

# **METALEX VENTURES LTD.**

## **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS Year Ended April 30, 2011**

The following Management Discussion and Analysis (“MD&A”), prepared as of August 29, 2011, of the results of operations and financial position of Metalex Ventures Ltd. (the “Company”) for the year ended April 30, 2011 should be read together with the audited consolidated financial statements for the year ended April 30, 2011 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited consolidated financial statements for the years ended April 30, 2010 and April 30, 2009 and the MD&A for those years as well as the unaudited interim consolidated financial statements for the periods ended July 31, 2010, October 31, 2010 and January 31, 2011, along with the MD&A for those periods.

Additional related information is available on the Company’s website at [www.metalexventures.com](http://www.metalexventures.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

### **Description of Business**

The Company's principal business activity is the acquisition, exploration and development of mineral properties and it is considered to be at the exploration stage. The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties, including acquisition costs and related exploration costs, in the financial statements is dependant on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol MTX.

The Company’s areas of work are in the James Bay Lowlands area of Northern Ontario, where the company has an approximate 94% interest in certain mineral claims (“Kyle Lake”); has an option agreement with White Pine Resources Inc. (“WPR”) whereby WPR may earn up to a 50% interest in the claims; and in the Attawapiskat area of Northern Ontario where the Company has a 63.9% contributing interest in the Big Red Diamond Joint Venture and a 61.1% contributing interest in the Dumont Joint Venture. In Wawa, Ontario the Company initially had the right to earn a 60% interest in certain claim units. The Company subsequently assigned 50% of its rights and obligations under the Wawa agreement to Dianor Resources Inc (“Dianor”) and in return Dianor will pay 50% of the Company’s costs pertaining to the agreement. In Quebec, the Company has a 33.3% contributing interest in diamond exploration and a 50% contributing interest in base metal exploration on various mineral claims. The Company also explores in Morocco, where it has completed preliminary exploration and has entered into a joint venture agreement for further exploration, and in Angola where it has certain rights for kimberlite diamond exploration. The Company has also conducted some exploration work and has additional mineral exploration licenses in the Republic of Mali.

The reader is referred to the relevant sections in this, and previous Management Discussion and Analysis for further details on these projects.

## Performance Summary

The following is a summary of significant events and transactions that occurred during the year:

### *Private Placements*

In December 2010, the Company completed a brokered private placement consisting of 6,699,667 flow-through units at \$0.90 per unit for gross proceeds of \$6,029,700 and 1,821,500 non-flow-through units at \$0.70 per unit for gross proceeds of \$1,275,050. Each flow-through unit consists of one flow-through common share and one half of one non flow-through common share purchase warrant. Each whole warrant in the flow-through unit is exercisable for the purchase of one additional non flow-through common share at \$1.00 per share until December 23, 2012. Each non flow-through unit consists of one non flow-through common share and one half of one non flow-through common share purchase warrant. Each whole warrant in the non flow-through unit is exercisable for the purchase of one additional non flow-through common share at \$0.90 per share until December 23, 2012. Finder's fees in the amount of \$572,230 were paid and 852,117 agents' options were issued as finder's fees in connection with this placement. The agents' options are exercisable for the purchase of 852,117 non flow-through units at a price of \$0.70 per unit until December 23, 2012. Each unit will consist of one common share and one half warrant, each whole warrant exercisable for the purchase of one common share at \$0.90 per share until December 23, 2012. The agents' options were valued at \$512,423 using the Black-Scholes option pricing model with an expected volatility of 115%, a risk free interest rate of 1.7%, an expected life of 2 years and an expected dividend yield of 0%.

In April 2011, the Company completed a brokered private placement of 5,000,000 flow-through shares at \$1.00 per share for gross proceeds of \$5,000,000 and 5,882,353 non-flow-through units at \$0.85 per unit for gross proceeds of \$5,000,000. Each non flow-through unit consists of one non flow-through common share and one half of one non flow-through common share purchase warrant. Each whole warrant is exercisable for the purchase of one additional common share at \$1.00 per share until April 13, 2013. Finder's fees in the amount of \$852,750 were paid and 761,765 agents' options were issued as finder's fees in connection with this placement. The agents' options are exercisable for the purchase of 761,765 non flow-through units at \$0.85 per unit until April 13, 2013. Each unit will consist of one common share and one half warrant, each whole warrant exercisable for the purchase of one common share at \$1.00 per share until April 13, 2013. The agents' options were valued at \$533,311 using the Black-Scholes option pricing model with an expected volatility of 92%, a risk free interest rate of 1.8%, an expected life of 2 years and an expected dividend yield of 0%.

In April 2011, the Company completed a non-brokered private placement with the Chairman of the Company for gross proceeds of \$1,200,000 through the issuance of (i) 600,000 flow-through shares at a price of \$1.00 per share, and (ii) 705,882 non flow-through units at a price of \$0.85 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one additional common share at a price of \$1.00 until April 13, 2013. No finder's fees were paid in connection with this placement.

The reader is referred to the Management Discussion and Analysis for the years ended April 30, 2010 and April 30, 2009 for details of private placements made during those periods.

## Mineral Properties

Mineral property expenditures, net of cost recoveries, incurred (paid or payable) during the year were as follows:

Attawapiskat, Ontario	\$	641,307
James Bay, Quebec		1,541,957
Kyle Lake, Ontario		2,903,436
James Bay, Ontario		-
Wawa, Ontario		521,344
Mali		5,701
Angola		869,951
Morocco		70,569
Greenland		27,628
Total	\$	6,581,893

Details of activities on the properties are provided in the following commentary:

### Attawapiskat Property, Ontario

#### *Big Red Diamond Joint Venture*

As at April 30, 2011 the Company has a 63.9% contributing interest (54% participating 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 Development Ltd. ("Kel-Ex"). The Company is obligated to contribute to the costs of the exploration program in proportion to its contributing interest.

During fiscal 2002, Kel-Ex formed an exploration joint venture with Big Red Diamond Ltd. ("Big Red"), (the Big Red Diamond Joint Venture) with respect to certain mineral claims in the Attawapiskat area of Ontario, with Kel-Ex having an 80% interest and Big Red, a 20% interest. Also during this period, the Company entered into an agreement with Kel-Ex to acquire Kel-Ex's 80% interest in these claims in consideration for \$300,000 and the issuance of 100,000 common shares of the Company valued at \$225,000. Kel-Ex is a company controlled by an individual who became a director of the Company subsequent to this agreement.

During fiscal 2003, the Company sold, to Arctic Star Diamond Corp. ("Arctic Star"), a 20% undivided interest in certain mineral claims for proceeds of \$300,000.

During fiscal 2008, Big Red elected to dilute a portion of its contributing interest which the Company has elected to assume effective January 1, 2010 thereby increasing its contributing interest in the claims from 60% to 63.9%

#### *Dumont Joint Venture*

As at April 30, 2011 the Company has a 61.1% contributing interest (44.4% participating 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. ("Dumont"). The Company is obligated to contribute to the costs of the exploration program in proportion to its contributing interest.

Pursuant to an agreement between Kel-Ex and Dumont, a joint venture was formed to explore certain mineral claims located in the vicinity of the Attawapiskat property. Kel-Ex was granted an option to earn up to a 90% interest in certain mineral claims held by Dumont and a 100% interest in any new claims staked by the joint venture subject to Dumont's right to receive a 5% interest in the new claims once commercial production is achieved. Under this agreement, Kel-Ex earned a 50% interest by incurring expenditures totaling \$1,500,000 and can earn a further 25% by producing a feasibility study and a final 15% (20% on new claims) by bringing the property to commercial production.

The Company, along with Arctic Star and Oasis Diamond Corp. ("Oasis"), entered into an agreement dated October 23, 2003 with Kel-Ex, whereby the parties acquired Kel-Ex's interest in the Dumont joint venture in exchange for assuming Kel-Ex's obligations under the Dumont agreement and reimbursing Kel-Ex for its costs incurred. Under this agreement, the Company acquired 70% of Kel-Ex's interest in the Dumont joint venture with Arctic Star and Oasis acquiring 20% and 10% interests, respectively with Kel-Ex retaining a 10% free carried interest. Pursuant to an agreement dated September 21, 2004, Big Red was assigned a 20% contributing interest of the Kel-Ex interest from the Company in consideration for payment to the Company of \$909,747 comprised of a mineral property expense recovery of \$892,001 and interest of \$17,746. As a result, the Company's interest was reduced to 50% of Kel-Ex's right to earn 90% (95% on new claims) in the Dumont joint venture.

During fiscal 2008, Big Red and Oasis elected to dilute a portion of their working interests which the Company has elected to assume effective January 1, 2010 thereby increasing its contributing interest in the claims from 50% to 61.1%.

Since August 2003, work on the Attawapiskat project has focused on follow up of the locations where high counts of diamond indicator minerals were found in a D6 glacial fan. This fan is located less than 10 kilometres from De Beers Victor diamond deposit, lies within the Attawapiskat kimberlite trend and straddles ground subject to both the Big Red and Dumont Joint Ventures.

Results from power auger sampling show that the D6 diamond indicator fan is more than 3.6 km long and 3.5 km wide. Within the D6 fan, there are 18 separate interpreted glacial trains of diamond indicator minerals within the joint venture claims which do not appear to originate from any of the known kimberlite pipes. The presence of multiple sources within the D6 fan is further supported by the high counts of diamond indicator minerals ( $\leq 6 - 564$  grains (Av 19) per 20 kg) present in 856 samples occurring throughout the D6 fan. These trains are characterized by varying amounts of fresh (near source) grains of pyrope and eclogitic garnets, chrome diopside, picroilmenite and olivine contained within glacial deposits. The freshness of many of the grains suggests that their source is nearby and this is supported by the discovery of an angular fragment of kimberlite, containing purple pyrope garnets, in one of the trains. As many of the diamond indicator grains have chemistries analogous to those minerals that grow with diamonds in commercial diamond deposits (e.g. Orapa), it is inferred that the source of the grains may contain significant diamond grades.

In June 2009, the results of nine shallow vertical core holes drilled within the D6 fan were complete. These holes intersected an average of 6-8 meters of glacial overburden, followed by approximately by 25 meters of material interpreted as tuffaceous kimberlite breccia. In each drill hole, these zones were followed at depth by intersections of limestone. Although core recovery in the tuffaceous material was poor, kimberlite indicators and minerals with compositions equivalent to those found as inclusions in diamonds were recovered. Work completed in July 2009 recovered diamonds in two of the holes. The discovery of kimberlite in the immediate vicinity of De Beers' Victor Diamond Mine is most encouraging.

As not all kimberlites are magnetic, typically the next stage of target definition is an electromagnetic survey. However, the variable thickness of conductive clay overlying the area precludes effective application of electromagnetic techniques. Thus a ground gravity survey was undertaken in early 2010 over the previous kimberlite intersections. This survey measured approximately 1km by 1km and discovered a broad 400m diameter gravity anomaly in which diamond bearing kimberlite was intersected by one of the previous core holes. In addition two smaller gravity anomalies each measuring approximately 100m in diameter were discovered.

A drill program consisting of ten core holes testing these three anomalies has been completed. In addition, 12 auger holes were drilled to test for the up ice source of a highly anomalous auger sample which contained abundant diamond indicator minerals and fragments of kimberlite. Samples from both the core and auger drilling have been sent to CF Mineral Research Ltd. for analysis.

### **Wemindji James Bay Property, Quebec**

During fiscal 2003, the Company acquired a 33.3% interest in various mineral claims located in the Wemindji James Bay region of Quebec, Canada from Kel-Ex in consideration for 20,000 common shares of the Company valued at \$80,000.

During fiscal 2007, the Company received notification from one joint venture party that they did not wish to participate in non-diamond related exploration on these claims. The Company finalized a joint venture agreement with the remaining partner for the exploration of various base metals within the same claim area. The Company holds a 50% interest in this joint venture while retaining its 33.3% share in the original project which will explore solely for diamonds.

In August 2005, it was announced that anomalous concentrations of metals were discovered within the reconnaissance area. In addition to analysis for diamond indicator minerals, the heavy mineral concentrates were also geochemically analyzed for copper, cobalt, nickel, silver, zinc and molybdenum by atomic absorption and for gold, silver, arsenic, barium, bromine, calcium, cobalt, chromium, cesium, iron, hafnium, mercury, iridium, molybdenum, sodium, nickel, rubidium, antimony, scandium, selenium, strontium, tantalum, thorium, uranium, tungsten, zinc and eight rare earth elements by neutron activation.

Anomalous gold concentrations were found in more than 400 samples, anomalous copper values were found in 109 samples and anomalous uranium values were found in 173 samples. As the Archaean shield of eastern Canada contains a number of world-class metal mines, e.g. gold in the Val d'Or region of Quebec, nickel - copper - cobalt at Sudbury and Voisey Bay, and Uranium at Blind River, the geochemical results obtained above are regarded as most encouraging; particularly since they are spread throughout the regional area. A follow up program of priority results was conducted during 2006.

In March 2008, the discovery of a diamond bearing conglomerate was announced. The conglomerate appears to extend for four kilometres along strike and is up to 500 meters wide. Since then, 772 claims have been staked covering 39,472 hectares and 111 samples collected from the conglomerate totalling 1,616 kilograms have been processed with 54 of the samples having contained a total of 1,717 diamonds. Amongst the diamonds recovered were 106 rare, purple diamonds. In the sampling completed to date, the Ekomiak V conglomerate appears to have the greatest potential with 1,672 diamonds being recovered from 923 kilograms. Autogenous milling of selected conglomerate samples recovered diamond and kimberlite indicator minerals including olivine, chromite, picroilmenite, clinopyroxenes, pyrope and eclogitic garnets.

Future work will include more detailed sampling of the diamond bearing conglomerates and exploration for the primary kimberlite sources of the diamonds.

### **Kyle Lake Property, Ontario**

At April 30, 2011, the Company has a 94% 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 which is financed on a pro-rata basis by the Company and Arctic Star.

The Kyle Lake area is located approximately 200 km west of James Bay in Northern Ontario and about 80 km west of the Company's Attawapiskat project and De Beers' Victor Mine.

The Company acquired, by staking, a 100% interest in certain mineral claims located in the Kyle Lake area then entered into an agreement effective June 30, 2004 to sell a 20% contributing interest in the property to Arctic Star for proceeds of \$100,000, reimbursement of 20% of previous staking and exploration costs incurred on the property and an agreement to pay 20% of on-going exploration costs.

During 2005, Arctic Star advised the Company that it declined to contribute financially to exploration of the Kyle Lake project and the Company elected to increase its interest in the project by funding Arctic Star's contribution.

### *Technical Rationale*

The Kyle lake region is considered prospective for commercial diamond bearing kimberlite pipes as all five of the previously known kimberlite pipes in the area contain diamonds. This percentage (100%) of diamond bearing to non-diamond bearing kimberlite pipes is much higher than the global average of 14% and indicates that this part of the Superior craton is extremely fertile for diamonds. The kimberlites are spread over a north – south distance of more than 100 km and, based on empirical observation of kimberlite fields elsewhere, this indicates potential for discovery of additional diamond bearing kimberlites. The known kimberlites were discovered by drilling aeromagnetic anomalies and are overlain by a layer of Paleozoic sedimentary rocks.

### *Discovery of T1*

In April 2005, the Company drilled into a kimberlite called T1, at a vertical depth of 138.6 metres continuing to the end of the hole at 167.1 metres. From the discovery hole, 48kg of kimberlite was analyzed and 35 diamonds were recovered. Seven of which exceeded 0.5 mm in one dimension and are classified as macrodiamonds. All of the macrodiamonds are white stones.

Analysis of diamond indicator minerals recovered from core confirms the high diamond potential of T1. Of particular significance are the G10 garnets, which comprise a highly anomalous proportion (29.5%) of the garnet analyses, include five G10-10s and seven G10-9s. These G10-10 and G10-9 garnets indicate exceptionally favourable physical conditions for the formation of diamonds and are therefore normally associated with kimberlites that contain high diamond grades. One of the clinopyroxenes has a composition equivalent to the composition of clinopyroxenes found in large (greater than 100 carat) diamonds from the Ekati and Premier Diamond Mines.

*T1 Delineation Drilling*

In view of the encouraging results obtained from the discovery drill hole mentioned above, the pipe was delineated by eight core holes. These holes broadly delineate the deposit at depth and provided information on the diamond distribution within the pipe.

Processing of the core from these delineation holes returned diamond results that compare favourably to those of De Beers' Victor kimberlite. In total, 6,957 kilograms of core has been processed recovering 3,126 diamonds larger than 0.106mm. The average diamond count of 449 diamonds per 1,000 kg is most encouraging. The diamonds recovered from the delineation holes are of exceptional quality; approximately 60% of the diamonds are white and of gem quality. Importantly, the size distribution of diamonds contained within the core is similar to that from other Canadian diamond mines.

These favourable factors led to the commissioning of a bulk sample to determine the grade of production diamonds and their indicative value. Should potentially commercial diamond grades and values be found from the bulk sample, then additional delineation drilling and further sampling will be carried out as part of a staged evaluation program which may lead to mine feasibility studies.

*T1 Bulk Sampling*

In April 2006, the Company commenced the collection of a 200 to 300 tonne sample from T1 by large diameter reverse circulation ("RC") drilling. The purpose of the bulk sample was to determine the likely diamond grade and indicative diamond values of T1.

RC drilling continued until August 2006 when work was suspended pending the extension of the bulk sampling permit granted by the Ministry of Northern Development and Mines ("MNDM"). The Company was advised that the MNDM have a duty to consult with the affected First Nations. In parallel with the MNDMs discussions, Metalex continued its consultations with the affected First Nations.

In late 2009, a new bulk sample permit was granted for the T1 and U2 kimberlites. The Company immediately commenced RC drilling to complete the bulk sample. As a result of cost saving measures implemented at the project approximately 450 tons of kimberlite were collected within budget.

In April 2010, Stornoway Diamond Corporation's diamond recovery plant in North Vancouver was modified to commence processing the T1 sample. Processing of all 20 holes from T1 is complete and a total of 12,446 commercial sized (larger than 0.425mm) diamonds were recovered. Size distribution information for the diamonds recovered is presented in the following table:

Sieve Sizes (Through / On)							Total
0.6mm	0.85mm	1.18mm	1.7mm	2.36mm	3.35mm	4.75mm	
0.425mm	0.6mm	0.85mm	1.18mm	1.7mm	2.36mm	3.35mm	
5,242	4,834	1,770	470	109	19	2	12,446

Characterization of the diamonds yielded the following: 3,718 diamonds (29.9%) are white; 3,468 (27.9%) are grey; 5,072 (40.8%) are brown; 142 (1.1%) are green; 6 (0.05%) are yellow; 27 (0.2%) are blue; and 13 (0.1%) pink were recovered.

The high proportion of concentrate recovered from deeper sections of T1 could contain diamonds which were not liberated during the first round of processing. The Company is considering reprocessing selected samples to assess the amount of diamonds which were not recovered.

*First Nation Policy*

The Company has a policy of working with relevant First Nation members. The Company started discussions in regard to the T1 bulk sample with the Attawapiskat First Nation in February 2006 and with the Marten Falls First Nation in March 2006. To date, no agreement with either First Nation party has been reached. However, favourable meetings have been held with both First Nations and a site visit was hosted by the Company. The Company remains committed to ongoing discussions provided all parties respect the rights of the other party and that each party brings reasonable expectations to the table. The board has been augmented with the addition of Glenn Nolan, Chief of the Missinaibie First Nation. Chief Nolan's extensive experience with relations between First Nations and industry will provide substantial assistance to the negotiations.

*Discovery of New Kimberlites at the Kyle Project*

A 28,620 line kilometre airborne geophysical survey was flown in late 2006. A total of 34 targets were identified by the survey and have been staked. Priority targets were drill tested. In late 2006 and early 2007, three additional kimberlites were discovered between the T1 kimberlite and DeBeers' Victor Diamond Mine: U1, U2 and U2NW. Although all three kimberlites are diamondiferous, work has focused on the U2 kimberlite due to its large size. At nine hectares, the U2 kimberlite is one of the largest kimberlites in the region, second only to the Victor Diamond Mine.

Shortly after the kimberlite was discovered by a vertical core hole, four inclined core holes were completed to delineate the pipe. Diamonds recovered from these holes have a coarse size distribution and are predominantly gem quality, similar to those recovered from DeBeers' Victor Mine. Also similar to the Victor Mine, U2 contains varying diamond contents with portions of the pipe being nearly barren while other portions of the pipe have values approaching those expected from Victor.

The large size of the U2 kimberlite, its high proportion of white, gem quality stones, its similar age to the Victor Diamond Mine, its similar diamond indicator mineral content to the Victor Diamond Mine and coarse diamond distribution curve all support the decision to collect a bulk sample from U2.

Prior to commencing the large diameter RC drill program seven delineation core holes were drilled to better define the pipe walls. RC drilling commenced early in 2010 and approximately 450 tons of kimberlite were sampled by 11 holes.

Following the processing of the T1 bulk sample through the Stornoway facility the plant was further modified to optimize the recovery of diamonds from the U2 bulk sample. The bulk sample is being processed one hole at a time and, to date, nine holes have been completed. The following table contains the size distribution of the diamonds recovered and described to date:

Sieve Sizes (Through / On)								Total
0.6mm 0.425mm	0.85mm 0.6mm	1.18mm 0.85mm	1.7mm 1.18mm	2.36mm 1.7mm	3.35mm 2.36mm	4.75mm 3.35mm	6.7mm 4.75mm	
317	721	457	186	51	18	5	2	1,757

As seen above, the size distribution of the diamonds is very coarse with a high proportion of the diamonds being in the large size categories. This is important for a high average carat value. Included in the above figures are a 2.61 carat white gem quality diamond as well as a 1.25 carat diamond and two 0.73 carat diamonds which have been recovered from four separate holes.

Characterization of the colour of all natural diamonds recovered and described to date are presented in the following table:

White #	Yellow #	Green #	Pink #	Brown #	Grey #	Total #
864	126	7	10	304	446	1757

To date, as presented in the above table, 49.2% of the diamonds are white; 25.4% are grey; 17.3% are brown; 7.2% are yellow; 0.6% are pink and 0.4% are green. The proportion of white diamonds continues to improve with increasing diamond size. Of the 63 largest diamonds (greater than 1.7mm) 45 are white, 1 is yellow, 12 are grey and 5 are brown. By weight, white diamonds comprise 62.7% of the parcel and yellow, pink and green diamonds comprise 6.0%.

Results from the U2 bulk sample to date suggest that the kimberlite could have similar grade and diamond qualities to those at DeBeers' Victor Diamond Mine 60km to the east.

## **James Bay Lowlands Property, Ontario**

At April 30, 2011, the Company has a 70% earned interest in certain mineral claims located in the Kyle Ring of Fire region of the James Bay Lowlands, Ontario.

During fiscal 2008, the Company acquired, by staking, an interest in certain claims located in the James Bay lowlands area of Northeastern Ontario. The Properties are strategically located on and around the “Ring of Fire” and cover approximately 36 square kilometres (8,944 acres) of ground.

In March 2008, the Company and Arctic Star entered into a farm-in agreement whereby White Pine Resources Inc. (“WPR”, formerly WSR Gold Inc.) can earn up to a 50% interest in certain mineral claims. Certain of these claims were previously included as part of the Kyle Lake project. Under the terms of the agreement, WPR has the right to earn up to a 50% interest in the project by funding up to \$20,000,000 in expenditures on the property over a 4 year period (the Company subsequently granted WPR a two year extension in May 2011). For each \$5,000,000 in funding, WPR will acquire a 12.5% interest in the claims (25% interest earned as at April 30, 2011).

By mid 2008, an aggressive exploration program was underway. An airborne helicopter magnetic and electromagnetic geophysical survey was completed over most of the joint venture’s claims. Ground geophysical studies over anomalies identified on the airborne survey have been conducted and 21 electromagnetic anomalies with a sympathetic magnetic response have been identified, as well as 19 with just electromagnetic anomalies.

Drilling commenced on the targets that have been refined by ground geophysics in mid-May 2008. Anomaly number 5.01 was the first tested and several holes have intersected significant widths of sulphide mineralization. The best intercept to date is in hole number six which intersected 95 meters of semi-to-near-massive sulphides from 72.7 meters. Visible copper, zinc, lead and iron sulphide mineralization is typical of the deposit. To date, 42 holes totaling 10,785.9 meters have been drilled on the 5.01 project.

Mineralization, alteration and the geological environment at the 5.01 anomaly appears to be typical of a Noranda-Mattabi-style VMS (Volcanogenic Massive Sulphide) deposit. The mineralized zone appears to subcrop beneath approximately 15 meters of glacial till. The high grade zinc – copper – lead – silver mineralized zone has been delineated over a north-south strike length of 200m and to a vertical depth of 275m from surface. The zone dips steeply at 75 degrees to the east and appears to have a steep 65 degree plunge to the south. Horizontal widths of the high grade zone can reach up to 22 meters.

In late 2009, a Geotech ZTEM airborne geophysical survey was completed over the 5.01 discovery. The ZTEM survey displayed a low resistivity anomaly directly over the zone which suggests that the mineralization could potentially continue to greater depth. Drill testing of this anomaly commenced in December 2009 although no significant mineralization was intersected at depth. This hole is planned to be used as a platform to conduct a down hole electromagnetic survey to assess the potential for sulphide mineralization in the vicinity at depth.

## **Wawa Property, Ontario**

In July 2005, the Company executed an agreement with Mori Diamonds Inc (“Mori”) that allows the Company to earn a 60% interest in certain claim units by solely funding the first diamond deposit discovered in the claim units to bankable feasibility. The Company paid \$129,500 to Mori upon signing the agreement and, commencing December 2005, agreed to pay \$100,000 annually until it earns its interest or withdraws from the venture. The claim units are subject to a 2% net smelter royalty.

In August 2005, the Company assigned certain rights and obligations under the Mori agreement to Dianor Resources Inc. (“Dianor”). Under the agreement, Dianor will pay 50% of all of the Company’s costs pertaining to the Mori agreement and will receive 50% of the Company’s entitlements and obligations. Dianor will also allow the Company access to its technical data base covering certain claims at Wawa.

In August 2005, the Company announced reconnaissance sampling had been completed over the claims with 130 drainage and rock samples collected. These samples were analyzed by the CF Mineral Research laboratory and the largest diamond recovered was a 0.093 carat, brown crystal measuring 2.87 x 2.51 x 1.85 mm. It was also reported that the diamondiferous conglomerate had been geologically mapped and had a strike length of three kilometres and a breadth of up to 180 meters.

Results of a further nine conglomerate grab samples were reported on April 27, 2007. In the eastern part of the conglomerate (Mori East Block), 119 diamonds were recovered from 79.60 kg. Analysis of 112.63 kg of conglomerate from the western part (Mori West Block) returned 18 diamonds.

In 2007, a 13 hole drill program was completed on the joint venture's Mori East Block to determine the subsurface extent of the outcropping diamond bearing conglomerates. Results of the drill program recovered 5,234 diamonds from 8,078 kilograms of conglomerate drill core. Of interest is the discovery that over half of the diamonds in the core are coloured. The coloured diamonds range from brown (26.8%), grey (13.9%), yellow (5.7%), green (5.1%), orange (0.8%), purple (0.1%), amber (0.1%) and black (0.1%). One pink diamond was also recovered.

Although the quantities of diamonds present in the conglomerates of the Mori East Block are comparable to those from Dianor Resources Inc's Leadbetter conglomerate, the Leadbetter conglomerate does not contain the abundant coloured stones. The Leadbetter conglomerate is the fault offset extension of the conglomerate on Dianor's adjacent property where Dianor is about to undertake a 6,000 meter drill program and conduct a 34,000 tonne bulk sampling program.

A three hole drill program on the Mori West Block recovered 137 diamonds from 975 kilograms of conglomerate of core. This suggests that the conglomerate of the Mori West Block is more distal to the diamond source. This is further supported by the abundance and nature of the diamond indicator minerals found within the conglomerates.

## **Mali**

The Company acquired an Authority to Prospect in 2004 over a claim area in northeastern Mali. In exploring the area, exceptionally anomalous gold values (6 to 77 ppm) were found in reconnaissance heavy mineral concentrates. Approximately 1,000 follow up samples were collected from the anomalous areas and sent to Australia for gold analysis by bulk cyanide leach. Results of these samples indicated that a portion of the claim area was prospective for metal mineralization and the Company applied for two exploration permits to cover these anomalous areas.

In May 2007, the Company was granted the first exploration permit which covers 490 square kilometers and is valid for a period of three years; renewable twice for a total of nine years. The Company was granted a second exploration permit in February 2009.

In February 2009, the Company was granted the second exploration permit which covers 500 square kilometers and is valid for a period of three years; renewable twice for a total of nine years.

The annual exploration commitments for both permits in CFA Francs ("CFA"), with Canadian Dollar equivalents using exchange rates at April 30, 2011 is estimated as follows:

Fiscal		
2012	692,000,000 CFA	\$1,482,956

To date, the exploration commitments have not been met.

## **Angola**

The Company entered into an agreement for kimberlite diamond exploration in Angola pursuant to an agreement executed by the Angolan Council of Ministers in April 2005. Under the terms of the agreement, the Company contributes 100% of all costs incurred by the project up to the end of feasibility studies. These costs are repaid out of future profits and during the period the costs are being repaid, the Company's interest in the project is 55-60%. After the Company's costs have been repaid, the Company's interest in the project will be 25%. The kimberlite license was valid for a three year period to April 29, 2008 and was twice renewable for one year periods through to April 29, 2010. Under the terms of the license, the Company was required to spend US\$10,000,000 which has been met as of April 30, 2010 (subject to audit by Angolan officials). The Company has received a further two year extension through to May 21, 2012.

A heavy mineral survey has been carried out over the entire Chitamba license. The results of this survey indicate that the eastern portion of the exploration license has the potential to host diamondiferous kimberlites.

A fixed wing magnetic survey was then acquired. Interpretation of the aeromagnetic data over the 3,000 km<sup>2</sup> Angola kimberlite license was completed by Scott Hogg and Associates, geophysicists, and 127 anomalies were identified. The existing aeromagnetic data was found not to be detailed enough to position drill locations so a high resolution helicopter borne magnetic survey was undertaken in 2007. This survey refined the results of the previous survey and drilling of the resultant geophysical anomalies commenced early in 2008. To date, 51 kimberlites have been discovered on the property by drilling or pitting. Typically a sample of kimberlite greater than 200 kilograms has been collected from each of these discoveries and has been shipped to CF Mineral Research Ltd. for the recovery of diamond indicator minerals and

microdiamonds. Results of the first 15 kimberlites discovered determined that 7 of the pipes are weakly diamondiferous while eight are barren.

In April 2009, the Company discovered a 24 hectare kimberlite. Nine delineation holes have been completed and show that although there are thick crater infill sediments in the center of the kimberlite (198.5m) the kimberlite comes near to surface (3 m) in the peripheral portions of the pipe. Core from the first two holes has been processed and although diamond indicator minerals are contained in the core the samples did not contain diamonds. The compositions of picroilmenites contained in the core indicate that the phase of kimberlite magma that was tested by the samples was at chemical disequilibrium to diamond. As a result diamonds sampled at depth (+/- 200km) would have been resorbed (destroyed) while being carried to the surface by the kimberlite magma.

Future planned work includes drill testing two additional large anomalies (15 and 96 hectares).

## **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 – which comprise 17,100 km<sup>2</sup>. 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.

The Company’s portion of the minimum annual exploration commitments pursuant to the terms of the agreement in Canadian Dollars is estimated as follows:

Calendar	
2011	\$2,900,000
2012	\$1,725,000
2013	\$ 690,000

The licenses cover an area that is one of the only remaining areas of the world that is underlain by an Archean craton (ie rocks older than 2.6 billion years) that has yet to be explored. Archean cratons are considered highly prospective for diamond bearing kimberlite, gold and base and precious metals are very favorable areas for significant mines. All kimberlite diamond mines are on cratons. Many of the world’s largest gold mines are also located on cratons such as the mines at the Witwatersrand in South Africa, the Yilgarn craton in Australia and the Abitibi and Timmins areas in Canada. The prospectivity of the license is further demonstrated by the presence of Kinross’ 20 million ounce Tasiast gold mine located 100 kilometers to the south and SNIM’s world class 5.7 billion ton iron mine 200 kilometers to the east.

In 2006, follow up work of geochemical and geophysical anomalies discovered from earlier reconnaissance sampling indicated that G10 peridotitic garnets occur in 6 drainage/loam samples collected over an area of approximately 1,000 km<sup>2</sup>. One of these samples contained an outstanding result of three G10 garnet grains comprising one G10 - 9, one G10 - 5 and one G10 - 3. Many of the G10 grains are fresh, and they are interpreted to be derived from nearby diamond bearing kimberlite(s). Additionally, 17 sample sites contain picroilmenite grains clustered over an area of 1,000 km<sup>2</sup>. Several samples sites also contain pyrope garnet and a diamond stability field olivine has been found at one location. These results are interpreted to reflect an undiscovered kimberlite field.

The Company is particularly encouraged by both the diamond indicator results and metal results of the Morocco project. Follow up work on these results can now commence with the joint venture with ONHYM finalized.

In August 2011, work commenced on a 85,000 line kilometer magnetic and radiometric survey that is being flown over the entire 17,100 km<sup>2</sup> license area. Geophysical data will be processed and interpreted as the survey progresses and ground truthing of resultant anomalies will be undertaken. An extensive airborne electromagnetic survey has also been budgeted for. Its extent will be determined in part by the results of the current airborne magnetic and radiometric surveys.

## **Greenland**

In May 2004, the Company was granted an exploration license in the Umiiiviit area of West Greenland. In January 2005, the Company entered into an agreement with Cantex Mine Development Corp. (“Cantex”), whereby two exploration licenses held by Cantex in Greenland were transferred and assigned to the Company. Portions of the exploration licenses were relinquished in December 2006 and the remaining ground was amalgamated into a single license. This license was renewed for a period of 5 years effective to December 2013.

The Company collected two large (1,000 kg+) samples from gravels where high concentrations of diamond indicator minerals had been discovered. These samples were processed to assess whether commercial diamonds were likely to be contained in the source kimberlites. No diamonds were found and, in June 2011, the Company decided to relinquish the license.

## **General**

Certain Metalex exploration projects are managed by Kel-Ex Development Ltd., a company owned by Dr. Charles Fipke, an internationally recognized diamond geologist. Dr. Fipke is the Chairman of Metalex. Kel-Ex provides Metalex with access to its advanced proprietary databases and interpretational techniques. In return Kel-Ex receives a 10% administration fee on certain projects to cover costs and, in the case of certain projects, a 10% interest carried to production. Dr. Fipke also owns the CF Mineral Research (“CF Minerals”) laboratory where samples collected in certain exploration programs are analyzed. Metalex’s management is satisfied that all such related party transactions are entered into on terms that are reflective of current market conditions.

## Selected Annual Information

The following table provides a brief summary of the Company's financial data for the three most recent fiscal years. For more detailed information, refer to the Financial Statements.

	Year Ended April 30, 2011	Year Ended April 30, 2010	Year Ended April 30, 2009
Total revenues	\$ -	\$ -	\$ -
Loss before other items	(9,061,289)	(15,826,397)	(7,330,044)
Loss for the year	(7,514,775)	(11,916,095)	(6,414,526)
Basic and diluted loss per share	(0.15)	(0.40)	(0.69)
Total assets	19,065,771	10,483,218	1,820,246
Long-term debt	-	-	-

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

See "Results of Operations" and the "Summary of Quarterly Results" for a discussion of the variations above.

## Results of Operations

### For the year ended April 30, 2011

Net loss for the year ended April 30, 2011 amounted to \$7,514,775 (\$0.15 per share) compared to \$11,916,095 (\$0.40 per share) in 2010. This difference is largely due to the decrease in exploration expenditures associated with collecting the T1 and U2 bulk samples in the previous year, partially offset by an increase in stock based compensation expense recognized.

Some of the significant expenses for the year ended April 30, 2011 are as follows:

Net exploration expenditures of \$6,581,893, decreased from \$14,366,243 in 2010. Refer to Note 4 in the financial statements for additional detail on exploration expenditures.

Office and administrative expenses of \$263,406 (2010 - \$327,741) decreased due to the additional time senior management spent on corporate matters in the previous year (legal action, financing meetings, etc).

Professional fees of \$87,477 (2010 - \$84,158) did not change significantly from the previous year.

Stock based compensation of \$1,913,473 (2010 - \$803,956), representing the value of stock options granted and vested, decreased with the options granted and vested during the current period. Refer to Note 6 in the financial statements for additional detail on stock options.

Travel and promotion expenses of \$42,748 (2010 - \$110,912) decreased due to corporate financing activities in the previous year.

## Summary of Quarterly Results

	Three Months Ended April 30, 2011		Three Months Ended January 31, 2011		Three Months Ended October 31, 2010		Three Months Ended July 31, 2010	
Total revenues	\$	-	\$	-	\$	-	\$	-
Loss before other items		(2,033,549)		(2,548,143)		(2,410,271)		(2,069,326)
Loss for the period		(546,845)		(2,527,863)		(2,391,069)		(2,048,998)
Basic and diluted loss per share		(0.00)		(0.06)		(0.05)		(0.04)

  

	Three Months Ended April 30, 2010		Three Months Ended January 31, 2010		Three Months Ended October 31, 2009		Three Months Ended July 31, 2009	
Total revenues	\$	-	\$	-	\$	-	\$	-
Loss before other items		(6,142,082)		(5,155,335)		(3,214,175)		(1,314,805)
Loss for the period		(2,297,574)		(5,125,662)		(3,207,319)		(1,285,540)
Basic and diluted loss per share		(0.05)		(0.11)		(0.10)		(0.14)

The loss for the three month period ended April 30, 2011 included a future income tax recovery of \$1,499,050. The losses for the three month periods ended April 30, 2011, October 31, 2010 and July 31, 2010 include stock-based compensation of \$1,251,660, \$308,013 and \$353,800, respectively, recognized as a result of incentive stock options granted and vested during those periods. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending April 30, 2011 reflect the timing of various normal business transactions.

The loss for the three month period ended April 30, 2010 included a future income tax recovery of \$3,825,000. The losses for the three month periods ended April 30, 2010 and January 31, 2010 included a significant increase in exploration expenditures incurred in correlation with the private placement financing which was closed in October 2009. The loss for the three month period ended October 31, 2009 includes stock-based compensation of \$803,956 recognized as a result of incentive stock options granted and vested during the period. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending April 30, 2010 reflect the timing of various normal business transactions.

The Company charges all exploration costs to operations in the period incurred until such time that there is a determination of the feasibility of mining operations and a decision to proceed with development, in which case subsequent exploration and property development costs will be capitalized. All direct costs related to the acquisition of resource property interests have been capitalized as an asset. There were no mineral property additions during the year ended April 30, 2011.

## Liquidity and Capital Resources

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared 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. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As at April 30, 2011, the Company had cash of \$18,153,497 (April 30, 2010 - \$8,926,728) and working capital of \$17,630,647 (April 30, 2010 - \$7,823,680).

During the past 12 months, liquidity has been provided by proceeds from private placement equity financings. During the year ended April 30, 2011, the Company received net proceeds from financing activities of \$17,079,770 (2010 - \$26,201,339).

During the year ended April 30, 2011, the Company expended \$60,198 (2010 - \$1,538) on investing activities.

During the year ended April 30, 2011, the Company expended \$7,792,803 on operating activities (2010 - \$18,139,487) which includes mineral property expenditures net of recoveries.

## **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.

## **Related Party Transactions**

During the year ended April 30, 2011, the Company entered into the following transactions with related parties:

- a) Paid or accrued either, directly or indirectly, sampling, laboratory and mineralogical costs of \$1,497,454 (2010 - \$1,917,246) to CF Mineral Research Ltd. ("CF Minerals"), a company controlled by C.Fipke; and a 10% administration fee of \$135,089 (2010 - \$92,647), geological consulting fees of \$170,555 (2010 - \$312,918), drilling and equipment rental charges of \$5,842 (2010 - \$202,802), interest on equipment leases of \$Nil (2010 - \$9,534) and shared office and administrative costs of \$26,588 (2010 - \$15,295) to Kel-Ex Development Ltd. ("Kel-Ex"), another company controlled by C.Fipke and to Copper Consulting, a company controlled by C.Ulansky.
- b) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$58,693 (2010 - \$57,434) and for shared field expenditures of \$7,674 (2010 - \$1,824) from Kel-Ex and Cantex Mine Development Corp. ("Cantex"), a company with common directors and management.

Included in accounts payable is \$1,730 (April 30, 2010 - \$425,718) for laboratory and mineralogical costs, \$Nil (April 30, 2010 - \$129,285) for project payroll and camp supplies costs, \$20,893 (April 30, 2010 - \$2,888) for consulting fees, \$2,009 (April 30, 2010 - \$33,249) for shared office and administrative costs and \$Nil (April 30, 2010 - \$380,854) for exploration work completed on certain properties owing to CF Minerals, Kel-Ex, Cantex and Copper Consulting.

Included in receivables is \$1,073 (April 30, 2010 - \$4,371) for shared office and administrative costs due from Kel-Ex and Cantex.

Included in exploration advances is \$74,435 (2010 - \$Nil) which represent funds advanced to Kel-Ex Development Ltd ("Kel-Ex"), a company controlled by a director of the Company, towards the exploration of certain mineral properties. Kel-Ex is the operator of these properties and is holding these funds on behalf of the Company towards future exploration work.

These transactions were in the normal course of operations and measured at the exchange value which represented the amount of consideration established and agreed to by the related parties. Management strives to ensure that the exchange value reflects market rates.

## **Financial instruments**

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.

### **a) Currency risk**

While the Company's capital is raised in Canadian dollars, the Company is conducting business in Angola, Mali and Greenland whose currencies are the Rand, Franc and Krone, respectively. As such, the Company is subject to risk due to fluctuations in the exchange rates for those currencies 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.

b) 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 mineral property recoveries due from joint venture partners and HST 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 (April 30, 2011 - \$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.

c) 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.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

e) 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.

## **Risks and uncertainties**

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. Certain of the Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.

## **Capital risk management**

The Company includes equity, comprised of issued common shares, contributed surplus 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. Until its equity financing was recently completed, the Company had relied on extended credit terms and/or advances from a related party to fund its operations. 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.

## **Recent accounting pronouncements**

### *Business combinations, non-controlling interests and consolidated financial statements*

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning May 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

### *International Financial Reporting Standards ("IFRS")*

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ending April 30, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) scoping and planning, 2) detailed assessment, and 3) implementation.

Management has completed phase one, scoping and planning, and phase two, the detailed assessment phase. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. The Company is now in the process of making specific accounting policy changes. Such choices will be made in consultation with the Audit Committee and will be based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Due to the small and simple organizational, administrative and accounting structure of the Company, management expects that once the policy choices are finalized, the implementation phase can be completed shortly thereafter. The implementation phase will include the Company updating its significant accounting policies, making any necessary adjustments to its accounting system, and designing tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. The Company will also design model IFRS financial statements.

To date, management has identified a number of differences between Canadian GAAP and IFRS that relate to the Company, many of which are not expected to have a material impact on the reported results and financial position of the Company. Adjustments required on transition to IFRS will be made against opening retained earnings on the transition date May 1, 2010 and included in the first comparative balance sheet as at July 31, 2011, the end of the first quarter in fiscal 2012. Such adjustments are made directly to retained earnings because they represent changes to financial events prior to the May 1, 2011 date of transition.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Management will prepare a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

#### *Impairment of Assets (IAS36)*

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

#### *Share Based Payments (IFRS 2)*

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Consultants who perform the same services as employees are treated as employees for the purposes of IFRS 2. Stock option grants to employees must be measured on the date of the grant. Non-employee grants must be measured on the date the goods are supplied or the service is deemed to be completed. This may lead to a difference in the amount of Stock-Based Compensation expense recorded than would be the case under Canadian GAAP Section 3870.

#### *Exploration and Evaluation Assets (IFRS 6)*

Similar to Canadian GAAP, IFRS allows the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to expense all exploration expenditures and it will follow the same policy under IFRS without an impact on the financial statements.

#### *Property, Plant and Equipment (IAS 16)*

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. The Company is in the process of identifying the potential impact on the property, plant and equipment balance.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

#### *Foreign Currency (IAS 21)*

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements.

As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

### *Future Income Taxes (IAS 12)*

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company does not expect implementation of IAS 12, Income Taxes to have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

### *General (IFRS 1/IAS 1)*

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

### **Outstanding share data**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

As at August 29, 2011, the Company had outstanding 66,463,562 common shares, 5,154,800 stock options with a weighted average exercise price of \$0.91 per share, 5,251,382 agents' options with a weighted average exercise price of \$0.79 per share and 16,742,200 share purchase warrants with a weighted average exercise price of \$1.16.

### **Subsequent events**

Subsequent to April 30, 2011, the Company entered into an agreement with a firm to provide investor relation services. The agreement has an initial term of 12 months and requires the Company to pay \$4,000 per month and issue a total of 40,000 stock options in quarterly instalments. Pursuant to the terms of the agreement, 10,000 stock options were granted on July 1, 2011 to the firm. The options vest immediately and allow the holder to purchase one common share of the Company at a price of \$0.55 until June 30, 2012.