

# METALEX VENTURES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

Expressed in Canadian dollars

JULY 31, 2014

**NOTICE TO READER:**

These condensed consolidated interim financial statements of Metalex Ventures Ltd. (the “Company”) for the three months ended July 31, 2014 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)

		<b>July 31,</b>	<b>April 30,</b>
		<b>2014</b>	<b>2014</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 2,211,996	\$ 3,385,044
Receivables	4	85,200	276,489
Prepaid expenses		42,169	40,658
		2,339,365	3,702,191
<b>Non-current assets</b>			
Reclamation deposit		1,079,453	1,078,015
Exploration and evaluation assets	5	344,862	344,862
Equipment	7	10,558	26,533
<b>Total Assets</b>		<b>\$ 3,774,238</b>	<b>\$ 5,151,601</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 2,039,038	\$ 3,217,301
Provision for indemnity	9	1,325,000	1,294,000
		3,364,038	4,511,301
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	88,079,278	88,079,278
Reserves	11	10,423,784	10,423,784
Convertible advance	11(e)	1,660,000	1,660,000
Deficit		(99,752,862)	(99,522,762)
		410,200	640,300
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 3,774,238</b>	<b>\$ 5,151,601</b>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 9)

**Approved by the Board of Directors:**

"Chad Ulansky"  
Chad Ulansky

"Lorie Waisberg"  
Lorie Waisberg

See accompanying notes to consolidated financial statements.

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

		<b>Three Months Ended</b>	
	<b>Note</b>	<b>July 31,</b>	<b>July 31,</b>
		<b>2014</b>	<b>2013</b>
<b>EXPENSES</b>			
Depreciation	7	\$ 15,975	\$ 16,011
Consulting fees		-	8,000
Exploration expenditures	6	140,043	770,499
Indemnity interest expense		31,000	-
Management fees	11(d)	14,211	15,000
Office and administrative		35,681	33,050
Professional fees		1,676	25,640
Transfer agent and filing fees		166	958
Travel and promotion		162	3,056
<b>Loss before other items</b>		<b>(238,914)</b>	<b>(872,214)</b>
<b>OTHER ITEMS</b>			
Interest income		10,393	16,453
Foreign exchange gain		(1,579)	(1,531)
		8,814	14,922
<b>Loss and comprehensive loss for the year</b>		<b>\$ (230,100)</b>	<b>\$ (857,292)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>		<b>92,330,449</b>	<b>66,463,562</b>

See accompanying notes to condensed consolidated interim financial statements.

**METALEX VENTURES LTD.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserves	Convertible Advance	Deficit	Total
<b>Balance at April 30, 2013</b>		66,463,562	\$85,996,162	\$10,527,813	\$5,000,000	\$ (96,003,124)	\$5,520,851
Reserves transferred on expired options		-	-	(9,081)	-	9,081	-
Convertible advance	11(d)	-	-	-	(3,340,000)	-	(3,340,000)
Loss for the period		-	-	-	-	(857,292)	(857,292)
<b>Balance at July 31, 2013</b>		66,463,562	\$85,996,162	\$10,518,732	\$1,660,000	\$ (96,851,335)	\$1,323,559
<b>Balance at April 30, 2014</b>		92,330,499	\$88,079,278	\$10,423,784	\$1,660,000	\$ (99,522,762)	\$640,300
Loss for the period		-	-	-	-	(230,100)	(230,100)
<b>Balance at July 31, 2014</b>		92,330,499	\$88,079,278	\$10,423,784	\$1,660,000	\$ (99,752,862)	\$410,200

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (230,100)	\$ (857,292)
Items not affecting cash:		
Depreciation	15,975	16,011
Interest accrued on reclamation deposit	(1,438)	-
Interest accrued on indemnity provision	31,000	-
Share-based compensation	-	(4,669)
Other income – flow-through premium	-	-
	(184,563)	(845,950)
Net changes in non-cash working capital items:		
Decrease in receivables	191,289	54,565
Increase in prepaid expenses	(1,511)	(19,766)
(Decrease) increase in accounts payable and accrued liabilities	(1,178,263)	167,094
Net cash used for operating activities	(1,173,048)	(644,057)
<b>Net decrease in cash</b>	(1,173,048)	(644,057)
<b>Cash, beginning of year</b>	3,385,044	3,693,555
<b>Cash, end of year</b>	\$ 2,211,996	\$ 3,049,498
<b>Cash paid for interest during the year</b>	\$ -	\$ -
<b>Cash paid for taxes during the year</b>	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 15)

See accompanying notes to condensed consolidated interim financial statements.

**METALEX VENTURES LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

JULY 31, 2014

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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**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 unaudited condensed consolidated interim financial statements (the “Financial Statements”), including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended April 30, 2014. The accounting policies and methods of application are consistent with those used in the Company’s consolidated financial statements for the year ended April 30, 2014.

These consolidated financial statements were approved for issue by the Audit Committee on September 22, 2014.

**Basis of Consolidation and Presentation**

These Financial Statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These 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 Standards Not Yet Adopted**

#### *IFRS 9 "Financial Instruments"*

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Its commencement date is currently unknown.



**METALEX VENTURES LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

JULY 31, 2014

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**4. RECEIVABLES**

The Company's receivables are as follows:

	<b>July 31, 2014</b>	<b>April 30, 2014</b>
Related party receivables	\$ 64,964	\$ 221,618
GST receivable	19,427	54,062
Third party receivable	809	809
<b>Total</b>	<b>\$ 85,200</b>	<b>\$ 276,489</b>

**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:

	<b>James Bay, Quebec</b>	<b>Kyle Lake, Ontario</b>	<b>Total</b>
Balances as at April 30, 2013 and 2014	\$ 80,000	\$ 264,862	\$ 344,862
Additions (Written-off)	-	-	-
<b>Balance, July 31, 2014</b>	<b>\$ 80,000</b>	<b>\$ 264,862</b>	<b>\$ 344,862</b>

**METALEX VENTURES LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**JULY 31, 2014**

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**5. EXPLORATION AND EVALUATION ASSETS** *(continued)*

**Kyle Lake Project, Ontario**

As at July 31, 2014, 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 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.

In January 2012, the Company signed a letter of agreement whereby an equity fund managed by the Dundee Corporation group (“Dundee”) may acquire up to a 51% interest in the Kyle Project through a four stage investment of up to \$51 million. Pursuant to the letter agreement, Dundee has advanced \$5 million to Metalex which is 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, please refer to Note 11f).

**Morocco**

In May 2004, the Company entered into an agreement with the Office National de Hydrocarbures 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.

**Wemindji James Bay Property, Quebec**

As at July 31, 2014, the Company has a 52.2% contributing interest in various mineral claims located in the Wemindji James Bay region of Quebec for the exploration of diamonds. The Company also holds a 79.1% contributing 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, 2014, 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.

**METALEX VENTURES LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**JULY 31, 2014**

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**5. EXPLORATION AND EVALUATION ASSETS** *(continued)*

**Attawapiskat Property, Ontario**

*Big Red Diamond Joint Venture*

As at July 31, 2014, 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 April 30, 2014, the Company has a 82.5% working interest (61.7% earned interest) in certain mineral claims located in the vicinity of Attawapiskat, Ontario. 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, 2014 is estimated as follows:

Fiscal 2014	692,000,000 CFA	\$1,498,000
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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 option to renew its license; however, due to the current political climate, the Company has been unable to renew its licenses yet.

**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.

**METALEX VENTURES LTD.**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**JULY 31, 2014**

(Unaudited – Prepared by Management)

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**6. EXPLORATION EXPENDITURES**

	Atta wapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	Mali	Angola	Morocco	Total
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 communication	-	-	-	-	969	332	1,301
Travel and accommodation	-	-	10,754	-	2,655	25,156	38,565
Net exploration expenditures during the period	-	14,727	156,631	111	257,095	341,935	770,499
<b>Cumulative expenditures, July 31, 2013</b>	<b>9,414,870</b>	<b>5,596,223</b>	<b>44,355,939</b>	<b>155,184</b>	<b>21,903,104</b>	<b>5,379,165</b>	<b>86,804,485</b>
Net exploration expenditures (recoveries) to year end	-	1,411,694	1,356,305	1,115	210,176	(196,805)	2,782,485
<b>Cumulative expenditures, April 30, 2014</b>	<b>9,414,870</b>	<b>7,007,917</b>	<b>45,712,244</b>	<b>156,299</b>	<b>22,113,280</b>	<b>5,182,360</b>	<b>89,586,970</b>
Additions							
Aircraft field transport	-	12,103	-	-	-	-	12,103
Camp and field supplies	-	1,782	-	-	-	-	1,782
Drill supplies and repairs	-	4,044	3,600	-	-	-	7,644
Equipment rental and amortization	-	11,350	216	-	-	-	11,566
Fuel (recovery)	-	(830)	-	-	-	-	(830)
Licenses, rent and other	-	-	3,013	-	-	-	3,013
Labour (recovery)	-	(6,870)	11,342	-	5,699	3,493	13,664
Sample laboratory analysis	-	-	6,709	-	-	17,032	23,741
Shipping and freight	-	1,229	24,230	-	27,099	-	52,558
Telephone and communication	-	151	-	-	-	-	151
Travel and accommodation	-	14,625	26	-	-	-	14,651
Net exploration expenditures during the period	-	37,584	49,136	-	32,798	20,525	140,043
<b>Cumulative expenditures, July 31, 2014</b>	<b>\$ 9,414,870</b>	<b>\$ 7,045,501</b>	<b>\$ 45,761,380</b>	<b>\$ 156,299</b>	<b>\$ 22,146,078</b>	<b>\$ 5,202,885</b>	<b>\$ 89,727,013</b>

**METALEX VENTURES LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**7. EQUIPMENT**

	Field equipment	Automotive	Computer equipment	Furniture and fixtures	Total
<b>Cost:</b>					
Balance at April 30 and July 31, 2013	\$ 1,071,917	\$ 241,176	\$ 18,135	\$ 5,194	\$ 1,336,422
Dispositions	-	(241,176)	-	-	(241,176)
Balance at April 30, 2014	1,071,917	-	18,135	5,194	1,095,246
Dispositions	-	-	-	-	-
Balance as July 31, 2014	\$ 1,071,917	\$ -	\$ 18,135	\$ 5,194	\$ 1,095,246
<b>Accumulated depreciation:</b>					
Balance at April 30, 2013	\$ 981,484	\$ 241,176	\$ 18,099	\$ 5,194	\$ 1,245,953
Depreciation	63,900	-	36	-	63,936
Dispositions	-	(241,176)	-	-	(241,176)
Balance at April 30, 2014	1,045,384	-	18,135	5,194	1,068,713
Depreciation	15,975	-	-	-	15,975
Balance as July 31, 2014	\$ 1,061,359	\$ -	\$ 18,135	\$ 5,194	\$ 1,084,688
<b>Carrying amounts</b>					
As at April 30, 2014	\$ 26,533	\$ -	\$ -	\$ -	\$ 26,533
As at July 31, 2014	\$ 10,558	\$ -	\$ -	\$ -	\$ 10,558

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	July 31, 2014	April 30, 2014
Trade payables	\$ 26,432	\$ 384,384
Accrued liabilities	112,497	108,286
Related party payables	1,900,109	2,724,631
Total	\$ 2,039,038	\$ 3,217,301

**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 May, 2016 as follows:

Fiscal year ending April 30, 2015	\$ 11,846
Fiscal year ending April 30, 2016	\$ 11,846
Fiscal year ending April 30, 2017	\$ 987

**METALEX VENTURES LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**9. COMMITMENTS** *(continued)*

During the 2010 and 2011 fiscal years, 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 and 2014, 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 has been reduced to \$NIL and the Company had recorded a provision of \$1,170,000 towards potential indemnification of tax liabilities to purchasers of the flow-through shares as at April 30, 2013. Interest of \$155,000 has been accrued on this balance to July 31, 2014, \$31,000 of which is included in the current fiscal year.

**10. RELATED PARTY DISCLOSURES**

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

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Proportion of Ownership Interest</b>	
		<b>July 31, 2014</b>	<b>April 30, 2014</b>
Mali Gold Mine Ltd.	Mali	100%	100%

During the three months periods ended July 31, 2014 and 2013, 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.
- Northern Uranium Corp. (“Northern”) - a publicly listed company with common directors and management. Metalex and Northern share office space and thus have certain shared expenditures which get re-billed on a cost-recovery basis.

**METALEX VENTURES LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**10. RELATED PARTY DISCLOSURES** *(continued)*

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

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
Laboratory and mineralogical costs	\$ -	\$ 7,448
Administration fees (10%)	<b>3,705</b>	13,256
Geological consulting fees	<b>5,954</b>	39,953
Shared field expenditures	<b>26</b>	14,811
Shared office and administrative costs	<b>4,239</b>	5,883
	<b>\$ 13,924</b>	<b>\$ 81,351</b>

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
C.F. Mineral Research Ltd.	\$ -	\$ 7,448
Cantex Mine Development Corp.	<b>63</b>	915
Element 29 Ventures Ltd.	<b>4,314</b>	39,406
Kel-Ex Development Ltd.	<b>9,547</b>	33,582
	<b>\$ 13,924</b>	<b>\$ 81,351</b>

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

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
Shared field expenditures	\$ 26,925	\$ 24,102
Shared office and administrative costs	<b>124,884</b>	3,103
	<b>\$ 151,809</b>	<b>\$ 27,205</b>

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
Cantex Mine Development Corp.	\$ 11,076	\$ 25,555
Kel-Ex Development Ltd.	<b>10,665</b>	1,650
Northern Uranium Corp.	<b>130,068</b>	-
	<b>\$ 151,809</b>	<b>\$ 27,205</b>

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**10. RELATED PARTY DISCLOSURES** *(continued)*

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

	<b>July 31,</b>		April 30,
	<b>2014</b>		2014
C.F. Mineral Research Ltd.	\$ 615,659	\$	615,659
Cantex Mine Development Corp.	66		1,185
Element 29 Ventures Ltd.	2,533		5,932
Kel-Ex Development Ltd.	1,281,851		2,101,855
	<b>\$ 1,900,109</b>	<b>\$</b>	<b>2,724,631</b>

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

	<b>July 31,</b>		April 30,
	<b>2014</b>		2014
Cantex Mine Development Corp.	\$ 11,517	\$	6,633
Kel-Ex Development Ltd.	9,180		10,953
Northern Uranium Corp.	44,267		204,032
	<b>\$ 64,964</b>	<b>\$</b>	<b>221,618</b>

The remuneration of directors and officers is as follows:

	<b>Three Months Ended July 31,</b>	
	<b>2014</b>	2013
Director fees <sup>(1)</sup>	\$ 14,211	\$ 15,000
Share-based compensation <sup>(2)</sup>	-	-
Wages and benefits <sup>(3)</sup>	13,142	45,800
	<b>\$ 27,353</b>	<b>\$ 60,800</b>

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

(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.



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**11. SHARE CAPITAL AND RESERVES (continued)****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, 2013	5,156,100	\$ 0.90	1,613,882	\$ 0.77	7,554,700	\$ 0.99
Granted (expired)	(40,000)	4.50	(1,613,882)	0.77	(7,554,700)	0.99
Outstanding, July 31, 2013	5,116,100	0.90	-	-	-	-
Granted	3,756,000	0.15	-	-	-	-
Granted (expired)	(1,063,100)	0.92	-	0.77	-	0.99
Outstanding, April 30, 2014	7,809,000	0.54	-	-	-	-
Granted	-	-	-	-	-	-
Expired/cancelled	-	-	-	-	-	-
Outstanding, July 31, 2014	7,809,000	\$ 0.54	-	-	-	-
Number currently exercisable	7,809,000	\$ 0.54	-	-	-	-

The following stock options were outstanding at July 31, 2014:

	Number	Exercise Price	Expiry Date
<b>Options</b>	993,000	\$ 1.00	October 23, 2014
	700,000	0.80	June 15, 2015
	660,000	0.70	October 20, 2020
	1,700,000	0.95	March 28, 2021
	<u>3,756,000</u>	0.15	December 19, 2023
	<u>7,809,000</u>		

**11. SHARE CAPITAL AND RESERVES** *(continued)*

**c) Options – share-based compensation**

During the three months ended July 31, 2014, the Company recognized share-based compensation of \$nil (2013 - \$nil) in the statement of loss and comprehensive loss as a result of the granting and vesting of incentive stock options.

**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 initial value 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, will receive shares for the deferred compensation. Under the deferred share plan, directors are entitled to receive the cash value equal to the fair value of the deferred shares outstanding. Accordingly, the value of the deferred liability is equal to the fair value of the shares. As of July 31, 2014, \$47,336 of deferred compensation (April 30, 2014 – \$33,124) has been accrued in accounts payable which equates to 577,265 shares (April 30, 2014 – 394,338 shares) if the directors left the Company.

**e) Convertible advance**

In January 2012, the Company signed a letter agreement whereby an equity fund managed by the Dundee Corporation group (the "Fund") 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, the Fund has advanced \$5 million to the Company.

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 to be used on the project with a value of \$3.4 million.

In July 2014, the Company received notice from Dundee that they were terminating the earn-in agreement. The Company is currently in discussions with Dundee concerning settlement of the termination.

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**12. SEGMENTED INFORMATION**

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

	<b>July 31,</b>	<b>April 30,</b>
	<b>2014</b>	<b>2014</b>
Capital Assets (Exploration and evaluation assets and equipment):		
Canada	\$ 344,862	\$ 344,862
Angola	10,558	26,533
	<b>\$ 355,420</b>	<b>\$ 371,395</b>

**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, accounts payable and accrued liabilities and provision for indemnity 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 in Morocco whose currency is the dirham. As such, the Company is subject to risk due to fluctuations in the exchange rates for that currency as well as 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.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***(continued)*

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 mineral property recoveries due from joint venture partners, receivables from related parties for shared expenditures and GST receivable 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 (July 31, 2014 - \$Nil). 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. As at July 31, 2014, the Company had \$64,964 in outstanding related party receivables; the Company has subsequently received \$36,368 of this balance.

*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 MANAGEMENT**

The Company includes equity, comprised of issued common shares, reserves, convertible advance 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 expects its current capital resources will be sufficient to complete its currently budgeted exploration programs and operations through its current operating period. 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**

There have been no significant non-cash transaction for the three month period ended July 31, 2014. Significant non-cash transactions for the year ended April 30, 2014 included transferring reserves, representing granted, expired or cancelled stock options valued at \$438,578, and transferred equipment held for disposal to Dundee in settlement of \$3,340,000 in convertible advances.