) in exchange for 24.4 million Monroe Minerals Inc. common shares (representing 71% of the outstanding Monroe Minerals Inc. common shares after the RTO). Effective December 31, 2002, the Company completed a vertical amalgamation with two of its previously wholly-owned subsidiaries, Rossmin Exploration Ltd. and 708741 Alberta Ltd.

The Corporation's head office is located at 717 - 7th Avenue S.W., Calgary, Alberta T2P 0Z3 and the registered office is at 1000 Canterra Tower, 400 3rd Avenue S.W., Calgary, Alberta T2P 4H2.

Intercorporate Relationships

The Company has one wholly owned subsidiary: Monroe Minerals Holdings Limited, incorporated under the laws of the Isle of Man in 1996 ("Holdings"). Holdings has two subsidiaries: 74% owned Monroe Mining (Proprietary) Limited ("Monroe SA"), incorporated under the laws of the Republic of South Africa ("South Africa" or "RSA") in 1996 and 100% owned Monroe Resources Limited ("Resources"), incorporated under the laws of the Isle of Man in 2005.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Monroe is a junior mineral resource company based in Calgary, Alberta, Canada and has operated in the mineral resource sector since 1996. From 1996 until 1999, the Company was engaged in gold exploration. In November 1999 the Company made its first investment in the diamond sector. Following the acquisition of 708741 in March 2002, the Company has been engaged in diamond exploration in South Africa. With the change in the Company's focus to diamond exploration in Southern Africa the Company relinquished its interest in its remaining Canadian property and wrote off the balance of its capitalized expenditure on Canadian interests. Monroe's principal property is the London Diamond Property ("London Property"). in South Africa. For further details see "Narrative Description of Business" below.

In June 2001, the shareholders of the Company approved the acquisition of 708741, a private Alberta company. In March 2002, concurrent with the closing of private placement financing, Monroe completed a reverse takeover ("RTO") to acquire all of the shares of 708741 in exchange for 24.4 million Monroe Minerals Inc. common shares (representing 71% of the outstanding Monroe Minerals Inc. common shares after the RTO).

In connection with the Government of South Africa's 2004 Minerals and Petroleum Resources Development Act and associated Socio-Economic Empowerment Charter for the South African Mining Industry, which foresees that 26% of mining industry assets will be transferred to Historically

Disadvantaged South Africans ("HDSA's") (often referred to as Black Economic Empowerment or "BEE"), the Company has entered into the following two agreements:

Under a December 2003 agreement with a BEE company, Vuya! Investments (Pty) Limited ("Vuya!"), Vuya! acquired an initial 9.9% of the share capital of Monroe SA, which issued 99 treasury shares for consideration of R99. Vuya! was also granted the option to acquire 500, 000 common shares of the Company at an exercise prices of $0.30 per share. The agreement covers an initial five year period during which Vuya! will identify diamond projects valued at no less than R 6,021,000 on behalf of the Company, or pay this amount in cash, and assist generally in developing the Company's South African business. Further, subject to certain conditions including the satisfactory completion of its obligations under the agreement, Vuya! will have the right to exchange this 9.9% holding of Monroe SA shares for 4,255,095 shares of the Company.

In August 2004, Vuya! increased its share position in Monroe SA to 26% by acquiring an additional 16.1% of the share capital of Monroe SA. Monroe SA issued 218 treasury shares for consideration of R218. The agreement covers an initial four year period during which Vuya! will identify diamond projects valued at no less than R13,232,000 on behalf of the Company, or pay this amount in cash and assist generally in developing the Company's South African business. The Company has the right to claw back all or part of the interest of Vuya! in Monroe SA in the event that Vuya! does not pay the full consideration of R19,253,000 or ceases to be a BEE company.

In September 2004, Monroe entered into any agreement with Ukukhanya Land Concessions (Pty) Ltd. ("ULC") to prospect on ULC's landholdings along the Middle Orange River in Northern Cape Province, South Africa. The Company will conduct due diligence and an assessment program on sixteen properties comprising approximately 50,000 acres. If the project proceeds to full mining, Monroe, as operator, will be entitled to a share of profits, after capital recovery and debt service, on a scale ranging from 75% to 95%v, dependent on the level of cash flow.

In late 2003 the Company decided to expand throughout Southern Africa and to participate in larger scale projects than hitherto undertaken. Several projects, in Angola, Botswana and Namibia, have since been reviewed. In July 2005 the Corporation agreed to acquire an interest in a new project in Angola, the first stage of which consists of due diligence and preliminary assessment of mining potential.

NARRATIVE DESCRIPTION OF THE BUSINESS

General Description of the Business

Monroe is a junior mineral resource company based in Calgary, Alberta, Canada and has operated in the mineral resource sector since 1996. Since March 2002, the Company has been engaged in diamond exploration in Southern Africa.

General Description of the Diamond Mining Industry

The majority of the world's natural diamonds are recovered from a rare suite of volcanic rocks known as kimberlites or lamproites. Diamonds eroded from these primary source rocks may, under favourable conditions, be concentrated to form valuable secondary deposits, generally referred to as alluvial.

Kimberlites typically occur as clusters of pipes or fissures. Within a cluster, kimberlites exhibit a range of grade and size. Kimberlite exploration is a systematic process of covering large tracts of ground in sufficient detail to detect the subtle concentrations of indicator minerals and establish their distribution.

Although alluvial diamond prospecting has been considered less attractive than prospecting for kimberlites, alluvial mining may deliver cash flow and profitability within a short time frame and with relatively low capital expenditure. As such, alluvial mining has a strong role to play as part of a balanced risk portfolio of diamond projects where it is combined with longer-term exploration projects.

Specialized Skill and Knowledge

Monroe uses selected internationally recognized and local geological consultants for exploration work on its properties.

Competitive Conditions

The Company competes with others in its sector in relation to exploration properties and professional personnel. Competition in relation to the sale of diamonds is not a significant factor. The Company has a leading project generation capability and, to date, the acquisition of properties has not been problematic. This situation may change as more operators enter the market and good properties become scarcer. The availability of quality professional personnel is a universal problem but the Company considers that it has experienced less difficulty than its peers.

Environmental Protection

All phases of the Company's operations are subject to environmental regulation and require approval by the appropriate regulatory authority prior to commencement. Failure to comply with environmental regulations may result in various fines and penalties. Management of the Company believes that the Company is and will continue to be in compliance with applicable environmental protection requirements. The impact of environmental protection requirements in future years is not expected to increase significantly.

Employees/Consultants

As at the date hereof, the Company has 9 employees and 8 consultants who collectively attend to the management and daily operations of the Company. Additional consultants are retained from time to time on a contract basis as needed.

Foreign Operations

Monroe's principal property is located in South Africa and accordingly the Company is subject to mining laws and regulations of South Africa which have recently been amended. Fluctuations in the South African currency against the U.S. and Canadian dollar could result in unanticipated fluctuations in the Company's financial results. In addition, the Company's activities in Southern Africa could be adversely affected in varying degrees by political or economic instability common to developing countries. For additional information see *Risk Factors*.

Risk Factors

An investment in the Common Shares of the Company involves certain risks. Prospective investors should carefully consider, in particular, the following risks:

General

Investors should consider, among other things, the early stage of the Company's development and the fact that the success of the Company will largely depend on the expertise of management in pursuing its business opportunities. There can be no assurance that the business of the Company will be operated successfully.

The Company is involved in diamond exploration, which is a highly speculative business and involves substantial risks, even when conducted on properties known to contain significant quantities of diamonds.

Lack of Cash Flow and Additional Capital Requirements

The Company's current operations do not generate positive cash flow. The Company has limited financial resources and certain of the licences that the Company holds impose financial obligations on the Company. The exploration and development of the Company's properties, including, if warranted, the construction of mining facilities and commencement of mining operations, will require substantial additional financing. If the Company's proposed exploration programme is successful, additional funds may be required for future programmes to develop the Company's diamond projects in Southern Africa. Failure to obtain sufficient funding would result in delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of all or parts of its interests in some or all of its properties and the reduction or termination of its operations. There can be no assurance that the additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be on terms favourable to the company. The principal source of future funds presently available to the Company is through the sale of equity.

Nature of Mineral Development

The exploration and development of diamond deposits, whether alluvial or kimberlite deposits, involves significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a diamond bearing structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current exploration programmes of the Company will result in a profitable commercial mining operation.

The Company's operations are subject to all the hazards and risks normally incident to exploration, development and production of diamonds, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has an interest. Hazards such as unusual formations, excessive ground water or other unexpected conditions may be encountered. In addition, the Company may incur losses.

Whether a diamond deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of a deposit, such as the size, quantity and quality of the diamonds, proximity to infrastructure, water availability, financing cost and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of diamond and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on investment capital.

Government Regulation

The exploration activities of the Company are subject to various laws governing prospecting, development, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the exploration activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

Conflicts of Interest

Certain directors and officers of the Company are directors and/or officers of, or are otherwise associated with, other natural resource companies that acquire interests in mineral properties (see "Directors and Officers"). Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interests which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Uninsured Risks

While the Company will take all necessary precautions to prevent discharges of pollutants into the ground, water and the environment and even though the Company maintains appropriate liability insurance and property damage insurance in connection with its business, the Company may become subject to liability for hazards that cannot be insured against or against which the Company may choose not to insure because of high premium costs or for other reasons. Insurance against environmental risks is not generally available to the Company or to other companies in the mining industry. Should such liabilities arise, they could result in a decline in value of the securities of the Company.

Diamond Price Fluctuations

The profitability of the Company's operations will be dependent, among other things, upon the market price of the diamonds extracted. The market for diamonds is sensitive to changes in the global economic climate, particularly the U.S. economy. Prices of diamonds are affected by numerous factors beyond the control of the Company, including international, economic and political conditions, levels of supply and demand, currency availability, inventory levels, interest rates, rate of inflation and currency exchange. If the market price of diamonds should drop dramatically the Company might not be able to recover its investment in those properties. The decision to put a mine into production, and the commitment of the funds necessary for that purpose, must be made long before the first revenues from production will be received. Diamond price fluctuations as well as production costs between the time that such a decision is made and the commencement of production can significantly change the economics of any mine.

Dividends

The Company does not anticipate paying dividends in the foreseeable future.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations, which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. While it is possible that the costs and delays associated with the compliance of such laws, regulations and permits could become such that the Company would not proceed with the development or operation of a mine, the Company is not aware of any material environmental constraints affecting its properties that would preclude the economic development or operation of any specific property.

Competition and Agreement with Other Parties

The Company competes with numerous other individuals and companies possessing greater financial resources and technical facilities than itself in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties and potential reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There can be no assurance that the Company will be able to continue to compete successfully with its competitors in acquiring such properties or prospects.

Title

The Company is satisfied that evidence of title to the permits and licences comprising its properties is adequate and acceptable under prevailing industry standards. No assurance can, however, be given that such permits and licences are not subject to prior unregistered agreements, transfers, claims, or interests or to undetected encumbrances affecting title which could be material and adverse to the Company. Further, there can be no guarantee that title to such permits and licenses held by the Company will not be challenged or impugned. The Company's ability to obtain, confirm, sustain or renew such licences or permits on acceptable terms is subject to changes in regulations and policies and to the discretion of applicable governmental authorities.

Dependence on Key Personnel

The Company's business is dependent on the expertise and skills provided by its senior officers and consultants. The loss of one or more of these individuals could have an adverse impact on the Company's business. In addition, while certain of the Company's officers and directors have experience in the exploration and operation of diamond producing properties, the Company will remain dependent upon contractors and third parties in the performance of its exploration and development activities. As such, there can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Lack of Commercial Deposits

The Company's activities are directed towards the search, evaluation and development of mineral deposits. None of the mineral prospects of the Company contain a known body of commercial mineralization (a mineral reserve) and any exploration programmes thereon are exploratory searches for diamonds.

Foreign Currency Exchange Rates

The price of diamonds is denominated in U.S. dollars and, accordingly, the Company's sales are denominated in U.S. dollars. The Company's operating costs and certain of the Company's payments in order to maintain property interests are to be made in the local currency of the jurisdiction where the applicable property is located. As a result, fluctuations in the U.S. dollar against the Canadian dollar and each of those currencies against local currencies in jurisdictions where properties of the Company are located could result in unanticipated fluctuations in the Company's financial results, which are denominated in Canadian dollars. The currency of South Africa is currently convertible directly into Canadian and U.S. dollars; however, there is no guarantee that it will continue to be so convertible.

Exchange Controls

In South Africa: (i) non-residents enjoy unrestricted rights to invest in any South African listed or unlisted shares with the sale proceeds being fully remittable; (ii) investment in companies through the introduction of loan capital requires prior Exchange Control approval. Loans can be repatriated in their original foreign currency or in rand. Interest is fully remittable at the appropriate rates applicable to the elected repatriation currency; (iii) although there are no Exchange Control constraints on the ratio of loan capital to equity in capitalizing companies, the Receiver of Revenue may disallow interest paid on that portion of loan capital which exceeds three times the amount of equity; (iv) after-tax profits and dividends are fully remittable, but subject to any restrictions imposed by Exchange Control in circumstances where local borrowings limits are exceeded; and (v) Exchange Control will consider requests from South African companies to remit funds to non-resident shareholders by way of loans in lieu of dividends.

Political and Economic Risk

The Company's activities in Southern Africa could be adversely affected in varying degrees by political or economic instability common to developing countries. Any changes in mining or investment regulations and policies or shifts in political attitudes and conditions in those Southern Africa in which the Company conducts exploration and other activities are beyond the control of the Company and may adversely affect its business and/or its holdings. The possibility that future governments in any of such countries in Southern Africa may adopt substantially different policies, which may extend to expropriation of assets, cannot be ruled out. Operations may be impacted in various degrees by such factors as: government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, land use, water use, land claims of local people and mine safety. The impact of these factors cannot be accurately predicted. The status of these countries in Southern Africa as a developing country may make it more difficult for the Company to obtain any required financing because of perceived investment risk.

Recent Changes to South African Mining Laws and Regulations

The Government of South Africa has introduced a new Minerals and Petroleum Resources Development Act (“MPRDA”) and Socio-Economic Empowerment Charter for the South African Mining Industry (the “Charter”). The Charter represents a set of guidelines for industry participants. Under the MPRDA, the Government of South Africa will be able to refuse to grant prospecting and mining rights unless the applicants for such rights are able to demonstrate a measure of participation by Historically Disadvantaged South Africans (“HDSAs”), persons who, prior to 1994, did not enjoy access to such rights. Additionally, the Government of South Africa will apply a royalty of 8% (proposed) to the sale of rough diamonds. The goal of the changes is to increase participation by HDSAs in the minerals sector and to stimulate greater interaction between the sector and the communities its activities directly affect. The Charter foresees that 26% of mining industry assets will be transferred to HDSAs within 10 years and that transfers will take place at fair market value. Although the Company has stated that it welcomes these new laws and regulations, their impact is difficult to predict and they may affect the Company adversely.

Calculation of Reserves and Diamond Recovery

There is insufficient data available at this time on the exploration properties of the Company to estimate either a diamondiferous mineral reserve to determine grades and values or where the diamonds are hosted within the gravel units. In addition, there is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades and other variables that contribute to the decision to develop and produce a mineral resource and any material change from estimates used in determining grades and values may adversely affect the economic viability of a project. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on diamond prices. Any material change in the quantity of reserves or resources, grade or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that diamond recoveries in small scale tests will be duplicated during commercial production.

Principal Properties

Currently the principal property of the Company is the London Property.

London Property

The following description of the London Property is based upon a technical report prepared by A.C.A. Howe International Limited ("**Howe**"), supplemented by recent changes in South African mining laws and regulations as well as exploration results. The report dated December 30, 2002 is entitled "Evaluation Report on the London Alluvial Diamond Property in South Africa for Monroe Minerals Inc." ("**London Report**"). For the complete description of the London Property and the maps, photographs and references, please see the London Report filed on SEDAR which is incorporated herein by reference.

The Qualified Person, as such term is defined in National Instrument 43-101, who prepared the London Report was Dino Titaro, M.Sc., P. Geo. Mr. Titaro is an independent Qualified Person as defined in National Instrument 43-101. Mr. Titaro is a fellow the Geological Association of Canada and a member of the Canadian Institute of Mining and Metallurgy, Society of Economic Geologists and a Professional Geologist, registered in the Province of Saskatchewan (APEGS, No. 10601) and Ontario (No. 0677). Mr. Titaro has verified the data on the London Property through his visit to the London Property and his experience in the general area of the London Property.

Acquisition and Title

The surface rights are held by an arm's length party, Meytheron (Pty.) Limited ("Meytheron"), which has been farming the land for many years. Until the introduction of the MPRDA on May 1, 2004, Meytheron also owned the mineral rights. Under an agreement with Meytheron dated May 4, 1999, Monroe, through Monroe SA, acquired 100% of the rights to prospect and mine diamonds on the London Property for 10 years to January 21, 2009 subject to a 14.5% royalty calculated on gross revenues and a monthly rental of R10,000. Meytheron is at arm's length to Monroe. Also under the agreement, Monroe has the right to extend the period of its rights by 10 years from January 21, 2009 through conversion to a Mineral Lease and has the right of first refusal on the sale of the surface rights of the London Property. There is no earning period related to the agreement and no lump sums, premiums or such items were paid to Meytheron. The only obligation on Monroe to keep the agreement in good standing is to pay the monthly rental and the royalty as it arises. An arm's length private citizen of South Africa who assisted Monroe in its negotiations with Meytheron is entitled to a 1.5% after payout net profits interest in the London Property.

Monroe SA holds prospecting permit number PP 15/1999 in respect of the London Property which expires on January 21, 2006. The original permit was granted by the Department of Mineral and Energy Affairs ("DME") on January 22, 1999. The granting of prospecting permits in South Africa is dependent on the approval of the proposed prospecting programme by the DME and the Department of Environmental Affairs ("DEA"), through the submission and approval of an Environmental Management Programme ("EMP") as well as a provision for rehabilitation purposes at the local offices of the DME. Monroe's EMP was approved in January 1999 and a R50,000 rehabilitation guarantee was lodged with the DME for this purpose.

Monroe SA holds an old order prospecting right in terms of the MPRDA. This continues in full force and effect until April 30, 2006 subject to the terms and conditions under which it was granted. It also confers on Monroe SA the right to convert such old order prospecting right into a prospecting right issued in terms of the MPRDA. Monroe SA must make application for conversion of its old order prospecting right to a new order prospecting right in terms of the MPRDA by no later than April 30, 2006.

Environmental Laws Pertaining to Prospecting and Mining

The most important means of environmental control in the South African mining industry occurs through the prospecting or mining authorizations issued by the State prior to commencement of mining or prospecting operations. The MPRDA and Regulations imposes stringent control on surface rehabilitation. A component of the application for such authorizations requires that the State approve an environmental management report that sets out the type and extent of mining, which is to be undertaken, and the manner in which the applicant intends to rehabilitate disturbances of the surface both during and after exploration and mining operations. Once the operations have ceased, the applicant's liability for the disturbance of the surface ceases only upon the issuance of the State of a closure certificate confirming compliance with the rehabilitation requirements.

Mining operations are also governed by the provisions of other legislative enactments dealing with air, water and waste pollution. Such provisions can be far reaching in their implementation of the "polluter pays" principle in terms of which the person causing such pollution can be held liable for the restoration of any polluted areas.

Property Description and Location

Location and Extent

The London Property covers an area of 2,121.6 hectares of Portion 64 (also known as the Remaining Extent) of London 112HO, in the Schweizer Reneke District of the Northwest Province of South Africa. The London Property is delineated by the following UTM co-ordinates (Sector 35J):

Point	**UTM-X**	**UTM-Y**
A	342564	6976175
B	346085	6969049
C	348738	6969308
D	347111	6973785
E	346478	6973648
F	346307	6974048
G	346373	6974079
H	346105	6975361

Accessibility, Climate, Local Resources, Infrastructure And Physiography

The London Property is located in a generally flat area and encompasses 6.90 square kilometres of the Mooifontein spruit, a 5-10 metre wide meandering tributary of the Vaal River. A "*spruit*" is a term used in southern and eastern Africa for a small dry stream that flows when sudden floods or heavy rains occur in the area.

The area of the London Property lies within the summer rainfall zone of South Africa and receives an annual rainfall in the range of 500-600 millimetres primarily during the period of November to February. Maximum daytime temperatures range between 35°C and 40°C, with winter daytime temperatures varying between 10°C and 20°C. Generally, operations can take place around the year, excepting for a few weeks during the rainy season. In exceptional years operations have to be suspended for a longer time as a result of floods.

Although the current land use is for the cultivation of maize and sunflower and for cattle and sheep grazing, the London Property lies in a region of intense alluvial diamond mining. Historical diamond production records at the SA Minerals Bureau show that more than 2,000,000 carats of diamonds have been recovered from the Diamond Triangle prior to 1984. Mining is currently active in this area.

The London 112 HO property can be reached by a paved road from Schweizer Reneke and sites on the London Property are linked by gravel roads. During the rainy season, most of the gravel roads in the area are suitable for 2 wheel drive vehicles.

The nearby towns of Wolmaransstad, Bloemhof and Schweizer Reneke are all serviced by a railhead, a gravel airstrip and a municipal hospital. Water on the London Property is available from nearby boreholes, stream seepage, and from the Mooifontein *spruit.* The London Property is connected to the Electrical Supply Commission (ESKOM) power grid and any additional power requirements for the work conducted on the London Property will be supplied from mobile generators.

History

Prior Ownership of the London Property

The Surface and, until the introduction of the MPRDA in 2004, the Mineral Rights to the London Property have been held by the Theron family since the early 1900's. However, a number of persons have held prospecting options over various portions of the London Property since then.

Exploration by Previous Operators

According to the Diamond Board of RSA, prior to 1984, 93,372 cts of diamonds were reported to have been recovered from the larger portion of the London farm. The majority of these diamonds were mined during the Great Diamond Rushes, which occurred from 1912 to the early 1930's. The diamonds were mostly recovered from shallow to outcropping colluvial and alluvial gravel deposits. Evidence of this activity occurs in the form of diggers heaps or artisanal waste/tailings material found in various sections of the London Property.

In 1992, Klaas van Heerden, a local digger (i.e. small-scale diamond miner) dug several small pits on the London Farm in order to evaluate the potential for diamondiferous gravels. Due to the paucity of actual recorded data by van Heerden, it is unknown how long the operation was running, amount of gravel extracted and treated, the number of stone(s) recovered or the grade of the deposit.

No production data is available from 1984-1998. Since all of the previous operations on London have been artisanal, no Resources/Reserves have been delineated. In addition, no reliable information regarding historical diamond grade or value exists.

Geological Setting

Regional Geology

Much of the southwestern Transvaal is covered by shales and mudstones of the Ecca Group and with rare Dwyka tillite deposits (both Ecca and Dwyka form part of the Karoo Supergroup). Where these Phanerozoic sediments have been stripped off by erosion, Archaean and Proterozoic rocks have been exposed. By far the greater portion of the southwestern Transvaal, however, is underlain by rocks of the Ventersdorp Supergroup. Because of their aerial extent the Ventersdorp lavas and sediments are the bedrock to the vast majority of the younger alluvial deposits. In this portion of the Ventersdorp basin, lavas form the majority of the stratigraphic package (**Table 1**). The southwestern Transvaal has been intruded by Karoo dolerite and pre-Karoo diabase dykes. There are two fundamental directions of structural control, one trending NE-SW and the other NW-SE and both can be seen to have influenced the present and palaeochannels of the Vaal River system.

Soils in the southwestern Transvaal are intimately related to parent material. The most abundant soils are lithosols, which are little more than rock-weathering zones. These are most frequently the calcrete associations of both pedogenic and non-pedogenic carbonate duricrusts. The calcretes, especially those capping Ecca shales and mudstones, are typically overlain by the Oakleaf soilform (Land Use Survey, 1986). Extensive aeolian sands of Kalahari origin, but now stabilised by vegetation, mantle much of the landscape. Two varieties are common; the Hutton Sands (red sands with Hutton soil forms) and Clovelly Sands (yellow sands with Clovelly soil forms). Katspruit and Willemsal soil forms are also found in the fluctuation zone of the largest pans and in ill-defined areas of ephemeral water accumulation. Vegetation patterns are closely associated with soil distribution. The Clovelly sands infrequently support trees and bushes, but more often sour grass veld abounds. More diverse bush and tree associations corresponding to the Kalahari thornveld are found on the red Hutton soil forms. The vegetation on the calcrete lithosols has a karooid aspect, with low bushes and tuft-grasses providing a monotonous landscape pattern.

The entire southwestern Transvaal forms part of the Vaal-Harts drainage basin. The area between Bloemhof, Wolmaransstad and Schweizer Reneke does not support much drainage, with the Bamboesspruit and Langasemspruit being the largest ephemeral streams. The rest of the drainage is in the form of stream segments that either flow nowhere or else may drain into small pans. There is no doubt that erosion of the southwestern Transvaal has been dominated by changes in the base-level of the Vaal River. The post-Karoo Vaal River channel in this area appears to have been controlled by ancient lines of weaknesses that have been reactivated from the Cretaceous to the Miocene. Intermittent uplift and varying periods of standstill resulted in the development of a number of land surfaces in the southwestern Transvaal into which at numerous ages of (Vaal River tributary) channels incised, resulting in the development of alluvial and derived (eluvial and colluvial) gravel deposits.

Table 1: Simplified Stratigraphic Column of the North West Province

TERTIARY TO RECENT	River terraces	Sand and surface drift alluvium; Surface-limestone & calcrete
KAROO SUPERGROUP	Dwyka Group	Tillite & shale
VENTERSDORP SUPERGROUP		Andesitic lava, scoriaceous in places with flow-breccia at top; Volcanic breccia & agglomerate; Quartzite, grit, conglomerate; Andesitic lava, breccia and tuffaceous sediments which may be cherty or calcareous in places
ZOETLIEF FORMATION		Various types of bedded tuff; Quartz porphyry
KRAAIPAN FORMATION		Greywacke, grit, shale, quartzite; banded ironstone; various kinds of schists; andesitic & rhyolitic lava, tuff & cherty rocks and volcanic breccia, amphibolite

Alluvial Gravel Deposits of the Southwestern Transvaal

The gravel deposits mapped in the southwestern Transvaal have been subdivided into four alluvial fill and numerous ages of gravel units. A0 and A1 deposits are developed both outside of and within the present day valleys and are commonly associated with colluvial and eluvial gravels. Intermediate and Younger

(A2/Rietputs) gravel deposits occur along present-day (dry) Vaal River tributaries where these have incised through the older deposits. The youngest (A3) river gravels are developed only along the Vaal River itself. Only A0 and A1 gravel deposits are currently known to occur on the London Property.

Oldest Gravels (A0)
These deposits represent the earliest phase of alluvial deposition and are believed to be Late Cretaceous to Early Tertiary in age. The drainage pattern associated with these deposits is comprised of north to south orientated channels some 5 to 10 km apart. The gravel is usually a clast-supported, grit-cobble grade conglomerate. The morphology indicates that these represent channel migrations of palaeostreams across a wide valley floor probably in a meandering stream environment. A poorly defined fabric indicates that the flow directions are towards the south. As the landscape was lowered by deflation, the original alluvial gravels (A0) were weathered and spread out on the surrounding surface to form thin, laterally extensive derived or colluvial deposits. These are best developed on deeply weathered Ventersdorp lavas where the palaeosurface has produced pseudokarst features by laterization processes.

Primary gravels (A1)
The A1 drainage is developed on a braid plain that is some 3000m wide in places. The economically diamondiferous gravels generally occur as channels (channel bars) of up to 30m in width and 0.5m-2m in thickness. The better gravels are clast-supported, granule-to-cobble conglomerates and are invariable associated with eluvial gravels. Due to secondary concentration of chemically resistant material at the surface the eluvial deposits overlie and take on the gross morphology of the A1 gravel. For most part, the eluvial gravels are developed in solution hollows in the hardpan calcrete, which may cap the underlying gravels.

Intermediate Gravels
These occur some 20-40 above (and up to 2km from) the present river level. They occur mostly as derived (eluvial and alluvial) deposits, generally having been worked out by the artisanal diggers. Very little is known regarding their sedimentology and diamond carrying characteristics.

Terrace gravels (A2)
The terrace gravels are found along the length of the numerous dry spruits in the area. Generally the terrace deposits consists of a basal diamondiferous gravel of up to 2m overlain by up to 7m of an upward-fining alluvial sequence and capped by 1-3m of black cotton soil. The entire sequence is cemented by immature calcrete. The gravel deposits are found at depths between 3-5m below the present drainage-lines, indicating that aggradation has been the dominant process since their deposition. These deposits are the upstream equivalents of the Rietputs deposits that have been mined around Barkly West.

River gravels (A3)
The river gravels that have been mined in the Bloemhof district are only 0.5-0.2m thick and are developed beneath 7-20m of upward-fining gravels, sands, and muds and covered by soil. The sands that overlie the gravel display sedimentary structures indicating a transport direction concomitant with that of the present Vaal River.

Numerous studies have indicated that the clasts in all the gravel varieties have been derived from breakdown of local material mainly Ventersdorp Lava and Dwyka tillites. Ventersdorp lavas account for the majority of the clasts, especially in the younger terrace gravels. Other gravel clasts are composed of quartzites, granite-greenstone lithologies, shales and sandstone, vein quartz, amygdales and agates, weathered hardpan calcrete and laterised material. Boulder-size material consists exclusively of Ventersdorp lava and quartzite. The overburden generally consists of either a Kalahari or Clovelly soil formation or black cotton soil. In most instances the heavy minerals exhibit both local and regional characteristics. Generally, the concentrate consists of banded ironstones, agates, carnelian, jasper, limonite, feldspar, corundum, occasional magnetite, specularite, ilmenite and rare garnet and diamond.

Paleodrainage reconstructions from the southwestern Transvaal indicate that the rivers have always flowed in a generally southerly direction. The primary sources of the diamonds have not yet been discovered, but preliminary studies indicate that these (kimberlitic) sources must be local.

Deposit Types

Sedimentological Characteristics of the Alluvial Fill Deposits

An *alluvial fill* is the record of a set of superimposed floodplains, reflecting an interval of net, but not necessarily continuous or homogenous, deposition along a river valley. The unconformities between alluvial fills record erosional phases when the main stream and its local tributaries incised earlier alluvium and bedrock surfaces, removing part of that alluvial record and leaving behind limited, and usually transitory, fill on eroded surfaces, destroying earlier terraces.

All the alluvial sequences in the southwestern Transvaal record many such erosional and depositional phases. The interpretation of complex alluvial fills is difficult because the processes of sediment supply and those of erosion and transport are interrelated, not only to each other, but also to other factors in the wider geomorphic environment. In addition, the processes responsible for a cumulative history of incision and floodplain aggradation have variable magnitude, frequency, spatial location and temporal context. Such changes, further, do not occur with constant intensity through time; may have been accomplished by an assortment of events with variable magnitudes, durations and frequencies; and may not be uniformly distributed across the river valley at any particular time.

Phases of floodplain incision and deposition can occur in both arid and humid climatic settings. Under humid conditions (such as prevailed during A0 times), river channels begin to lengthen. Where not constrained by the bedrock (i.e., on extremely weathered lavas) the channel network may be highly sinuous and even meandering. Large changes in channel location often occur and fragments of relict channels, which are often deep and narrow (especially where incised into the underlying fresh Ventersdorp lavas), may be present, interspersed with fine-sediment channels resulting in relatively high concentrations of gravels and diamonds.

Under more arid conditions, such as were present during A1 deposition, low stream flow typically results in wide, shallow channels. The valleys displays moderate sinuosity and braiding may be frequent. Braided streams are highly transient environments. The braided channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and redeposition. On a broad scale, most deposits are complex with units of no great lateral extent (generally 10's to 100's of metres only). The coarser-grained (gravel) units are commonly elongate and are surrounded by finer-grained units in three dimensions.

Exploration

Summary of 1997-2002 Exploration Work

1997 Reconnaissance Programme

Monroe contracted a local South African geophysical contractor, Integrated Geophysical Services ("IGS") to carry out a detail ground frequency domain EM survey over the London Property. Cross-lines were spaced apart at 100 to 200 metres, trend generally E-W and were traversed with the use of a Garmin SRVY II GPS for line control. A Geonix EM-31 was utilized to measure the apparent ground conductivity in order to outline the various gravel types that occur on the London Property. A total of

75.0 line km was completed with the EM - 31 readings taken in automode at three (3) second intervals along the cross-lines.

Based on IGS' interpretation of the EM - 31 data, the survey outlined three possible gravel types on the London Property.

They are:

- Interpreted colluvial (Rooikoppie) gravels as well as the known worked out colluvial gravels (conductivity high signature) found along the northeastern and eastern boundary of the London Property. Interpreted areal extent of gravel cover is approximately 500 hectares. Remaining colluvial gravel (not previously worked out) is estimated to cover an area of 4.5 km long by an average 0.9 km width (approx. 405 hectares).

- Five "linear" areas of Type "A1" known and interpreted calcreted older gravel channels (moderate conductivity signature) were located in the central and western sections of the London Property, and covers an area of about 210 hectares.

- Two areas of Type "A2" terrace gravel (low conductivity signature) located in the southwestern section of the London Property, and cover an area of about 131 hectares.

Monroe 1997 Percussion Drilling Programme

A total of 65 percussion drill holes totalling 309 metres were completed along four E-W trending lines, in the southern portion of the London Property in June-July, 1997. The objectives of the percussion drill programme was to identify the various gravel types outlined in the EM - 31 survey, gravel thicknesses, and the bedrock profile for these areas.

Results of the percussion drill programme have indicated the presence of the three gravel types detected by the ground EM survey on the London Property as well as the gravel thicknesses along the drill profiles. It became apparent from the drilling data that further detailed delineation drilling is required to delineate the bedrock topography, a major factor in the distribution of gravel thicknesses throughout the London Property. Also drilling and/or trenching or test pitting along the eastern portion of the London Property was warranted to further evaluate the colluvial gravels.

The exploration expenditures on the London Property by Monroe during the period between 1997 and March 31, 1999 are estimated to total approximately $164,000.

1999-2000 Bulk-Sampling and Drilling/Pitting

The work programme for 1999-2000 was planned to increase the geological understanding of the various alluvial gravels present on London and to increase confidence levels in the amount of gravel and diamonds that occur on the London Property. Further, in order to determine the economic potential of the gravels attention was given to addressing all the recommendations previously made by Howe.

The programme was intended to assess the A0 gravels in the northeast sector of the London Property as well as the north-south trending A1 channel and terrace gravels that underlie the central to west side of the London Property. The southern area of the A1 channels is located in close proximity to the current drainage channel and as a result of extreme rainfall in South Africa during the summer of 1999-2000, this area was basically inaccessible due to flooding (by March 2000 Schweizer Reneke had already received more than double its annual rainfall with only half of the rainy season over), therefore work was concentrated in the northeast sector of the London Property.

The specific work completed during 1999-2000 included:

1. An elevation survey of the entire 2,122 ha property in order to generate a DTM (Digital Terrain Model) on which all drill hole/pit/trench collars could be plotted.

2. 113m of drilling, 1,164m of reconnaissance pitting (194 pits) and 3,740m of trenching. This was completed in order to gain insight into the presence, distribution and nature of the gravels.

3. 18 sample pits were excavated and a total of 113,282 tonnes of gravel were processed of which 61,217 tonnes of A0 (*Rooikoppie*/colluvial) gravels and 52,065 tonnes of A1 (Calcreted) gravels) were mined and processed from the north part of the London Property.

4. Geophysical surveys comprising 5,200m of ERT (Electro-Resistivity Tomography). Two lines (combined to form Line #1) were located through sample pits 2 and 5. The other line (Line #2) is located along the western extremity of the northern boundary fence.

5. Three samples from each of the A0 (combined alluvial and derived, colluvial or *Rooikoppie* units) and A1 (alluvial units only) gravels were sieved to determine the different size fractions present. Individual samples of approximately 65 kg each were collected from run-of-mine stockpiles. In total, 201.7 kg of A0 gravels and 203.0 kg of A1 gravels were sieved at 2mm, 4mm, 6mm, 8mm, 10mm and 25mm (See "Clast Size Classification" for details).

The total cost of the 1999-2000 programme was $2,330,496.

The results of the bulk-sampling programme, including mining/processing methods are discussed in "Mineral Processing and Metallurgical Testing (1999/2000)".

2002 Resource Estimation Programme

During 2002 a further programme was completed as part of the exploration programme prior to the commencement of a full feasibility study, which could lead to commercial mining. The exploration programme was planned to follow the recommendations made by the previous Howe report (April 2001). This programme covered an area in the southwest of the London Property, representing approximately 18% of the London Property and comprised:

1. Seven Electro-Resistivity Tomography (ERT) lines, with a total of 8,580 m were completed at approximately 500m intervals. The cost of this programme was approximately $20,000.

2. 268 percussion holes (an aggregate of 670.5m) were drilled to identify anomalies visible on the ERT and to delineate existing gravel resources in this area. The cost of this programme was approximately $10,000. The results indicate that:

    - A deep channel exists on the east of the area (likely of Ventersdorp Group age) and is filled with fine sediments and, as such, is not considered a target for follow-up work.

    - The eluvial gravel deposits in the south of the area are underlain by thin (< 0.3m) gravels that lie directly on Ventersdorp lavas. The original eluvial gravels have mostly been worked out and it is only the underlying gravels that exist in patches amongst the old diggings. On an adjacent property these gravels are currently being mined by a small operator.

    - The calcreted (A1) plain to the west of the present drainage was shown to contain coarser clastic deposits generally associated with economic diamond concentrations of the A1 drainage. Further south down the drainage line (Avondster 142HO, Panfontein 270HO, and Mooifontein 140HO - a number of larger commercial operations have been mining this material for longer than six months.

- A topographic high (some 300m wide), has resulted in the development of an extensive colluvial gravel plain, mostly worked out by early diggers. Current artisanal operations on these gravels on the adjacent property immediately to the southwestern boundary indicate economically recoverable grades (Olievenfontein 114 HO).

3. Samples of A0 and A1 gravel have been excavated for which specific gravity is still to be determined.

Results and Interpretation of Exploration Data to 2002

Statigraphic Relationships

<u>A0 Gravels</u>
The oldest A0 gravels are believed to represent a late Cretaceous to early Tertiary drainage net that flowed generally southwards towards the Vaal River during the African cycle of landscape erosion. Geophysical and mining results indicate that the gross morphology of the A0 deposits is broadly sinuous in nature. The A0 drainage belt on London is some 1200m wide, comprised of an unknown number of separate terrace complexes with individual channels commonly less than 10m wide. Mining results indicate that both straight and highly sinuous channel sections occur and that, in places, the palaeoriver appears to have had a single main channel and elsewhere, two or more, representing a type of stream intermediary between classic Meandering and Braided rivers, namely the Wandering River.

The A0 deposits are generally shallow, covered only by 1-2m of windblown Kalahari sands and Recent soils. Where the alluvial (channel) component is better preserved it is composed of any number of oxidised upward-fining successions. The channels (commonly with multi-storey fills of sandy units and minor gravel bars, with each unit being bounded by an erosional surface) have incised into a floor of decomposed Ventersdorp lava or quartzite. Where the stream hydraulics has been sufficiently favourable the bedrock may even be sculptured resulting in areas of local enrichment of heavy minerals within the gravel matrix.

As the landscape was lowered by weathering and deflation resulting from more than one episode of post-Cretaceous uplift or sea-level lowering, the alluvial gravels were eroded and spread out on the surrounding surface to form thin (usually less than 0.5m), laterally extensive (often covering many square kilometres in extent), derived deposits that appear to have been formed/modified by colluvial or hill-slope processes. Such gravels are known locally as *Rooikoppie Gravel* due to their generally reddish colour and location on elevated terraces (up to 50m above the present stream levels). Very few *in-situ* alluvial channels have survived post-Cretaceous uplift and downwearing episodes, and those that have occur only as remnant patches under the more extensive derived (colluvial) gravels. Consequently, palaeodrainage reconstructions are extremely difficult, if not impossible. The lithofacies and architecture of the A0 Alluvial deposits, along with the associated laterization reflect the more humid late Cretaceous climates during which they are thought to have been deposited.

<u>A1 Gravels</u>
The African cycle of erosion was brought to an end by uplift around the beginning of the Miocene during which time the A0 deposits were incised and, in places, reworked by the A1 braidplain, which also trends generally North-South. As a result of intense calcretization during the arid Miocene, derived, eluvial, gravels often overlie the cemented surface of the A1 gravels. These gravels are also termed *Rooikoppie Gravels* by the local diggers as they are a shallow or outcropping deposit, although quite different in both origin and form from the derived gravels associated with the earlier A0 deposits. The derived gravels,

formed by eluvial processes, are preserved in solution hollows (*makondos*) in the hardpan calcrete that frequently caps the underlying gravels and are similar to those described from the lower Vaal River basin. The gravels that fill the *makondos* have, in turn, been calcified, pointing to the existence of one or more younger calcretizing episodes since the Miocene.

The stratigraphic profiles show a consistent pattern in the nature of calcretisation in the A1 deposits. In general the sediments just below the soil (generally up to 2m) are slightly to moderately calcreted as a result of humic acids in the present soil, which have the effect of decomposing the topmost calcrete horizons. The degree of calcretisation of the underlying fine-grained sediments suddenly increases to hardpan or laminar varieties. The hardpan calcrete layer that generally occurs at a depth of 1.5-2.0m often shows evidence of silicification, implying that intense aridification must have occurred. Below the hardpan layer the level of calcretisation typically decreases downwards to the base of the profile where the gravels and gravel lenses are generally indurated or even calcified.

On London, the ERT survey, substantiated by pitting, indicates that the braid plain actually consists of three distinct terrace levels. Although separate in both time and space they appear to be part of a single drainage episode that formed through westward migration of the A1 drainage across the Post-African surface I as a consequence of regional or continental uplift to the East.

In architecture, all of the sedimentological profiles of all the three terrace levels (T1, T2, and T3) are similar, indicating that they are one alluvial sequence and not three distinct drainage episodes. The general profile consists of a thin soil cover (usually black-grey-brown Cotton Soils) overlying 2-5m of variably calcreted alluvium and 1-2m of basal gravels. In any one profile any number of such upward-fining sequences may be present in varying degrees of completeness. In many of the profiles evidence of channel switching and lateral migration is clearly seen.

The basal gravel units generally comprise both clast-supported and matrix-supported gravels, typical of shallow, gravel-bed braided streams. The overlying sandy units with gravel lenses and coarse through to fine sands and silts have been extensively calcreted and sedimentary structures and bedforms have generally been obliterated, making further description almost impossible. However, it is expected that, due to a depletion of both water and sediment supply, these sediments would represent a sand-bed braided river system.

The A1 drainage pattern displays moderately low sinuosity; braiding is frequent as a result of multiple channel development. Braided streams comprise the most dynamic and intrinsically variable fluvial channel pattern and typically produce a highly complex, three dimensional alluvial architecture within the subsurface. The channels are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide variations in local flow conditions resulting in varied depositional assemblages. Common features in these deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and abundant evidence of erosion and redeposition. High aggradation rates (such as seen during deposition of the basal gravels) preserve isolated ribbon like channel bodies, separated by intervening fine-grained floodplain deposits. On a broad scale, most deposits are complex with units of no great lateral extent (generally 10's to 100's of metres only). Conversely, low aggradational rates (such as appear to predominate during deposition of the upper parts of the sedimentary profile) produce well-connected, sheet like sand bodies because less sediment is deposited between avulsion events.

Clast Size Classification

Three samples from each of the A0 (combined alluvial and derived, colluvial or *Rooikoppie* units) and A1 (alluvial units only) gravels were sieved to determine the different size fractions present. Individual samples of approximately 65 kg each were collected from run-of-mine stockpiles. In total 201.7kg of A0 gravels and 203.0 kg of A1 gravels were sieved at 2mm, 4mm, 6mm, 8mm, 10mm and 25mm **(Table 2)**.

Table 2: Size Fraction Analysis of the London Gravels

Size Fraction	A0 (Rooikoppie) Gravels	A1 (Calcreted) Gravels
+25mm	20.9%	28.3%
-25+10mm	17.2%	22.9%
-10+8mm	5.1%	6.0%
-8+6mm	5.0%	4.5%
-6+4mm	8.9%	8.1%
-4+2mm	13.9%	10.2%
-2mm	29.1%	20.0%

Both the A0 and A1 samples show a bimodal distribution with peaks in both the finer and coarser fractions. The A0 gravels, however, are generally finer grained than the A1 deposits. Since the A0 deposits analysed comprise both alluvial and derived gravels it is difficult to determine whether the difference is due solely to the difference in the age and nature of deposition or whether post-depositional modification by surface processes (in the case of the A0 derived gravels) has preferentially resulted in a smaller clast distribution.

Within the A0 matrix supported gravels the majority of clasts are pebble-sized with both cobble- and boulder- sized material present. In general terms it can be seen that both the average mean clast size as well as the largest clast sizes increase where basal alluvial gravel remnants occur in association with the derived gravels. It could be surmised that the pure alluvial fraction of the A0 deposit would result in a slightly larger clast distribution, if analysed separately.

Clast Composition

It is widely accepted that the gravel clasts comprising most of the Southwestern Transvaal alluvial deposits have been derived from the breakdown of local material, mainly Ventersdorp lava and Dwyka tillite. In both the A0 and the A1 gravels silica rich clasts (vein quartz, chert, agate, amygdales, quartzites, sandstones) account for the majority of the clasts (13-35%); Ventersdorp lava comprise 12-18%; other lithologies, including granite-greenstone rock types, shale and laterized material constitute 5-17% of clasts (the larger amounts occur in the A0 gravels); and calcrete lumps account for some 40-70% of all size fractions in the A1 Gravels. A slightly higher percentage of silica-rich clasts were found in the A1 gravels.

The close similarity in clast composition between A0 and A1 gravels is to be expected since the A1 deposits have incised into, and reworked, the A0 gravels. Differences in the deposits are mainly due to post depositional modification, as the process of calcretisation preferentially decomposes non-siliceous clasts. Likewise, deep weathering during Cretaceous times would have been responsible for the accumulation of lateritic nodules in the A0 deposits.

Diamond Distribution Characteristics

Of all mineral occurrences alluvial diamond deposits with high gem content are the lowest grade material that can be mined profitably. Within rivers (present and palaeo), diamonds are concentrated as a result of the winnowing effect of flowing water:

- Due to its high specific gravity and unwettable nature, diamonds tend to concentrate in the basal part of a deposit where they are found associated with larger, relatively lighter particles (i.e. coarse-pebble to boulder gravels). As a result economic diamond concentrations are generally associated with the basal gravels of both the A0 and A1 deposits.

- The bedrock over which a river flows also plays an intricate role in the concentrating of diamonds. Depending on the resistance offered by the bedrock to the eroding power of the river, riffles and potholes may develop in the riverbed. Horizontally bedded shales such as occur in the Dwyka deposits are less susceptible to the differential erosion processes that produce pothole and riffle development than the Ventersdorp lavas and quartzites. During deposition, diamonds are trapped together with other particles in the irregular bedrock. As time passes the softer material is ground down and winnowed out of the riffles and potholes, leaving the extremely hard diamonds to become concentrated. Gravels in potholes in a river can be enriched up to 10 times the background value of gravels not associated with such features (concentrations of up to 100 times are known from similar deposits currently being mined elsewhere in the district).

- In alluvial deposits diamonds occur in clusters formed by natural traps such as gullies, potholes and gravel bars and are not evenly spaced throughout those trapsites either. Individual diamonds are not evenly or uniformly distributed throughout an alluvial deposit; neither are they randomly distributed. Rather, their distribution has been described as a random distribution of clusters of points. The clusters are both randomly distributed in space, and the point density of each cluster is also random.

- Within the gravel bars diamond grade and quality can be seen to be closely related to stream hydraulics. Diamonds recovered from an area of broad channel development (where low water velocity resulted in deposition of light material over a wide area) where of smaller average size and lower value than the diamonds recovered from narrow, constricted channels where stream flow was substantially higher.

On the London Property, similar size distribution characteristics can be seen for both the A0 and A1 basal gravel, indicating that A1 gravels have been derived from the reworking of pre-existing A0 deposits. Some important differences are, however, noticeable: although average grades of A1 gravels are generally higher than A0 gravels, average and mean sizes of diamonds recovered from A0 gravels (1.1 and 0.7 ct/st respectively) are larger than those from A1 gravels (0.9 and 0.6 ct/st respectively). It is currently thought that the reworking of the A0 gravels by the A1's is responsible for the better grades. The larger stone sizes of the A0's however, is a result of there being “original” alluvial deposits, having eroded the primary (kimberlitic) sources.

Interpretation

The interpretation of complex alluvial fills is made difficult because the processes of sediment supply and those of erosion and transport are interrelated, not only to each other, but also to other factors in the wider geomorphic environment. In addition, the processes responsible for a cumulative history of incision and floodplain aggradation have variable magnitude, frequency, spatial location and temporal context. Such changes do not occur with constant intensity through time; may have been accomplished by an assortment of events with variable magnitudes, durations and frequencies; and may not be uniformly distributed across the river valley at any particular time.

During A0 times, river channels lengthened and floodplain incision and deposition ensued. Little constrained by the extremely weathered lava bedrock the channel network is seen to be moderately sinuous. Large changes in channel location often occur as do fragments of relict channels. Where they are incised into the underlying fresh Ventersdorp lavas or quartzites the channels are often deeper and narrower, resulting in the deposition of well-packed, clast-supported, horizontal cross-bedded gravel sequences. Along with the lateritisation/rubefication of the land surface, the sedimentary nature of these deposits indicates that the prevailing climates were hot and humid.

Under the more arid conditions, such as were present during A1 deposition, lower stream flow resulted in wide, shallow channels typical of braided river systems. Extensive (and intensive) post-depositional calcretisation has modified the sedimentary profile and created an eluvial concentrate at the surface.

Diamond occurrences, grades, and stone-size distribution are directly associated with the same hydraulic conditions that were responsible for the deposition of the alluvial sediments. Better economic recoveries are correlatable with the coarser, basal gravels of both the A0 and A1 deposits. Post-depositional modification of the A0 deposits (deflation as a result of numerous uplift episodes) has resulted in widespread, patchy, variably diamondiferous gravels. In the A1 deposits, however, the diamonds are concentrated in channel bars that are often extensively/intensively calcreted. In addition, the braided nature of these deposits, combined with large amounts of interchannel fine-grained sediments, can make them challenging mining targets.

Mineralization

Please see "History" and "Deposit Types", above.

Drilling

The locations of all the drilling and pitting completed to date as well as the interpretation thereof has been presented in "Exploration" and will not be repeated here. The gravel beds are generally planar or lensoid and, typically, are oriented horizontally. The gravels are very young (Cretaceous - Recent) and have not been affected by structural or tectonic upheavals.

All drilling was carried out using a conventional open-hole percussion machine with a 6.5 inch (*diameter*) bit and a 12 bar compressor. The drilling contractor is *Saamstaan Bore (Pty) Ltd*, a local drilling company that has many years of experience drilling for alluvial gravels all over the North West Province.

This method of drilling was found to be successful on London due to the shallow depths of the holes and no holes had to be abandoned. Since no water/detergent foam mixture was added by the driller, the level of contamination of the samples was kept to a minimum. Samples representing every 0.5 metre advance were collected for observation and sampling. Individual samples consisted of a shovelful of material by leaving a custom-made container at the hole collar for the duration of each half-metre advance. The drill was under constant observation and, as a result, the depth estimates of lithological contacts could be noted within 0.10m. Each sample was logged based upon macroscopic examination of the drill cuttings on a half-metre basis. The results were noted in a field notebook. Observations in the field include grain-size, colour, degree of roundness (especially of Ventersdorp lava clasts), degree of calcretization (of gravel and overburden) and end-of-hole lithology (bedrock). The logs were later summarised and gravel deposit types were assigned based upon their stratigraphic and sedimentological characteristics. All drill hole positions were surveyed and elevated.

Mineral Processing And Metallurgical Testing (1999/2000)

For the purposes of bulk-sampling the alluvial gravels, 18 sample pits were excavated and the gravels processed to get an indication of the average grade. The results are summarised in **Table 3** Samples were selected in order to be as representative as possible. Unfortunately adverse weather conditions made it difficult to get into some of the pre-selected sample sites.

Bulk-Sampling Process

All samples were excavated using a 45T hydraulic excavator, which was most efficient in selectively removing the overburden and excavating the gravels without much contamination of horizons and samples. All earthmoving equipment (and operators) belonged to Dorstland (Pty) Ltd, an Earthmoving and Plant Hire company contracted to mine and rehabilitate. After they have been excavated, the gravels were transported to the processing plant stockpile area by articulated dump trucks. These vehicles returned to the excavation site loaded with plant waste or tailings, which were backfilled into the workings as part of the rehabilitation programme. Before the excavations were backfilled and rehabilitated the bedrock surface is cleaned thoroughly.

The gravels were then fed into a grizzly unit to screen for oversize material (+150mm when processing clayey gravels and +75mm for sandy gravels). The undersize gravels pass through a rotary drum scrubber that attrition-mills and washes the clay-and-gravel clusters, liberating all the gravel particles. The washed gravels were further screened on a double deck-vibrating screen to produce three size fractions:

- the -2mm fraction which is pumped to the slimes dam;
- the +2mm -22mm fraction which is processed through the diamond pan, and;
- the +22mm fraction which is returned to backfill excavations.

At this stage the screened (+2mm -22mm) product is fed into four 14' (4.27m) diameter diamond recovery pan with a puddle mixture which acts as a flotation medium. Relative density of the puddle is maintained at 1.26 – 1.32. The lighter waste material passes over the outlet weir onto a dewatering screen where the puddle is reticulated back into the pans, while the waste reports to a tailings stockpile. The heavier concentrate that accumulates in the pan is removed (tapped), cleaned, milled if required, and classified into four sizes for easier sorting during final recovery. The prepared concentrate is then processed through jigs, before final hand sorting takes place.

The Minerals Act of 1991 of South Africa and regulations imposes stringent control on surface rehabilitation. The alluvial mining operation is planned in such a manner as to manoeuvre mobile processing plants close to the excavations for the easier backfilling of tailings into the workings and to shorten transport distances between the excavation and processing site, effectively reducing the operating costs. Topsoil is removed separately and deposited next to the excavations where it will not be contaminated or mixed with the gravels. Gravels are removed and processed through the recovery plant. All screened waste together with the tailings is backfilled into the excavations as an ongoing rehabilitation process. When the trenches are filled, the topsoil is redeposited on the top so that the mined out area is restored to its original condition.

Table 3. Summaries of Diamond Recoveries for the 1999/2000 Bulk-Sample Programme

Pit #	Gravel Type	Overburden Thickness	Gravel Thickness	Strip Ratio	Depth to Bedrock	Tonnage	# Stones	Total Carats	Grade (cpht)	Ave. Stone Size
Pit1	A0	0.57	0.43	1.33	-1.00	19434.97	168	187.2	1.37	1.11
Pit2	A1	3.20	0.96	3.33	-4.16	31639.36	350	324.3	1.03	0.93
Pit3	A0	0.42	0.45	0.93	-0.87	2351.36	6	12.4	0.53	2.07
Pit4	A1		1.34			1939.52	23	18.7	0.96	0.81
Pit5	A1	3.34	1.26	2.65	-4.60	4282.36	30	24.8	0.58	0.83
Pit6	A0	1.08	0.71	1.52	-1.79	5381.4	21	22.0	0.41	1.05
Pit7	A0	4.56	0.44	10.3	-5.00	1735.36	10	16.8	0.97	1.68
Pit8	A1	3.83	0.74	5.18	-4.57	10686.4	123	112.2	1.05	0.91
Pit9	A1	3.31	0.54	6.13	-3.85	3517.12	29	27.2	0.77	0.94
Pit10	A0	1.03	1.13	0.91	-2.16	1892.48	12	9.3	0.49	0.78
Pit11	A0	1.08	0.73	1.48	-1.81	888.96	3	6.1	0.69	2.03
Pit12	A0	1.05	0.8	1.31	-1.85	1135.36	0	0	0.00	0.00
Pit13	A0	0.78	0.59	1.32	-1.37	4528.96	17	11.1	0.25	0.65
Pit14	A0	0.49	0.78	0.63	-1.27	3191.04	23	21.7	0.70	0.94
Pit15	A0	1.22	0.28	4.36	-1.50	1553.28	1	1.2	0.08	1.20
Pit16	A0	1.08	1.77	0.61	-2.85	11164.8	67	56.8	0.39	0.85
Pit17	A0	1.05	0.7	1.50	-1.75	3325.76	3	1.4	0.03	0.47
Pit18	A0	0.3	0.5	0.60	-0.80	4633.28	49	54.3	1.23	1.11

Diamond Characteristics from 2000 Programme

The quality (US $450/ct) of the diamonds recovered from the A0 gravels was in excess of Monroe's expectation (US $360/ct). The grade (0.6 cpht (carats per hundred tonnes)), however, was lower than expected. Subsequent investigations of adjacent properties where higher grades were encountered revealed the presence of sculptured and incised bedrock. The bedrock in the pits thus far sampled by Monroe was deeply weathered and unsculptured, for the most part. It is expected than when less weathered bedrock is encountered the average grades will increase to the expected values.

The quality (US $300/ct) of the diamonds from the A1 channel gravel was below Monroe's expectation (US $500/ct), due to the pits tested being located mainly in a broad channel where the low water velocity resulted in the deposition over a wide area of light material, including small lower quality diamonds. Where narrow channel A1 gravels were sampled the local variation in stream hydraulics yielded a diamond quality of US $604/ct and a grade of 1.6 cpht.

From the 1999-2000 processing operation, approximately 900 stones totalling 812 carats, were sold for gross revenue of US $325,000. The results presented in **Table 4** are from actual sales figures.

Table 4. The Diamond Recovery and Sales Results from the 1999/2000 Programme

A0 Gravels		***A1 Gravels***	
Total carats:	386.15 cts	Total carats:	500.93 cts
Total # stones:	380 stones	Total # stones:	545 stones
Average grade:	0.6 cpht	Average grade:	1.0 cpht
Average stone size:	1.02 ct/st	Average stone size:	0.92 ct/st
Average value:	US$ 450/ct	Average value:	US$ 300/ct

Sampling And Analysis And Security Of Samples

General

Due to the nature of mineralization of alluvial diamond deposits with low grades and large stone sizes (0.5-2.5 cpht and 1ct/st) it is not possible to assay for diamond. No samples were taken as would be normal in precious/base metal programmes. To date no other minerals or elements that can be assayed are known to show positive (or negative) relationships with diamonds in alluvial deposits. Consequently, neither borehole nor pit samples are collected for assay.

Bulk-samples of over 50,000 tonnes, however, are processed to determine *in-situ* grades and diamond qualities. The details regarding the nature of these samples, their location, excavation and processing are discussed under below under "Data Verification", and in previous section entitled "Mineral Processing and Metallurgical Testing".

Data Verification

Monroe employs management control systems to ensure that the data collected during bulk sampling is accurate and complete. These systems were reviewed by Howe during its previous site visit in 2000 and were found to be satisfactory in design and effective in the operation. Monroe appears to be unique in this type of management control system, as visits to other exploration/testing operations in the area to ascertain their procedures were found to generally lack any documentation, descriptive procedures or reconciliation programme.

Responsibility for the management control systems is divided between Exploration, Operations and Administration. Exploration identifies the pit area for sampling by way of coloured flags. Contract mining performs the excavation and transportation of gravels. Exploration staff supervises the excavation to ensure that contamination of the gravel is minimized. During the 2000 site visit, Howe was present during one of the pit excavation programmes to witness the overall procedure. Gravel from each sample area is stockpiled separately and subsequently processed separately. Following the excavation of an area, estimates of the average depth of overburden and the volume of gravel removed is made.

Operations employ individuals to count the number of trucks delivering the gravel to the stockpile and the loading (number of dumps) to the processing system. Operations management measures the time each pan plant is operating. The concentrate is tapped at regular intervals and the final processing is carried out using a Pleitz Jig. The concentrate box is always locked. Two members of the management team, watched over by a security guard, carry out final recovery and hand sorting. Howe was present for at least three of these sorts during its site visit. The members of the management team responsible for this function are rotated and senior management reviews recovery statistics by shift.

A diamond recovery log is completed as soon as practical and records:

1. the time during which sorting took place;

2. the names of the sorters and the security guard;
3. details of any diamond tracers expected and recovered; and
4. for each diamond recovered, the following is noted:
    i. a number ascribed to it;
    ii. size;
    iii. crystal shape;
    iv. colour; and,
    v. clarity.

Operations also maintains a Mine Registry which records the pans used in processing each stockpile, the time each pan operates and the volume of gravel processed.

Administration independently maintains Production Records, recording for each pit:

1. pit number;
2. number of loads processed;
3. hours processed;
4. tonnes processed per hour;
5. # of stones recovered;
6. # of carats;
7. carats per hundred tonnes;
8. average stone size; and,
9. sales value.

administration also completes the Registry of Diamonds Recovered, an official document that must be submitted to the South African Diamond Board.

The diamonds are stored in a safe prior to marketing. When a marketable parcel has been collected, the diamonds are treated in hydrofluoric acid to clean away oxides and enhance their appearance and an estimate of their value is made. Diamonds are sold at weekly or monthly intervals, depending on recoveries and the state of the market, to registered diamond buyers. Typically three estimates are sought before any sale is made. Payment is always received by cheque and a formal sales slip is provided from the buyer. Howe has inspected a number of these sales slips.

Among the internal checks performed by Monroe to ensure that data is complete and accurate are:

1. gravel volumes are reconciled by Exploration, Operations and the mining contractor;
2. the Production Records are examined by Exploration to find inconsistent or unexpected data;
3. executive management reconciles the data from the Diamond Recovery Log, Mine Registry, Production Records, Register of Diamonds Recovered, sales slips and contract mining invoices, and;
4. executive management regularly audits the buyers' records of transactions to ensure that they agree with the sales slips received by Monroe.

The standard of record keeping by Monroe was found upon inspection to be very high and there was sufficient evidence to show that the internal checks referred to above were being carried out on a regular basis. It is of note that the difference in weight between first recording at hand recovery and sales over the whole of the bulk sample programme was only six carats.

Adjacent Properties

In the late 1980's and early 1990's, Mrs. Corrie Klopper was operating a small mine in the northwest corner of Pienaarsfontein 113HO. No detail is known regarding tonnages, grades or diamond values. However, since the mine operated +5 years it can be assumed that it was economic.

During 1997 Mr. Jan Groenewald, was operating on some 10 ha within the A0 (Rooikoppie) gravel on London. He indicated that he was recovering economic quantities of diamond and that, at one stage, these recoveries were around 2.5 cpht. For some 6 months in 2002, Messrs Piet Visser and Gert Oosthuisen, were mining shallow A1 gravels and A0 gravels on Olievenfontein 114HO. Mr. Oosthuisen was apparently recovering grades of about 1.3 cpht from the A1 gravels.

Further south, along the same palaeochannels, A0 gravels on the farm Avondster were mined (in the 1980's) at a grade of 4 cpht and an average value of US $900/ct. Since 2001, Mr. Gideon Wessels has been mining A1 (calcreted) gravels over a mining width of 700 metres on the farm Botha's Hoek 141HO at an average grade of 1.2 cpht.

All of the above operators have reported the occasional recovery of large stones (+20 carats) of high value.

Historically, the smaller alluvial diamond miners of the Northwest Province do not delineate mineral resources but go directly from reconnaissance pitting to bulk sampling and proceed seamlessly to full production.

Mineral Resource Estimate

The resource estimates have been determined by Dr. T. R Marshall (an Independent Consultant and Chief Exploration Advisor for Monroe), who is qualified as a Competent Person under the SAMREC code (the SAMREC code is similar in principle and content to the JORC code) and is the basis for JSX reporting rules for Reserves/Resources in South Africa. Definitions for resources/reserves are essentially the same between the SAMREC Code and CIMM. Howe has independently checked the methodology and concurs with Dr. Marshall's estimate.

Neither the SAMREC nor JORC codes nor for that matter CIMM definitions deals specifically with specific peculiarity of alluvial diamonds when it comes to resource/reserve estimations. The reasons for this that as exploration/prospecting proceeds (usually through trial/test mining and processing) the resource base changes as new deposits are proved up. For reserve definition, different cut-off grades applied to different deposits or sections of a mine at different times. Cut-off grades can vary as average ore value changes (e.g. diamond market conditions, exchange rate, diamond size variations) or as operating cost factors vary (e.g. amount of overburden, haul distance). Reserves for alluvial diamond mining inevitably change as deposits are mined.

The resource and categories used in this Report are those set out in sections 1.3 and 1.4 of the NI43-101 and for the most part follow CIMM definitions for tonnage estimates relating to Indicated and Inferred Resources. Grade determination was attached to each defined area based on bulk-sampling results and not individual drill hole/pit weight average results, as this is not normally determined in alluvial diamond exploration.

Mineral Resource Estimations

The areas/volumes of the Resource areas were independently calculated using the Micromine computer programme through the building of two Digital Terrain Models (one of the lower surface and one of the upper surface of the gravel unit) by taking the intersection points from borehole logs. Volume was determined from surface areas as well as the actual thickness at each borehole point, also taking into account zero thicknesses where gravels were not intersected less any gravels that have already been extracted.

Specific gravity figures used were industry standard estimations of 1.8 g/cm^3. Samples of A0 and A1 gravels have been excavated by Monroe for density measurements (to be completed early in 2003). It should be noted that some statistics put A0 gravels as high as 2.0 g/cm$^{3.}$

Grade estimations are based on the bulk-sampling completed during 1999-2000 and are 0.6 cpht for A0 gravels and 1cpht for A1 gravels.

Indicated resources for AI gravels lie within areas indicative of well developed gravel, i.e., matrix- and clast-supported gravels. In addition to the lithology, there are a sufficient number of data points to differentiate these resources from inferred resources as well as reliable diamond data (grade/value) usually obtained from the bulk sample programme. Although there is not set grid size (because of channel type and orientation variability), generally 50 - 100m line/hole data spacing is used for the indicated resources.

Inferred resources are defined in areas where the alluvial package (with special reference to **A1 gravel** type) is less developed than that for indicated resources but there are indications of gravels - such as the development of gravel/pebble lenses, scattered gravels/pebbles in alluvium, matrix-supported and clast-supported gravel beds. The data points in the inferred resource category are generally in the range of 100m hole spacing and up to 500m line spacing. In the case of Resource Areas 5 & 6 (see below), there is closer hole spacing, but no reliable data with regards to diamond grade/value.

For the **A0 (colluvial)** deposits, there is no detailed or regular drilling/sampling grid. However, there are sufficient old holes (of various ages) and current operations in the vicinity, combined with Monroe's pits/trenches (see Appendix A to the London Report) to estimate, with reasonable confidence, the thickness and continuity of gravels, along with diamond results from Monroe's bulk sample programme, to obtain an **Indicated resource**. Where the confidence level is lower (due to a lack in any of the above) those areas of A0 gravels have been classified as **Inferred resources**.

The resources interpreted from the London Property are:

Indicated Resources

- 467,000 Tonnes of A1 (calcreted) gravel at 1 cpht (Resource Area 1)
- 720,000 Tonnes of A0 (*Rooikoppie*) gravel at 0.6 cpht (Resource Area 2)
- ***Total Indicated Resources of 1,187,000 Tonnes***

Inferred Resources

- 375,000 Tonnes of A1 gravel (Resource Area 1)
- 0.9M Tonnes of A0 gravel at 0.6 cpht (Resource Area 3)
- 4.4M Tonnes of A0 gravel at 0.6 cpht (Resource Area 4)
- 152,000 Tonnes of A1 gravel (Resource Area 5)
- 76,000 Tonnes of A1 gravel (Resource Area 6)
- ***Total Inferred Resource of 5,903,000 Tonnes***

Howe has checked the assumptions and parameters and cross checked areas, volumes, etc. and has obtained tonnage estimates that vary somewhat from Monroe's work but essentially confirms their results. Differences are attributed to the floating average thickness capability of the Micromine modeling programme as compared to Howe's assigned average thickness.

Exploration Potential

In addition a large area, covering more than 300 ha has been identified as having exploration potential and is targeted for drilling/pitting and resource estimation during the forthcoming feasibility study.

Exploration and Development And Future Programmes

During 2003 and 2004, Monroe pursued the exploitation (test mining/processing) of the Indicated Resource and the improvement in the confidence level of the Inferred Resource. This phase, described as a feasibility study, may allow for the conversion of gravels to the Probable Reserve classification, which in turn, would allow for the declaration of commercial mining under Canadian securities regulations. (It is again noted that alluvial diamond operators and consultants do not consider that "proving-up" reserves ahead of mining is warranted.)

The results of activities during 2003 and 2004 were as follows:

	2004	2003
Tonnes processed	533,000	143,000
Plant availability	80%	64%
Carats produced	4,507	897
Carats sold	3,276	897
Sales proceeds (net of royalty) (C$)	1,429,000	365,000
Operating costs	1,372,000	959,000
Grade (cpht)	0.85	0.50
Estimated quality (per ct) (US$)	400	347
Average stone size (ct)	1.1	1.1

These results combine the tests on the A0 and the A1 gravels. The 2004 results for the A0 gravel are:

Test throughput	422,000 tonnes
Monthly throughput	46,000 tonnes
Diamonds recovered	3,433 carats
Diamond quality	US$380 per carat
Diamond grade	0.81 cpht
Average stone size	1.1 carats
Plant availability	82%

The size distribution of the diamonds recovered during 2004 from the A0 gravel during the test was:

Diamond size (carats)	Percentage
0.0 – 0.5	31.4
0.5 – 1.0	31.5
1.0 – 2.0	26.0
2.0 – 5.0	9.9
5.0 – 10.0	0.8
> 10.0	0.4

The Company also produced diamonds from the A1 gravel in 2004 as a part of its delineation of the A1 gravel resource along the western boundary of the property. The results from the A1 gravel were:

Test throughput	111,000 tonnes
Monthly throughput	28,000 tonnes
Diamonds recovered	1,074 carats
Diamond quality	US$490 per carat
Diamond grade	1.0 cpht
Average stone size	1.3 carats
Plant availability	70%

The size distribution of the diamonds recovered during 2004 from the A1 gravel during the test was:

Diamond size (carats)	Percentage
0.0 – 0.5	22.4
0.5 – 1.0	32.0
1.0 – 2.0	28.0
2.0 – 5.0	14.9
5.0 – 10.0	2.3
> 10.0	0.4

Strong demand for good quality diamonds was experienced and, in accordance with prescribed test conditions, sales were made on a run-of-mine basis. The top individual diamond price achieved during 2004 was US$6,200 per carat for a 6 carat orange stone. This set a record for an individual sale from the London Project, beating the US$5,070 per carat realised for an intense yellow, 6 carat stone recovered in 2003.

The results at the London Project in 2004 exceeded all targets set by the Company. An appropriate commercial production plan is being developed and, at the same time, delineation of the A1 gravel resource along the western boundary is continuing. The results from the A0 test generally confirm the relevant resource estimates in the London Report and hence there is no material change there. The Company has dropped plans to produce from two areas containing 0.2 million tonnes and has upgraded 1.5 million tonnes from inferred to indicated resource status as of October 1, 2004. Hence, the Company is still carrying the approximate 7 million tonne indicated and inferred resource specified in the London Report, less an aggregate of 0.8 million tonnes eliminated or processed as part of the 2004 test.

A significant problem facing all diamond producers in South Africa is the current strength of the rand. This has appreciated against the US dollar (the international sales currency for diamonds) by 70% over three years. During this same period, input costs at diamond mines have increased by 50%. This has placed severe pressure on operating margins. De Beers has acknowledged that it requires a rand exchange rate exceeding R6.50: US$1 before its South African diamond mining operations are profitable. The forecast movement of the rand against the dollar will have a strong influence on the commercial production plan being developed by the Company.

Test activities on the London Property during 2003 and 2004 produced a small excess of income from the sale of diamonds over operating expenses. At December 31, 2004, the net investment by the Company in the London Property was $1,928,514.

Other Properties

The non-principal properties of the Company consist of the Allandale and Southwestern Transvaal kimberlite projects and the Middle Orange River alluvial diamond project.

Kimberlite projects

The **Allandale Project** covers an area of 450 hectares (1,112 acres) adjacent to the Monastery Kimberlite Mine in the Free State Province, 360 kilometres southwest of Johannesburg and 10 kilometres northwest of Lesotho. The Monastery kimberlite pipe, which has a surface area of 1 hectare, has reported grades up to 40 cpht.

Monroe is the project operator and its application for a prospecting permit has awaited the conclusion of BEE participation and available financing. With the conclusion of arrangements with Vuya!, it is hoped that financing will be completed in 2005. Certain aspects of the 2004 Minerals and Petroleum Resources Development Act become effective on May 1, 2005 and Monroe must apply to the State for a prospecting permit in order to continue its interest in this project.

The **Southwestern Transvaal Project** is a regional project. This project covers an area between the towns of Schweizer Reneke and Wolmaransstad in Northwest Province (formerly SW Transvaal). Monroe is the project operator. The area comprises hundreds of square kilometres. The objective of the project is to locate and develop the kimberlite source of the Southwestern Transvaal alluvial diamond field. The mineral rights regime in South Africa makes it expensive to purchase options over extensive tracts of land for kimberlite exploration. Accordingly, options will be acquired only when drill targets have been identified. Monroe's exploration programme will include airborne geophysical surveys followed by ground geophysical, geochemical and mineralogical surveys to identify drill targets. Fieldwork will commence when cash flow from the alluvial projects has been established.

Alluvial projects

The **Middle Orange River Project** is located in Northern Cape Province in South Africa. It reaches from Douglas, situated 100 kilometers southwest of Kimberley, to Prieska, a further 120 kilometers southwest from Douglas. South Africa's two major rivers the Vaal and the Orange, meet west of Douglas, near Hopetown, the site of the first reported diamond discovery in South Africa in 1866. Since that discovery, the area has been heavily prospected by old time diggers. They exploited a lag deposit, locally termed *Rooikoppie* gravel, overlying a hard calcrete. Recent geological understanding has identified diamondiferous fluvial gravel deposits occurring beneath this calcrete and a number of properties along the Middle Orange River have been successfully mined over the past decade. Typically the deposits are low grade - high tonnage operations. They most notable among these operations has been TransHex at Saxendrift, which has reported average grades of 0.6 cpht, values of up to US$2,000 per carat, and an average diamond size of 2.2 carats per stone.

Monroe has secured rights to prospect approximately 20,000 hectares (50,000 acres) in 16 parcels in the Middle Orange River area. It is targeting large scale projects, capable of early cash flow and long mine life. A number of the land parcels are within 20 kilometers of the Saxendrift Mine. By December 31, 2004, the Company had completed due diligence on the project and commenced the first stage of exploration work, incurring expenditures of $102,766.

Discontinued operations

The Company relinquished its interests in its Canadian properties during 2001 and no obligations remain.

In 2002, the Company discontinued its exploration program on the **Rietvallei Project** and wrote down the carrying value to an estimated recoverable amount. The Company disposed of its entire interest in this project in 2005.

In 2003, the Company discontinued the drilling program in the **Cazali Project** in the diamond fields of Northwest Province of South Africa which failed to identify sufficient volumes of gravel resources or diamond grade to justify continued exploration and accordingly the Company let the interest and permit lapse.

In 2004, following a survey, drilling and pitting program in 2002-2003, the Company concluded that the carrying value of the **Doornbult Project** be written down to a nominal value and that no further work would be performed.

DIVIDENDS

To date, the Company has not paid any dividends on its outstanding Common Shares. The Company does not anticipate paying dividends in the near future. The future payment of dividends will be dependent upon the financial requirements of the Company to fund future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances. There are no restrictions that could prevent the Company from paying dividends.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in one or more series. As at December 31, 2004, 47,827,618 Common Shares are issued and outstanding. No preferred shares are issued or outstanding.

Common Shares

The holders of the Common Shares are entitled to dividends as and when declared by the directors, to receive notice of, and to receive one vote per share, at meetings of shareholders of the Company and to receive upon liquidation such assets of the Company as are distributable to the holders of the Common Shares.

Preferred Shares

The preferred shares may be issued from time to time in one or more series, each series consisting of a number of preferred shares as may be determined by the board of directors of the Company who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, be entitled to preference over any series of preferred shares ranking junior by their terms and over the voting and non-voting common shares.

MARKET FOR SECURITIES

The Common Shares of the Company are listed and posted for trading on the TSX Venture Exchange under the trading symbol “MMX”.

Trading Price and Volume

The following table sets out the high and low prices and the volume of trading for the common shares for the periods indicated.

Year	Month	High	Low	Volume
2004	December	$0.125	$0.100	238,390
	November	$0.110	$0.090	259,697
	October	$0.140	$0.100	121,156
	September	$0.150	$0.115	382,166
	August	$0.150	$0.120	437,877
	July	$0.160	$0.120	114,512
	June	$0.155	$0.090	535,369
	May	$0.155	$0.115	330,810
	April	$0.150	$0.130	64,500
	March	$0.150	$0.125	126,152
	February	$0.165	$0.130	265,295
	January	$0.170	$0.135	261,278

Prior Sales

During the financial year ended December 31, 2004, the following securities of the Company that are not listed or quoted on a marketplace were issued:

Date of Issue	Number and Type of Securities Issued
December 7, 2004	3,250,000 warrants[(1)]
December 7, 2004	650,000 broker's warrants[(2)]

Notes:

1. One warrant is exercisable at $0.20 into one additional common share on or before one year from the date of grant.
2. Exercisable at $0.125 on or before 18 months from the date of grant.

DIRECTORS AND OFFICERS

The following table sets forth the names, province and country of residence of the current directors and executive officers of the Company, their respective positions and offices with the Company and date first appointed or elected as a director and/or officer and the principal occupation(s) within the past five (5) years:

Name and Province and Country of Residence	Description of Principal Occupations in Last Five Years	Positions with the Company and Date Appointed Director and/or Executive Officer
Derek J. Moran Dublin, Ireland	President, Monroe Minerals Inc.	Director, Chief Executive Officer, President and Promoter of the Company June 28, 2001
Bryan M. Benitz[(1)] London, United Kingdom	Company director. Between 1988 and 2000, chairman of Benitz & Partners, a corporate finance and advisory firm in London, England.	Chairman, Director and Promoter of the Company November 1, 1999

Name and Province and Country of Residence	Description of Principal Occupations in Last Five Years	Positions with the Company and Date Appointed Director and/or Executive Officer
Peter T. Farkas Calgary, Alberta	Since March 2005, Portfolio Advisor and prior thereto Vice President Business Development, Beaumont Enterprises Inc. (portfolio investment) since July 2004. Vice President Business Development and Chief Financial Officer, Excite Energy Corp. since March 2003. Between 2001 and 2003, Executive Vice President, Saxon Energy Services Inc. Between 1997 and 2001, Executive Vice President and Chief Operating Officer of Sunoma Energy Corp.	Director, CFO and Secretary of the Company June 28, 2001
John R. Perraton[(1)] Calgary, Alberta	Partner of Perraton Law, barristers and solicitors, since 2003. Previously a partner of Field Atkinson Perraton, barristers and solicitors.	Director of the Company September 1, 1996
Henry A. Tondowski[(1)] Hermanus, South Africa	Independent investment banker.	Director of the Company January 1, 2003

Bryan M. Benitz, John R. Perraton and Henry A. Tondowski are members of the Audit Committee of the Company. The Company does not have an Executive Committee.

The directors listed above will hold office until the next annual meeting of the Company or until their successors are elected or appointed.

As at the date hereof, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 20,499,994 Common Shares or approximately 43 %of the issued and outstanding Common Shares of the Company.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or has been within the past ten (10) years, a director or officer of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days or became a bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than as follows:

Peter Farkas was an officer of Sunoma Energy Corp., a private oil and gas company, at the time a receiver was appointed in respect thereof in April 2000. Subsequently in July 2000, Sunoma Energy Corp. was petitioned into bankruptcy.

Penalties or Sanctions

No director, officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian Securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

CONFLICTS OF INTEREST

Certain directors and officers of the Company and its subsidiary are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company.

PROMOTERS

Derek J. Moran may be considered to be the promoter of the Company and has not received any additional compensation for services rendered in such capacity other than remuneration as paid by the Company to him and stock options granted to him in his capacity as an executive officer. Details of Mr. Moran’s compensation and shareholdings are found in the Company’s management information circular which was filed on SEDAR on April 5, 2005 and is available on SEDAR at www.sedar.com.

Bryan M. Benitz may also be considered to be a promoter of the Company and has not received any additional compensation for services rendered in such capacity other than stock options granted to him in his capacity as a director. Mr. Benitz’s shareholdings are found in the Company’s management information circular which was filed on SEDAR on April 5, 2005 and is available on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS

There are currently no material legal proceedings being contemplated by the Company. Management of the Company is currently not aware of any legal proceedings actual or threatened involving the Company that are material to the business and affairs of the Company.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, management of the Company is not aware of any material interests, direct or indirect, of any director, executive officer or principal shareholder of the Company or any associate or affiliate of any of them in any transaction during the three most recently completed financial years, or any proposed transaction, that has materially affected or will materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada at Suite 600, 530 - 8th Avenue SW, Calgary, Alberta, T2P 3S8 is the transfer agent and registrar for the common shares of the Company.

NAMES AND INTERESTS OF EXPERTS

Dino Titaro, M.Sc., P. Geo.: Mr. Titaro is an independent Qualified Person as defined in National Instrument 43-101. Mr. Titaro is a fellow the Geological Association of Canada and a member of the Canadian Institute of Mining and Metallurgy, Society of Economic Geologists and a Professional Geologist, registered in the Province of Saskatchewan (APEGS, No. 10601) and Ontario (No. 0677).

KPMG LLP are the Company's auditors who have prepared an auditor's report with respect to the Company's audited financial statements for the fiscal year ended December 31, 2004.

Information contained in this document relating to the Company's London property in South Africa is based upon a technical report dated December 30, 2002 prepared by A.C.A. Howe International Limited.

To the Company's knowledge, these experts do not have a direct or indirect beneficial interest in the Corporation's securities.

ADDITIONAL INFORMATION

Additional information related to the Company may be found through SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, transactions, if applicable, is contained in the Company's management information circular for its annual and special meeting of shareholders held on May 4, 2005 that involved the election of directors and which was filed on SEDAR on April 5, 2005. Additional financial information is provided in the Company's audited consolidated financial statements and management discussion and analysis for the year ended December 31, 2004.