METALEX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian dollars

APRIL 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Metalex Ventures Ltd.

We have audited the accompanying consolidated financial statements of Metalex Ventures Ltd., which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended April 30, 2012 and April 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Metalex Ventures Ltd. as at April 30, 2012, April 30, 2011 and May 1, 2010 and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Metalex Ventures Ltd. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

August 27, 2012

METALEX VENTURES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	April 30, 2012	April 30, 2011 (Note 17)	May 1, 2010 (Note 17)
ASSETS				
Current assets				
Cash		$ 15,507,491	$ 18,153,497	$ 8,926,728
Receivables	4	211,297	63,207	170,257
Prepaid expenses		158,766	195,690	979,742
Exploration advances	10	-	74,435	-
		15,877,554	18,486,829	10,076,727
Non-current assets				
Exploration and evaluation assets	5	344,862	369,750	369,750
Equipment	7	155,283	209,192	36,741
Total Assets		$ 16,377,699	$ 19,065,771	$ 10,483,218
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	8	$ 1,259,006	$ 856,182	$ 2,253,047
Flow-through premium liability	11(b)	677,585	1,573,403	-
		1,936,591	2,429,585	2,253,047
SHAREHOLDERS' EQUITY				
Share capital	11	84,950,427	81,518,760	67,216,657
Reserves	11	11,579,389	15,027,625	12,068,418
Convertible advance	11(f)	5,000,000	-	-
Deficit		(87,088,708)	(79,910,199)	(71,054,904)
		14,441,108	16,636,186	8,230,171
Total Liabilities and Shareholders' Equity		$ 16,377,699	$ 19,065,771	$ 10,483,218

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.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Years Ended April 30, 2012	2011
			(Note 17)
EXPENSES			
Depreciation	7	$ 53,909	$ 20,540
Consulting fees		30,000	19,163
Exploration expenditures	6	7,522,760	6,581,893
Management fees	11(e)	60,000	60,000
Office and administrative		254,618	263,406
Professional fees		109,475	87,477
Property investigation		-	32,465
Share-based compensation	11(d)	6,812	1,913,473
Transfer agent and filing fees		65,820	40,124
Travel and promotion		46,520	42,748
Loss before other items		(8,149,914)	(9,061,289)
OTHER ITEMS			
Interest income		184,202	85,951
Other income	11(b)	895,818	158,530
Foreign exchange gain (loss)		157,754	(37,944)
Loss on disposal of equipment	7	-	(543)
Exploration and evaluation assets written off	6	(289,750)	-
		948,024	205,994
Loss and comprehensive loss for the year		$ (7,201,890)	$ (8,855,295)
Basic and diluted loss per share		$ (0.11)	$ (0.18)
Weighted average number of shares outstanding		66,463,562	49,310,076

See accompanying notes to consolidated financial statements.

METALEX VENTURES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserves	Convertible Advance	Deficit	Total
Balance at May 1, 2010	17	45,754,160	$ 67,216,657	$12,068,418	$ -	$(71,054,904)	$ 8,230,171
Issued for cash - private placements	11(b)	20,709,402	16,772,817	-	-	-	16,772,817
Share issuance costs	11(b)	-	(2,470,714)	1,045,734	-	-	(1,424,980)
Share-based compensation	11(d)	-	-	1,913,473	-	-	1,913,473
Loss for the year		-	-	-	-	(8,855,295)	(8,855,295)
Balance at April 30, 2011	17	66,463,562	$ 81,518,760	$15,027,625	$ -	$(79,910,199)	$ 16,636,186
Reserves transferred on expired options		-	3,431,667	(3,455,048)	-	23,381	-
Share-based compensation	11(d)	-	-	6,812	-	-	6,812
Convertible advance	11(f)	-	-	-	5,000,000	-	5,000,000
Loss for the year		-	-	-	-	(7,201,890)	(7,201,890)
Balance at April 30, 2012		66,463,562	$ 84,950,427	$11,579,389	$ 5,000,000	$(87,088,708)	$ 14,441,108

See accompanying notes to consolidated financial statements

METALEX VENTURES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended April 30, 2012	2011 (Note 17)
OPERATING ACTIVITIES		
Loss for the year	$ (7,201,890)	$ (8,855,295)
Items not affecting cash:		
Depreciation	53,909	20,540
Loss on disposal of equipment	-	543
Share-based compensation	6,812	1,913,473
Write off of resource property	289,750	-
Other income – flow-through premium	(895,818)	(158,530)
	(7,747,237)	(7,079,269)
Net changes in non-cash working capital items:		
(Decrease) increase in receivables	(148,090)	107,050
Increase in prepaid expenses	36,924	784,052
(Decrease) increase in exploration advances	74,435	(74,435)
(Decrease) increase in accounts payable and accrued liabilities	536,160	(1,530,201)
Net cash used for operating activities	(7,247,808)	(7,792,803)
INVESTING ACTIVITIES		
Acquisition of equipment	(133,336)	(60,198)
Acquisition of mineral property interests	(264,862)	-
Net cash used for investing activities	(398,198)	(60,198)
FINANCING ACTIVITIES		
Issuance of capital stock	-	18,504,750
Share issuance costs	-	(1,424,980)
Proceeds from convertible advance	5,000,000	-
Net cash provided by financing activities	5,000,000	17,079,770
Net (decrease) increase in cash	(2,646,006)	9,226,769
Cash, beginning of year	18,153,497	8,926,728
Cash, end of year	$ 15,507,491	$ 18,153,497
Cash paid for interest during the year	$ -	$ -
Cash paid for taxes during the year	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 16)

See accompanying notes to consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

2. BASIS OF PRESENTATION AND FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Statement of Compliance

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

The Company's transition date to IFRS is May 1, 2010. The rules for first time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards." In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("GAAP"). Historical results and balances have been restated under IFRS. These consolidated financial statements should be read in conjunction with the Company's April 30, 2011 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 17.

These consolidated financial statements were approved for issue by the Board of Directors on August 27, 2012.

2. BASIS OF PRESENTATION AND FIRST-TIME ADOPTION OF IFRS (*continued*)

Basis of Consolidation and Presentation

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

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

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

Foreign Exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 - The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized annually at rates set-out below:

Field equipment	36 months straight-line
Computer equipment	36 months straight-line
Automotive	36 months straight-line
Furniture and fixtures	60 months straight-line

The remaining useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting period to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of equipment.

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives, held for trading and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in loss and comprehensive loss. This category includes cash.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. This category includes receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial Instruments (*continued*)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in comprehensive loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method and includes accounts payables and accrued liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices; and
- Level 3 – inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Exploration and Evaluation

Exploration and development costs are expensed until such time as reserves are proven and financing to complete development has been obtained. Acquisition costs of mineral properties and tangible development costs incurred thereon, are deferred until the property to which they relate is placed into production, sold or abandoned. The carrying values of mineral properties are, where necessary, written down to fair value if carrying value is not recoverable. Costs relating to properties abandoned are written off when the decision to abandon is made.

The Company follows the cost reduction method of accounting for the receipt of property option and similar payments. Cash and other property payments received from the Company's exploration partners are credited to the respective property until all capitalized costs are recovered; thereafter, such payments are included in income. Option payments are exercisable at the discretion of the optionee and are only recognized when received.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Asset Retirement Obligations

The Company accounts for the recognition and measurement of liabilities for statutory, contractual or legal obligations associated with the retirement of equipment, and mineral properties when those obligations result from the acquisition, construction, development or normal operations of the assets. When determinable, a liability for future site reclamation costs, or other obligations, would be recorded at net present value and the corresponding increase in the assets carrying value would then be amortized over the remaining useful life of the asset.

Management has reviewed the Company's likely retirement costs of its equipment, and mineral properties for known obligations under contract, common practices or laws and regulations in effect or anticipated. The Company has determined that there are no known or quantifiable significant assets retirement obligations and accordingly, these financial statements do not include any provision related to future asset retirement.

Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Share-Based Compensation

The Company operates an employee stock option plan whereby it is authorized to grant stock options to directors, officers, employees and consultant. Share-based compensation to employees or those that provide similar services as employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of option reserves are transferred to share capital.

Cash settled plans - The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Upon leaving the Board, directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. Accordingly under IFRS, these units are classified as compound financial instruments consisting of a debt (cash) component and an equity component. The fair value of the deferred share units is measured on the grant date as the sum of the cash value (debt component) and the equity component valued using the Black-Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Impairment of Non-financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit ("CGU") is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in comprehensive loss.

Flow-through Shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being incurred, the Company derecognizes the flow-through premium liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used for only Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Income Taxes *(continued)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

New Standards Not Yet Adopted

Certain new standards, interpretations and amendments to existing standards are not yet effective as of April 30, 2012 and have not been applied in preparing these condensed consolidated interim financial statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

New standard 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

IFRS 10, "Consolidated Financial Statements"

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

New Standards Not Yet Adopted *(continued)*

IFRS 11, "Joint Arrangements"

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 13, "Fair Value Measurement"

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

4. RECEIVABLES

The Company's receivables are as follows:

	April 30, 2012	April 30, 2011	May 1, 2010
HST receivables	$ 208,004	$ 62,134	$ 165,886
Related party receivables	3,293	1,073	4,371
Total	$ 211,297	$ 63,207	$ 170,257

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:

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	Wawa, Ontario	Total
Balance May 1, 2010 and April 30, 2011	$ 225,000	$ 80,000	$ -	$ 64,750	$ 369,750
Additions	-	-	264,862	-	264,862
Written off	(225,000)	-	-	(64,750)	(289,750)
Balance April 30, 2012	$ -	$ 80,000	$ 264,862	$ -	$ 344,862

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

Kyle Lake Project, Ontario

As at April 30, 2012, the Company has a 100% earned interest in certain mineral claims located in the Kyle Lake area of Ontario. These claims are subject to a 10% carried interest in favour of Kel-Ex Development Ltd. ("Kel-Ex").

In January 2012, the Company signed a letter agreement whereby an equity fund managed by the Dundee Corporation group may acquire up to a 51% interest in the U2 and T1 kimberlite pipes through a four stage investment of up to $51 million. Pursuant to the letter agreement, Dundee Corporation has advanced a $5 million to Metalex which is to be used for preparatory work for the 10,000+ ton bulk sample. At the option of the fund, this advance can be converted to common shares of the Company or applied towards the second stage of their $51 million expenditure commitment (Note 11).

Angola

In April 2005, the Company entered into an agreement for kimberlite diamond exploration in Angola pursuant to an agreement executed by the Angolan Council of Ministers. Pursuant to 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 costs have been repaid, the Company's interest in the project will be 25%. The license is valid through to December 2, 2012.

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

Morocco

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

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

Wemindji James Bay Property, Quebec

As at April 30, 2012, the Company has a 33.3% interest in various mineral claims located in the Wemindji James Bay region of Quebec for the exploration of diamonds. The Company also holds a 50% interest in a joint venture for the exploration of non-diamond commodities (ie: various base and precious metals) within the same claim area.

James Bay Lowlands Property, Ontario

As at April 30, 2012, the Company has a 62.5% earned interest in certain mineral claims located in the Ring of Fire region of the James Bay Lowlands, Ontario. Certain of these claims were previously included as part of the Kyle Lake project and were optioned to White Pine Resources Inc. ("WPR") to earn up to a 50% interest in the project by funding up to $20,000,000 in expenditures on the property. For each $5,000,000 in funding, WPR earned a 12.5% interest in the claims. In October 2011, having earned a 37.5% interest in the claims to-date, WPR elected to not to earn the fourth interest (50%) and, pursuant to the agreement, a joint venture has been formed whereby each party will fund future exploration activities in proportion to their earned interests. These claims are subject to a 10% carried interest in favour of Kel-Ex.

Attawapiskat Property, Ontario

Big Red Diamond Joint Venture

As at April 30, 2012 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, 2012 the Company has a 82.5% working interest (61.7% earned interest) in certain mineral claims located in the vicinity of the Attawapiskat property. These claims are subject to 10% carried interests in favour of each of Kel-Ex and Dumont Nickel Inc. ("Dumont").

Although all the claims remain in good standing and the Company still maintains its interests, capitalized exploration and evaluation assets of $225,000 were written down to zero during the period due to an anticipated delay in further exploration.

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

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 April 30, 2012 is estimated as follows:

Fiscal		
2013	692,000,000 CFA	$1,380,000

To date, the exploration commitments have not been met.

Wawa Property, Ontario

The Company entered into an agreement with Mori Diamonds Inc. ("Mori") that allowed a 60% interest to be earned in certain mineral claims by funding the first diamond deposit discovered on the claims to bankable feasibility. The Company subsequently assigned 50% of the entitlements and obligations under the Mori agreement to Dianor Resources Inc. ("Dianor") in exchange for Dianor funding a proportionate share of the project costs.

In March 2012, the Company and Dianor elected to withdraw from the joint venture with Mori. Accordingly, capitalized exploration and evaluation assets of $64,750 were written off during the year.

Greenland

In June 2011, the Company elected to relinquish the exploration license it had held in Greenland since 2004. Pursuant to the terms of the exploration license, the Company may be required to pay a penalty equivalent to 50% of the unfulfilled exploration commitment from calendar 2010 (approx $100,500).

6. EXPLORATION EXPENDITURES

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	James Bay, Ontario	Wawa, Ontario	Mali	Angola	Morocco	Greenland	Total
Cumulative expenditures, May 1, 2010	$ 8,764,490	$ 2,372,434	$ 33,669,506	$ -	$ 1,650,169	$ 136,261	$ 17,151,397	$ 2,783,769	$ 3,337,709	$ 69,865,735
Additions										
Aircraft field transport	306,759	541,696	140,789	-	-	-	-	-	-	989,244
Camp and field supplies	45,717	28,330	74,890	-	-	-	118,055	34	-	267,026
Drill supplies and repairs	22,713	-	25,224	-	-	-	23,259	-	-	71,196
Equipment rental and amortization	13,343	-	28,922	-	-	-	43,827	-	-	86,092
Fuel	32,815	90,105	6,533	-	-	-	10,613	-	-	140,066
Licenses, Rent and other	2,826	8,174	2,091	-	50,000	4,075	97,688	12,634	6,778	184,266
Labour	176,662	239,333	532,285	30,000	-	1,012	510,532	48,893	1,239	1,539,956
Sample laboratory analysis	23,727	515,418	1,865,689	-	471,344	-	128	-	19,611	2,895,917
Shipping and freight	6,282	25,083	322,314	-	-	614	32,951	1,288	-	388,532
Telephone and communications	2,015	1,972	7,023	-	-	-	12,174	-	-	23,184
Travel and accommodation	8,448	91,846	51,338	-	-	-	20,724	7,720	-	180,076
Total additions	641,307	1,541,957	3,057,098	30,000	521,344	5,701	869,951	70,569	27,628	6,765,555
Cost recoveries	-	-	(153,662)	(30,000)	-	-	-	-	-	(183,662)
Net exploration expenditures during year	641,307	1,541,957	2,903,436	-	521,344	5,701	869,951	70,569	27,628	6,581,893
Cumulative expenditures, April 30, 2011	9,405,797	3,914,391	36,572,942	-	2,171,513	141,962	18,021,348	2,854,338	3,365,337	76,447,628
Additions										
Aircraft field transport	-	-	1,176,757	-	-	-	-	898,264	-	2,075,021
Camp and field supplies	-	1,781	328,656	-	-	492	327,860	6,512	-	665,301
Drill supplies and repairs	-	-	138,741	-	-	-	309,864	-	-	448,605
Equipment rental and amortization	-	-	3,674	-	-	-	84,319	9,800	-	97,793
Fuel	-	-	198,020	-	-	-	51,677	268,582	-	518,279
Licenses, Rent and other	-	-	5,958	-	60,137	-	116,718	10,505	-	193,318
Labour	1,409	36,317	1,231,435	-	550	5,511	923,350	201,995	-	2,400,567
Sample laboratory analysis	7,664	420,396	283,865	-	-	-	156,106	27,733	11,880	907,644
Shipping and freight	-	-	94,822	-	-	201	267,472	9,936	-	372,431
Telephone and communications	-	-	29,014	-	-	-	26,213	787	-	56,014
Travel and accommodation	-	100	98,845	-	-	315	57,526	35,281	-	192,067
Total additions	9,073	458,594	3,589,787	-	60,687	6,519	2,321,105	1,469,395	11,880	7,927,040
Cost recoveries	-	(377,009)	(27,271)	-	-	-	-	-	-	(404,280)
Net exploration expenditures during year	9,073	81,585	3,562,516	-	60,867	6,519	2,321,105	1,469,395	11,880	7,522,760
Cumulative expenditures, April 30, 2012	$ 9,414,870	$ 3,995,976	$ 40,135,458	$ -	$ 2,232,200	$ 148,481	$ 20,342,453	$ 4,323,733	$ 3,377,217	$ 83,970,388

7. EQUIPMENT

	Field equipment	Automotive	Computer equipment	Furniture and fixtures	Total
Cost:					
Balance at May 1, 2010	$ 880,309	$ 241,176	$ 18,712	$ 5,194	$1,145,391
Additions	191,608	-	1,926	-	193,534
Disposals	-	-	(2,503)	-	(2,503)
Balance at April 30, 2011 and 2012	$ 1,071,917	$ 241,176	$ 18,135	$ 5,194	$1,336,422
Accumulated depreciation:					
Balance at May 1, 2010	$ 880,309	$ 211,177	$ 12,688	$ 4,476	$1,108,650
Depreciation	-	15,000	4,822	718	20,540
Disposals	-	-	(1,960)	-	(1,960)
Balance at April 30, 2011	880,309	226,177	15,550	5,194	1,127,230
Depreciation	37,275	14,999	1,635	-	53,909
Balance at April 30, 2012	$ 917,584	$ 241,176	$ 17,185	$ 5,194	$1,181,139
Carrying amounts:					
As at May 1, 2010	$ -	$ 29,999	$ 6,024	$ 718	$ 36,741
As at April 30, 2011	$ 191,608	$ 14,999	$ 2,585	$ -	$ 209,192
As at April 30, 2012	$ 154,333	$ -	$ 950	$ -	$ 155,283

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	April 30, 2012	**April 30, 2011**	**May 1, 2010**
Trade payables	$ 719,081	$ 482,812	$ 938,024
Accrued liabilities	401,880	348,737	343,030
Related party payables	138,045	24,633	971,993
Total	$ 1,259,006	$ 856,182	$ 2,253,047

9. COMMITMENTS

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

Fiscal year ending April 30, 2013	$ 15,405
Fiscal year ending April 30, 2014	$ 14,121

The Company is also entered into an agreement with a firm to provide investor relation services. The agreement expires June 30, 2013 and requires the Company to pay $28,000 total during fiscal 2013 and $8,000 total during fiscal 2014. The expiry date of 40,000 stock options granted under the agreement has been extended to June 30, 2013.

10. RELATED PARTY DISCLOSURES

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

		Proportion of Ownership Interest		
Name of Subsidiary	**Country of Incorporation**	**April 30, 2012**	**April 30, 2011**	**May 1, 2010**
Mali Gold Mine Ltd.	Mali	100%	100%	100%

The Company entered into the following transactions with other related parties during the year ended April 30, 2012:

a) Paid or accrued laboratory and mineralogical costs of $398,230 (2011 - $1,497,454); a 10% administration fee of $50,844 (2011 - $135,089), geological consulting fees of $11,581 (2011 - $1,715), drilling and equipment rental charges of $Nil (2011 - $2,903), and shared office and administrative costs of $21,010 (2011 - $26,425) to companies controlled by Charles Fipke, a director of the Company.

b) Paid or accrued geological consulting fees of $228,525 (2011 - $168,840) and travel and field expenses of $15,758 (2011 - $2,939), to a company controlled by Chad Ulansky, an officer of the Company

c) Paid or accrued field expenses of $6,073 (2011 - $163), to a company with common directors and management.

d) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of $23,148 (2011 - $47,452) and for shared field expenditures of $653 (2011 - $6,281) from a company controlled by Charles Fipke, a director of the Company.

e) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of $10,514 (2011 - $11,241) and for shared field expenditures of $24,614 (2011 - $1,393) from a company with common directors and management.

Included in accounts payable is $Nil (2011 - $1,730) for laboratory and mineralogical costs, $85,535 (2011 - $Nil) for payroll costs, $5,206 (2011 - $2,009) for shared office and administrative costs and $23,788 (2011 - $Nil) for exploration work completed on certain properties owing to companies controlled by Charles Fipke, a director of the Company.

Included in accounts payable is $23,516 (2011 - $20,893) for consulting fees owing to a company controlled by Chad Ulansky, an officer of the Company.

Included in receivables is $1,749 (2011 - $147) for shared office and administrative costs due from a company controlled by Charles Fipke, a director of the Company.

Included in receivables is $1,543 (2011 - $926) for shared office and administrative costs due from a company with common directors and management.

Exploration advances of $Nil (2011 - $74,435) represent funds advanced to Kel-Ex Development Ltd ("Kel-Ex"), a company controlled by Charles Fipke, 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.

10. RELATED PARTY DISCLOSURES (*continued*)

The remuneration of directors and officers is as follows:

	Year Ended April 30, 2012	2011
Director fees [(1)]	$ 60,000	$ 60,000
Share-based compensation [(2)]	-	1,853,308
Wages and benefits [(3)]	322,566	264,330
Total	$ 382,566	$ 2,177,638

(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.

b) Issued share capital

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%. The common shares were valued at $4,650,000 with the residual value allocated to the flow-through premium liability in the amount of $350,000.

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 common shares were valued at $558,000 with the residual value allocated to the flow-through premium liability in the amount of $42,000.

11. SHARE CAPITAL AND RESERVES (*continued*)

b) Issued share capital (*continued*)

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-though 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-though 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%. The common shares were valued at $4,689,767 with the residual value allocated to the flow-through premium liability in the amount of $1,339,933.

As of April 30, 2011, $709,424 of the eligible expenditures had been spent, which reduced the flow-through premium liability by $158,530, resulting in a flow-through premium liability of $1,573,403. As of April 30, 2012, $4,718,209 of the eligible expenditures had been spent, which reduced the flow-through premium liability by $895,818, resulting in a flow-through premium liability of $677,585. As of April 30, 2012, the Company had a balance of $6,877,993 in flow-through dollars to be spent on eligible Canadian exploration expenses (defined in the Income Tax Act) prior to December 31, 2012. Once these funds are fully expended, the flow-through premium liability will be reduced to zero.

c) 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.

11. SHARE CAPITAL AND RESERVES (*continued*)

c) **Stock options and warrants** (*continued*)

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, 2010	1,649,800	$	1.02	3,637,500	$	0.80	9,187,500	$	1.30
Granted	3,495,000		0.86	1,613,882		0.77	7,554,700		0.99
Outstanding, April 30, 2011	5,144,800		0.91	5,251,382		0.79	16,742,200		1.16
Granted	40,000		0.54	-		-	-		-
Expired	(25,700)		2.17	(3,637,500)		0.80	(9,187,500)		1.30
Outstanding, April 30, 2012	5,159,100	$	0.90	1,613,882	$	0.77	7,554,700	$	0.99
Number currently exercisable	5,144,100	$	0.90	1,613,882	$	0.77	7,554,700	$	0.99

The following stock options and warrants were outstanding at April 30, 2012:

	Number	Exercise Price	Expiry Date
Options	10,000	0.54	June 30, 2012 (subsequently extended)
	10,000	0.50	September 30, 2012
	20,000	0.55	October 31, 2012
	3,000	4.50	March 5, 2013
	508,100	1.00	November 18, 2013
	1,113,000	1.00	October 23, 2014
	825,000	0.80	June 15, 2015
	770,000	0.70	October 20, 2020
	1,900,000	0.95	March 28, 2021
	5,159,100		
Agents' Options	852,117	0.70	December 23, 2012
	761,765	0.85	April 13, 2013
	1,613,882		
Warrants	3,349,833	1.00	December 23, 2012
	910,750	0.90	December 23, 2012
	3,294,117	1.00	April 13, 2013
	7,554,700		

11. SHARE CAPITAL AND RESERVES (*continued*)

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

During the year ended April 30, 2012, the Company recognized share-based compensation of $6,812 (2011 - $1,913,473) in the statement of loss and comprehensive loss as a result of the granting and vesting of incentive stock options. The weighted average fair value of options granted was $0.21 per option (2011 - $0.55).

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

	2012	2011
Risk-free interest rate	1.6%	1.9%
Expected option life	1 year	3 years
Expected stock price volatility	105.6%	121.5%
Expected dividend yield	0%	0%

e) **Deferred share unit plan**

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly ($7,500 per quarter per director) at which time the number of deferred share units will be determined based on the Company's share price at the end of the quarter. Upon leaving the Board, directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. As of April 30, 2012, $379,167 of deferred compensation (2011 – $319,167) has been accrued in accounts payable which equates to 412,532 shares (2011 – 292,132 shares) if the directors elected to receive shares under the plan.

f) **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, Dundee Corporation has advanced $5 million to the Company which is to be used for preparatory work for the 10,000+ ton bulk sample (the "Bulk Sample").

At the option of the Fund, this advance can be converted to the Company's shares or applied towards the Second Right. If the advance is converted to the Company's shares within six months of signing this agreement it will be converted at $1.00 per share. Should the advance be converted after six months from the signing of this agreement it will be converted at $0.90 per share.

Within one month after receipt by the Company of the final permitting for the Bulk Sample, the Fund must notify the Company if it wishes to pursue the Second Right. This right carries a minimum investment of $17.5 million (including the $5 million advance). Should the Fund and the Company agree on a budget of greater than $17.5 million, the Fund shall earn an additional 1% interest in the project for each $1 million spent over and above $17.5 million. Once payment is received, the Fund will hold a minimum of a 17.5% interest in the project and will have earned its Second Right and may undertake its Third Right.

Under the Third Right investment, the Fund will make a further payment as required to bring its total contribution to $40 million. This will bring the Fund's interest to 40% and must occur within four years of the earn-in agreement. Once the Fund has earned its Third Right it may undertake the Fourth Right. Under the Fourth Right investment of $11 million, the Fund will have earned a 51% interest in the project.

12. SEGMENTED INFORMATION

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

	April 30, 2012	April 30, 2011	May 1, 2010
Capital Assets (Exploration and evaluation assets and equipment):			
Canada	$ 345,812	$ 372,335	$ 376,492
Angola	154,333	206,607	29,999
	$ 500,145	$ 578,942	$ 406,491

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2012	2011
Loss before taxes	$ (7,201,890)	$ (8,855,295)
Exploration expenditures	26.0%	27.8%
Income tax recovery at statutory rates	$ (1,872,491)	$ (2,464,724)
Non-deductible expenditures and non-taxable revenues	(239,547)	502,763
Impact of future income tax rates applies versus current statutory rate	81,232	199,721
Impact of flow-through shares	928,465	1,402,011
Share issuance costs	-	(396,619)
Change in unrecognized deductible temporary differences	1,102,341	756,848
Total income tax recovery	$ -	$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2012	Expiry dates	2011	Expiry dates
Share issue costs	$ 1,616,658	2033 to 2035	$ 2,422,581	2032 to 2035
Non-Capital losses	7,096,468	2014 to 2032	5,982,183	2014 to 2031
Capital assets	1,067,225	No expiry	1,013,316	No expiry
CEC	3,060	No expiry	3,060	No expiry
Mineral properties	33,807,687	No expiry	29,709,038	No expiry
ITC	87,473	2031	87,473	2031
	$ 43,678,571		$ 39,217,652	

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

Currency risk - While the Company's capital is raised in Canadian dollars, the Company is also conducting business in Angola and Mali whose currencies are the Rand and Franc, 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.

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, 2012 - $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.

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 15.

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.

15. CAPITAL RISK MANAGMENT

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

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

The Company 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.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended April 30, 2012 included transferring reserves, representing both expired stock options and agents' options, valued at $3,455,048.

Significant non-cash transactions for the year ended April 30, 2011 included:

a) issuing 1,613,882 agent's options valued at $1,045,734 as finder's fees for the private placement.

b) accruing $133,336 in equipment through accounts payable and accrued liabilities.

17. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended April 30, 2011, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. For periods on or after May 1, 2011, the Company's financial statements are prepared in and reported in accordance with IFRS.

As stated in Note 2, these consolidated financial statements have been prepared in accordance with IFRS applicable for all periods beginning on or after May 1, 2010. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the years ended April 30, 2012 and 2011 and the opening IFRS statement of financial position on May 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the periods beginning on or after May 1, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

17. FIRST TIME ADOPTION OF IFRS (*continued*)

Exemptions applied

IFRS 1 First Time Adoption of International Financial Reporting Standards allows first time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemption:

- IFRS 2 Share-based Payments has not been applied to equity instruments that were not vested prior to May 1, 2010.

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its GAAP estimates for the same date.

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the year ended April 30, 2011 or the Company's statement of financial position as at May 1, 2010 (the date of transition to IFRS).

Other adjustments

a) **Flow-through shares**

Canadian GAAP has specific guidance for the treatment of flow-through shares, which are an equity instrument unique to Canada and therefore, there is no specific equivalent guidance under IFRS. Under the IFRS framework, the shares can be seen as a compound instrument, consisting of a share and a tax benefit and when the shares are issued the premium paid for the tax benefit in excess of the market value of the shares on a standalone basis is credited to flow-through premium liabilities. When the qualifying expenditures are made and the renouncement has been filed with the tax authorities, the obligation of the Company to pass the tax benefit to the shareholder has been discharged, and accordingly, the liability is taken into income at that point in time as other income.

IAS 32 Financial Instruments: Presentation requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 involves separating two portions of equity. However, in accordance with IFRS 1, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The Company has elected to utilize this exemption, and therefore not separate the two components of prior flow-through share issuances for which the related expenditures had been fully renounced as of the date of transition to IFRS.

As a result of this change in policy, during the year ended April 30, 2011, a flow through liability of $1,573,403 was recognized and reallocated from share capital. This will be taken into income once the expenditures are incurred.

b) **Deferred share unit plan**

Under IFRS, compensation units granted under the Company's deferred share unit plan are classified as compound financial instruments consisting of a debt (cash) component and an equity component. The fair value of the deferred share units is measured on the grant date as the sum of the cash value (debt component) and the equity component valued using the residual value approach. Application of this measurement method did not result in an adjustment of amounts previously accrued.

17. FIRST TIME ADOPTION OF IFRS (*continued*)

The reconciliation between GAAP and IFRS consolidated statement of financial position as at April 30, 2011 is provided below:

		April 30, 2011		
	Note	**GAAP**	**Effect of transition to IFRS**	**IFRS**
ASSETS				
Current				
Cash		$ 18,153,497	$ -	$ 18,153,497
Receivables		63,207	-	63,207
Prepaid expenses		195,690	-	195,690
Exploration advances		74,435	-	74,435
		18,486,829	-	18,486,829
Mineral properties		369,750	-	369,750
Equipment		209,192	-	209,192
Total Assets		$ 19,065,771	$ -	$ 19,065,771
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		$ 856,182	$ -	$ 856,182
Flow-through premium liability	17(a)	-	1,573,403	1,573,403
		856,182	1,573,403	2,429,585
Shareholders' Equity				
Share capital	17(a)	81,751,643	(232,883)	81,518,760
Reserves		15,027,625	-	15,027,625
Deficit	17(a)	(78,569,679)	(1,340,520)	(79,910,199)
		18,209,589	(1,573,403)	16,636,186
Total Liabilities and Shareholders' Equity		$ 19,065,771	$ -	$ 19,065,771

17. FIRST TIME ADOPTION OF IFRS (*continued*)

The reconciliation between GAAP and IFRS consolidated statement of loss and comprehensive loss for the year ended April 30, 2011 is provided below:

	Note	For the Year Ended April 30, 2011		
		GAAP	**Effect of transition to IFRS**	**IFRS**
EXPENSES				
Depreciation		$ 20,540	$ -	$ 20,540
Consulting fees		19,163	-	19,163
Exploration expenditures		6,581,893	-	6,581,893
Management fees		60,000	-	60,000
Office and administrative		263,406	-	263,406
Professional fees		87,477	-	87,477
Property investigation		32,465	-	32,465
Stock-based compensation		1,913,473	-	1,913,473
Transfer agent and filing fees		40,124	-	40,124
Travel and promotion		42,748	-	42,748
Loss before other items		(9,061,289)	-	(9,061,289)
OTHER ITEMS				
Interest income		85,951	-	85,951
Other income		-	158,530	158,530
Foreign exchange loss		(37,944)	-	(37,944)
Loss on disposal of equipment		(543)	-	(543)
		47,464	158,380	205,994
Loss before income taxes		(9,013,825)	158,380	(8,855,295)
Deferred tax recovery	17(a)	1,499,050	(1,499,050)	-
Loss and comprehensive loss for the year		$(7,514,775)	$ (1,340,520)	$ (8,855,295)