METALEX VENTURES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited – prepared by management

Expressed in Canadian dollars

JULY 31, 2013

NOTICE TO READER:

These condensed consolidated interim financial statements of Metalex Ventures Ltd. (the "Company") for the three months ended July 31, 2013 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

METALEX VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	July 31, 2013	April 30, 2013
ASSETS			
Current assets			
Cash		$ 3,049,498	$ 3,693,555
Receivables	4	45,169	99,734
Prepaid expenses		217,324	197,558
Equipment held for disposal	11(e)	-	3,340,000
		3,311,991	7,330,847
Non-current assets			
Reclamation deposit	5	1,070,869	1,066,200
Exploration and evaluation assets	5	344,862	344,862
Equipment	7	74,458	90,469
Total Assets		$ 4,802,180	$ 8,832,378
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 2,308,621	$ 2,141,527
Provision for indemnity	9	1,170,000	1,170,000
		3,478,621	3,311,527
SHAREHOLDERS' EQUITY			
Share capital	11	85,996,162	85,996,162
Reserves	11	10,518,732	10,527,813
Convertible advance	11(e)	1,660,000	5,000,000
Deficit		(96,851,335)	(96,003,124)
		1,323,559	5,520,851
Total Liabilities and Shareholders' Equity		$ 4,802,180	$ 8,832,378

Nature and continuance of operations (Note 1)
Commitments (Note 9)

Approved by the Board of Directors:

"Chad Ulansky"	*"Lorie Waisberg"*
Chad Ulansky	Lorie Waisberg

See accompanying notes to condensed consolidated interim financial statements.

METALEX VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		Three Months Ended	
	Note	**July 31, 2013**	**July 31, 2012**
EXPENSES			
Consulting fees		$ 8,000	$ 4,500
Depreciation	7	16,011	16,269
Exploration expenditures	6	770,499	2,300,185
Management fees	11(d)	15,000	15,000
Office and administrative		33,050	64,909
Professional fees		25,640	45,052
Property investigation		-	4,102
Share-based compensation	11(c)	-	2,271
Transfer agent and filing fees		958	3,848
Travel and promotion		3,056	8,680
Loss before other items		(872,214)	(2,464,816)
OTHER ITEMS			
Interest income		16,453	46,872
Other income		-	302,501
Foreign exchange gain (loss)		(1,531)	2,715
		817,086	352,088
Loss and comprehensive loss for the period		$ (857,292)	$ (2,112,728)
Basic and diluted loss per share		$ (0.01)	$ (0.03)
Weighted average number of shares outstanding		66,463,562	66,463,562

See accompanying notes to condensed consolidated interim financial statements.

METALEX VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserves	Convertible Advance	Deficit	Total
Balance at April 30, 2012		66,463,562	$ 84,950,427	$11,579,389	$ 5,000,000	$ (87,088,708)	$ 14,441,108
Share-based compensation	11(c)	-	-	2,271	-	-	2,271
Loss for the period		-	-	-	-	(2,112,728)	(2,112,728)
Balance at July 31, 2012		66,463,562	$ 84,950,427	$11,581,660	$ 5,000,000	$(89,201,436)	$ 12,330,651
Balance at April 30, 2013		66,463,562	$ 85,996,162	$10,527,813	$ 5,000,000	$(96,003,124)	$ 5,520,851
Convertible advance	11(e)	-	-	-	(3,340,000)	-	(3,340,000)
Reserves transferred on expired options		-	-	(9,081)	-	9,081	-
Loss for the period		-	-	-	-	(857,292)	(857,292)
Balance at July 31, 2013		66,463,562	$ 85,996,162	$10,518,732	$ 1,660,000	$(96,851,335)	$ 1,323,559

See accompanying notes to condensed consolidated interim financial statements

METALEX VENTURES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
OPERATING ACTIVITIES		
Loss for the period	$ (857,292)	$ (2,112,728)
Items not affecting cash:		
Depreciation	16,011	16,269
Share-based compensation	-	2,271
Other income – reclamation deposit interest	(4,669)	-
Other income – flow-through premium	-	(302,501)
	(845,950)	(2,396,689)
Net changes in non-cash working capital items:		
Decrease (increase) in receivables	54,565	(91,078)
Increase in prepaid expenses	(19,766)	(1,018,766)
Increase in accounts payable and accrued liabilities	167,094	525,819
Net cash used for operating activities	(644,057)	(2,980,714)
Net decrease in cash	(644,057)	(2,980,714)
Cash, beginning of period	3,693,555	15,507,491
Cash, end of period	$ 3,049,498	$ 12,526,777
Cash paid for interest during the period	$ -	$ -
Cash paid for taxes during the period	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 15)

See accompanying notes to condensed consolidated interim financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Metalex Ventures Ltd. (the "Company") is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. To date, the Company has not generated significant revenues from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "MTX".

The Company's head office and location of books and records is 203-1634 Harvey Avenue, Kelowna, British Columbia, Canada, V1Y 6G2.

The recoverability of the amounts comprised in mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Continued operations of the Company are dependent on its ability to develop its mineral properties, receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved for issue by the Audit Committee on September 23, 2013.

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary (Note 10). All significant intercompany transactions and balances have been eliminated.

2. BASIS OF PRESENTATION (*continued*)

Use of Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially and adversely from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

ii) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards

The following new standards, interpretations and amendments were adopted by the Company effective May 1, 2013:

IFRS 10, *Consolidated Financial Statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation - Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

New Accounting Standards (*continued*)

IFRS 11, *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12, *Disclosure of Interests in Other Entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The adoption of the above noted policies had no impact on these financial statements.

New Standards Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting standards issued and effective for annual reporting periods beginning on or after January 1, 2015:

IFRS 9 *Financial Instruments* replaces the current IAS 39 *Financial Instruments: Recognition and Measurement,* replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. RECEIVABLES

The Company's receivables are as follows:

		July 31, 2013		April 30, 2013
HST receivables	$	16,605	$	95,284
Related party receivables		28,564		4,450
Total	$	45,169	$	99,734

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing.

The carrying values of the Company's exploration and evaluation assets are as follows:

	James Bay, Quebec	Kyle Lake, Ontario	Total
Balance April 30, 2012 and 2013	$ 80,000	$ 264,862	$ 344,862
Additions/Written-off	-	-	-
Balance July 31, 2013	$ 80,000	$ 264,862	$ 344,862

In September 2011, the Company acquired all of Arctic Star Exploration Corp's ("Arctic Star") remaining joint venture interests in the Company's Kyle Lake, James Bay Lowlands and Attawapiskat projects for a lump sum payment of $264,862. Also pursuant to the agreement, the Company will pay Arctic Star a further $2,000,000 in circumstances where a mine is put into production on the claims comprising the Kyle Lake project.

Kyle Lake Project, Ontario

As at April 30, 2013, the Company has a 100% earned interest in certain mineral claims located in the Kyle Lake area of Ontario. These claims are subject to a 10% carried interest in favour of Kel-Ex Development Ltd. ("Kel-Ex").

In January 2012, the Company signed a letter agreement whereby Dundee Corporation ("Dundee") may acquire up to a 51% interest in the U2 and T1 kimberlite pipes through a four stage investment of up to $51 million. Pursuant to the letter agreement, Dundee Corporation advanced $5 million to Metalex to be used for preparatory work for the 10,000+ ton bulk sample.

In May 2013, the Company signed an amended earn-in agreement with Dundee. Terms and conditions of the earn-in agreement are largely the same as laid out in the letter agreement, however the $5 million advance was reduced to $1.6 million with Dundee to provide certain equipment to be used on the project with a value of $3.4 million. For further detail on this transaction, please refer to Note 11(e).

Morocco

In May 2004, the Company entered into an agreement with the Office National de Hydrocarburers et des Mines ("ONHYM") to conduct preliminary exploration work in Southern Morocco in order to identify areas on which to undertake further exploration work. In May 2005, the Company added additional areas for exploration work on the same terms and conditions as the first agreement. The agreements were governed by the laws and regulations of the Kingdom of Morocco and were valid until November 2006.

In April 2011, the Company entered into a new joint venture agreement with the ONHYM for further exploration of the claim areas. The Company will hold a 60% interest while ONHYM will retain a 40% interest in the project. Both parties will be responsible for funding their respective interests.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

Wemindji James Bay Property, Quebec

As at July 31, 2013, the Company has a 33.3% interest in various mineral claims located in the Wemindji James Bay region of Quebec for the exploration of diamonds. The Company also holds a 50% interest in a joint venture for the exploration of non-diamond commodities (ie: various base and precious metals) within the same claim area.

James Bay Lowlands Property, Ontario

As at July 31, 2013, the Company has a 62.5% earned interest in certain mineral claims located in the Ring of Fire region of the James Bay Lowlands, Ontario. Certain of these claims were previously included as part of the Kyle Lake project and were optioned to White Pine Resources Inc. ("WPR") to earn up to a 50% interest in the project by funding up to $20,000,000 in expenditures on the property. For each $5,000,000 in funding, WPR earned a 12.5% interest in the claims. In October 2011, having earned a 37.5% interest in the claims to-date, WPR elected to not to earn the fourth interest (50%) and, pursuant to the agreement, a joint venture has been formed whereby each party will fund future exploration activities in proportion to their earned interests. These claims are subject to a 10% carried interest in favour of Kel-Ex.

Attawapiskat Property, Ontario

Big Red Diamond Joint Venture

As at July 31, 2013 the Company has a 83.9% working interest (72% earned interest) in certain mineral claims in the Attawapiskat area of Ontario. These claims are subject to a 10% carried interest in favour of Kel-Ex.

Dumont Joint Venture

As at July 31, 2013 the Company has a 82.5% working interest (61.7% earned interest) in certain mineral claims located in the vicinity of the Attawapiskat property. These claims are subject to 10% carried interests in favour of each of Kel-Ex and Dumont Nickel Inc.

Mali

The Company has a 100% interest in two gold exploration licenses. The annual exploration commitments for both permits in CFA Francs ("CFA"), with Canadian Dollar equivalents using exchange rates at July 31, 2013 is estimated as follows:

Fiscal 2014	692,000,000 CFA	$1,440,000

To date, the exploration commitments have not been met. The Company's licenses expired during the year ended April 30, 2013. The Company is assessing its options to renew its license, however, due to the current political climate, has been unable to renew its licenses yet.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

Angola

In April 2005, the Company entered into an agreement for kimberlite diamond exploration of the Chitamba license in Angola pursuant to an agreement executed by the Angolan Council of Ministers. The license expired in December 2012 and the Company elected to withdraw from the project.

6. EXPLORATION EXPENDITURES

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	Mali	Angola	Morocco	Total
Cumulative expenditures, April 30, 2012	$ 9,414,870	$ 3,995,976	$ 40,135,458	$ 148,481	$20,342,453	$4,323,733	$78,360,971
Additions							
Aircraft field transport	-	363,015	953,694	-	-	-	1,316,709
Camp and field supplies	-	20,437	178,089	-	127,446	41,698	367,670
Drill supplies and repairs	-	-	86,673	-	138	-	86,811
Equipment rental and amortization	-	8,060	27,885	-	93,793	95,463	225,201
Fuel	-	109,005	95,024	-	14,208	9,300	227,537
Licenses, Rent and other	-	54,797	9,552	955	131,781	2,623	199,708
Labour	-	271,555	2,176,306	4,076	647,025	238,806	3,337,768
Sample laboratory analysis	-	631,551	90,494	-	221,278	216,074	1,159,397
Shipping and freight	-	30,089	309,035	1,561	22,851	61,136	424,672
Telephone and communications	-	2,408	36,414	-	17,549	1,075	57,446
Travel and accommodation	-	123,466	100,684	-	27,487	47,322	298,959
Total additions	-	1,614,383	4,063,850	6,592	1,303,556	713,497	7,701,878
Cost recoveries	-	(28,863)	-	-	-	-	(28,863)
Net expenditures during period	-	1,585,520	4,063,850	6,592	1,303,556	713,497	7,673,015
Cumulative expenditures, April 30, 2013	$ 9,414,870	$ 5,581,496	$ 44,199,308	$ 155,073	$21,646,009	$5,037,230	$86,033,986
Additions							
Aircraft field transport	-	-	-	-	-	-	-
Camp and field supplies	-	-	675	-	17,035	15,662	33,372
Drill supplies and repairs	-	885	-	-	-	-	885
Equipment rental and amortization	-	-	5,319	-	9,513	133,091	147,923
Fuel	-	-	-	-	428	14,995	15,423
Licenses, Rent and other	-	-	3,149	-	22,462	-	25,611
Labour	-	13,622	93,349	-	170,622	141,931	419,524
Sample laboratory analysis	-	-	-	-	-	4,338	4,338
Shipping and freight	-	220	43,385	111	33,411	6,430	83,557
Telephone and communications	-	-	-	-	969	332	1,301
Travel and accommodation	-	-	10,754	-	2,655	25,156	38,565
Total additions	-	14,727	156,631	111	257,095	341,935	770,499
Cost recoveries	-	-	-	-	-	-	-
Net expenditures during period	-	14,727	156,631	111	257,095	341,935	770,499
Cumulative expenditures, July 31, 2013	$ 9,414,870	$ 5,596,223	$ 44,355,939	$ 155,184	$21,903,104	$5,379,165	$86,804,485

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Field equipment	Automotive	Computer equipment	Furniture and fixtures	Total
Cost:					
Balance at April 30, 2012 and 2013	$ 1,071,917	$ 241,176	$ 18,135	$ 5,194	$1,336,422
Additions/disposals	-	-	-	-	-
Balance at July 31, 2013	$ 1,071,917	$ 241,176	$ 18,135	$ 5,194	$1,336,422
Accumulated depreciation:					
Balance at April 30, 2012	$ 917,584	$ 241,176	$ 17,185	$ 5,194	$1,181,139
Depreciation	63,900	-	914	-	64,814
Balance at April 30, 2013	981,484	241,176	18,099	5,194	1,245,953
Depreciation	15,975	-	36	-	16,011
Balance at July 31, 2013	$ 997,459	$ 241,176	$ 18,135	$ 5,194	$1,261,964
Carrying amounts:					
As at April 30, 2013	$ 90,433	$ -	$ 36	$ -	$ 90,469
As at July 31, 2013	$ 74,458	$ -	$ -	$ -	$ 74,458

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are as follows:

	July 31, 2013	**April 30, 2013**
Trade payables	$ 179,081	$ 150,532
Accrued liabilities	930,167	945,221
Related party payables	1,199,373	1,045,774
Total	$ 2,308,621	$ 2,141,527

9. COMMITMENTS

In addition to the exploration commitments described in Note 5, the Company is committed to minimum future lease payments for office premises through to March, 2014 as follows:

Fiscal year ending April 30, 2014	$ 10,270

The Company's investor relation services agreement expired June 30, 2013.

During fiscal 2010 and 2011, the Company completed a succession of flow-through share arrangements and renounced the expenditures to investors in accordance with Canadian income tax legislation. The Company was required to incur eligible Canadian exploration expenditures in order to ensure investors were eligible for the tax deductions. As at April 30, 2013, the Company did not incur all the required expenditures and the investors are no longer eligible to receive certain tax deductions. Consequently, the flow-through share premium liability was reduced to NIL and the Company recorded a provision of $1,170,000 towards potential indemnification of tax liabilities to purchasers of the flow-through shares.

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Metalex Ventures Ltd. and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest July 31, 2013	Proportion of Ownership Interest April 30, 2013
Mali Gold Mine Ltd.	Mali	100%	100%

During the three months ended July 31, 2013 and 2012, the Company had related party transactions with the following companies related by way of common directors or shareholders:

- C.F. Mineral Research Ltd. ("CF Minerals") – a private company owned by Metalex Chairman, Charles Fipke. CF Minerals provides heavy mineral geochemistry services to the Company.
- Cantex Mine Development Corp. ("Cantex") - a publicly listed company with common directors and management. Metalex and Cantex share office space and thus have certain shared expenditures which get re-billed on a cost-recovery basis.
- Element 29 Ventures Ltd. ("Element 29") - a private company owned by Metalex CEO, Chad Ulansky. Element 29 provides geological consulting services to the Company.
- Kel-Ex Development Ltd. ("Kel-Ex") - a private company owned by Metalex Chairman, Charles Fipke. Kel-Ex provides administration, payroll and office services to the Company.

The Company's related party expenses consist of the following:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Laboratory and mineralogical costs	**$ 7,448**	$ 208,402
Administration fees (10%)	**13,256**	16,607
Geological consulting fees	**39,953**	72,763
Shared field expenditures	**14,811**	6,452
Shared office and administrative costs	**5,883**	5,369
	$ 81,351	$ 309,593

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
C.F. Mineral Research Ltd.	**$ 7,448**	$ 208,402
Cantex Mine Development Corp.	**915**	1,032
Element 29 Ventures Ltd.	**39,406**	68,424
Kel-Ex Development Ltd.	**33,582**	31,735
	$ 81,351	$ 309,593

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES (*continued*)

The Company's expenses recovered from related parties consist of the following:

	Three Months Ended July 31, **2013**	2012
Shared field expenditures	**$ 24,102**	$ -
Shared office and administrative costs	**3,103**	3,107
	$ 27,205	$ 3,107

	Three Months Ended July 31, **2013**	2012
Cantex Mine Development Corp.	**$ 25,555**	$ 1,944
Kel-Ex Development Ltd.	**1,650**	1,163
	$ 27,205	$ 3,107

Included in accounts payable of the Company are the following amounts due to related parties:

	July 31, 2013	April 30, 2013
C.F. Mineral Research Ltd.	**$ 310,374**	$ 301,154
Cantex Mine Development Corp.	**961**	-
Element 29 Ventures Ltd.	**7,506**	45,429
Kel-Ex Development Ltd.	**880,532**	699,191
	$ 1,199,373	$ 1,045,774

Included in receivables of the Company are the following amounts due from related parties:

	July 31, 2013	April 30, 2013
Cantex Mine Development Corp.	**$ 26,832**	$ 2,470
Kel-Ex Development Ltd.	**1,732**	1,980
	$ 28,564	$ 4,450

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES (*continued*)

The remuneration of directors and officers is as follows:

	Three Months Ended July 31, 2013	2012
Director fees(1)	$ **15,000**	$ 15,000
Share-based compensation(2)	**-**	-
Wages and benefits(3)	**45,800**	84,115
	$ **60,800**	$ 99,115

(1) Directors fees are amounts accrued under the Company's deferred share unit plan as described in Note 11 (d).

(2) Share-based compensation is the fair value of options granted to directors and management personnel.

(3) Wages and benefits includes amounts paid or accrued for geological consulting fees and payroll costs due to related parties.

11. SHARE CAPITAL AND RESERVES

a) **Authorized share capital**

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

b) **Stock options and warrants**

The Company, in accordance with its shareholder approved stock option plan as amended, is authorized to grant options to directors, officers, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. The exercise price of the options issued under the plan is determined by the Board of Directors at the time the options are granted. The options vest immediately upon grant, unless otherwise determined by the Board of Directors, and are exercisable for up to a period of ten years from the date of grant.

Stock option and share purchase warrant transactions are summarized as follows:

	Stock Options		Agents' Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, April 30, 2012	5,159,100	0.90	1,613,882	0.77	7,554,700	0.99
Expired	(3,000)	4.50	(1,613,882)	0.77	(7,554,700)	0.99
Outstanding, April 30, 2013	5,156,100	$ 0.90	-	$ -	-	$ -
Expired	(40,000)	0.54	-	-	-	-
Outstanding, July 31, 2013	5,116,100	$ 0.90	-	$ -	-	$ -
Number currently exercisable	5,116,100	$ 0.90	-	$ -	-	$ -

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (*continued*)

b) Stock options and warrants *(continued)*

The following stock options and warrants were outstanding at April 30, 2013:

	Number	Exercise Price	Expiry Date
Options	508,100	$ 1.00	November 18, 2013
	1,113,000	1.00	October 23, 2014
	825,000	0.80	June 15, 2015
	770,000	0.70	October 20, 2020
	1,900,000	0.95	March 28, 2021
	5,116,100		

c) Options – share-based compensation

During the three months ended July 31, 2013, the Company recognized share-based compensation of $Nil (2012 - $2,271) in the statement of loss and comprehensive loss as a result of the granting and vesting of incentive stock options. The weighted average fair value of options granted was $Nil per option (2012 - $0.23).

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the noted periods:

	2013	**2012**
Risk-free interest rate	-	1.6%
Expected option life	-	1 year
Expected stock price volatility	-	105.6%
Expected dividend yield	-	0%

d) Deferred share unit plan

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly ($7,500 per quarter per director) at which time the number of deferred share units will be determined based on the Company's share price at the end of the quarter. Upon leaving the Board, directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. As of July 31, 2013, $454,167 of deferred compensation (April 30, 2013 – $439,167) has been accrued in accounts payable which equates to 881,624 shares (April 30, 2013 – 745,260 shares) if the directors elected to receive shares under the plan.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (*continued*)

e) **Convertible advance**

In January 2012, the Company signed a letter agreement whereby Dundee Corporation ("Dundee") may acquire up to a 51% interest in the U2 and T1 kimberlite pipes through a four stage investment of up to $51 million. Pursuant to the letter agreement, Dundee advanced $5 million to the Company to be used for preparatory work for the 10,000+ ton bulk sample (the "Bulk Sample").

In May 2013, the Company signed a revised earn-in agreement with Dundee. Terms and conditions of the earn-in agreement are largely the same as laid out in the letter agreement, however the $5 million advance was reduced to $1.6 million as the Company acquired equipment on behalf of Dundee with Dundee to provide this equipment to be used on the project with a value of $3.4 million.

At the option of Dundee, this advance can be converted to the Company's shares at $0.90 per share or applied towards the Second Right. Within one month after receipt by the Company of the final permitting for the Bulk Sample, the Fund must notify the Company if it wishes to pursue the Second Right. This right carries a minimum investment of $12.5 million (in addition to the $1.6 million advance). Should the budget exceed $12.5 million, Dundee shall earn an additional 1% interest in the project for each additional $1 million spent. Once payment is received, Dundee will hold a minimum of a 17.5% interest in the project and will have earned its Second Right and may undertake its Third Right.

Under the Third Right investment, the Fund will make a further payment as required to bring its total contribution to $36.6 million. This will bring the Fund's interest to 40% and must occur within four years of the earn-in agreement. Once the Fund has earned its Third Right it may undertake the Fourth Right. Under the Fourth Right investment of $14.4 million, the Fund will have earned a 51% interest in the project.

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

	July 31, 2013	April 30, 2013
Capital Assets (Exploration and evaluation assets and equipment):		
Canada	$ 344,862	$ 344,898
Angola	74,458	90,433
	$ 419,320	$ 435,331

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

Currency risk - While the Company's capital is raised in Canadian dollars, the Company is also conducting business internationally. As such, the Company is subject to risk due to fluctuations in the exchange rates for certain currencies including the United States and Canadian dollar. The Company does not use derivative financial instruments to reduce its exposure to foreign currency risk.

Credit risk - Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is in large Canadian financial institutions and it does not have any asset-backed commercial paper. The Company's receivables consist mainly of amounts due from the Federal Government of Canada. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures. Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures.

Interest rate risk - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no material interest bearing financial obligations or assets.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14.

Price risk - The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of diamonds and other minerals. The Company's input costs are also affected by the price of fuel. Management monitors diamond, precious metal and fuel prices to determine the appropriate course of action to be taken by the Company.

14. CAPITAL RISK MANAGMENT

The Company includes equity, comprised of issued common shares, the convertible advance, reserves and deficit, in the definition of capital.

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company does not expect its current capital resources will be sufficient to complete its currently budgeted exploration programs and operations through its current operating year. The Company is currently not subject to externally imposed capital requirements. The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in secure deposits in large Canadian financial institutions.

The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration and development of its mineral properties while maintaining its ongoing operations. To secure the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended July 31, 2013 included transferring reserves, representing expired stock options, valued at $9,081.