

METALEX VENTURES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

Expressed in Canadian dollars

JANUARY 31, 2012

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

	Note	January 31, 2012	April 30, 2011 (Note 15)	May 1, 2010 (Note 15)
ASSETS				
Current assets				
Cash		\$ 18,334,038	\$ 18,153,497	\$ 8,926,728
Receivables	4	190,333	63,207	170,257
Prepaid expenses		236,630	195,690	979,742
Exploration advances	10	-	74,435	-
		18,761,001	18,486,829	10,076,727
Non-current assets				
Mineral properties	5	634,612	369,750	369,750
Equipment	7	175,406	209,192	36,741
Total Assets		\$ 19,571,019	\$ 19,065,771	\$ 10,483,218
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	8	\$ 1,773,598	\$ 856,182	\$ 2,253,047
Deferred tax obligation		1,039,212	1,573,403	-
		2,812,810	2,429,585	2,253,047
SHAREHOLDERS' EQUITY				
Share capital	11	84,950,427	81,518,760	67,216,657
Reserves	11	16,600,499	15,027,625	12,068,418
Deficit		(84,792,717)	(79,910,199)	(71,054,904)
		16,758,209	16,636,186	8,230,171
Total Liabilities and Shareholders' Equity		\$ 19,571,019	\$ 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 condensed consolidated interim financial statements.

METALEX VENTURES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Note	Three Months Ended		Nine Months Ended	
		January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
			(Note 15)		(Note 15)
EXPENSES					
Depreciation	7	\$ 20,130	\$ 5,185	\$ 33,786	\$ 15,595
Consulting fees		12,000	6,068	28,000	19,163
Exploration expenditures	6	2,211,895	2,445,022	5,275,289	5,942,697
Management fees	11(e)	15,000	15,000	45,000	45,000
Office and administrative		61,756	36,268	178,532	192,385
Professional fees		27,601	18,221	90,714	72,716
Property investigation		-	4,729	-	32,465
Stock-based compensation	11(d)	2,341	-	4,541	661,813
Transfer agent and filing fees		10,377	7,829	30,079	27,205
Travel and promotion		3,190	9,821	27,756	18,701
Loss before other items		(2,364,290)	(2,548,143)	(5,713,697)	(7,027,740)
OTHER ITEMS					
Interest income		45,019	19,546	134,391	56,543
Foreign exchange gain		15,401	734	162,597	3,810
Loss on disposal of equipment	7	-	-	-	(543)
		60,420	20,280	296,988	59,810
Loss before income taxes		(2,303,870)	(2,527,863)	(5,416,709)	(6,967,930)
Future income tax recovery		255,533	82,881	534,191	82,881
Loss and comprehensive loss for the period		\$ (2,048,337)	\$ (2,444,982)	\$ (4,882,518)	\$ (6,885,049)
Basic and diluted loss per share		\$ (0.03)	\$ (0.05)	\$ (0.07)	\$ (0.15)
Weighted average number of shares outstanding		66,463,562	49,336,394	66,463,562	46,664,641

See accompanying notes to condensed consolidated interim financial statements.

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

	Note	Number of Common Shares	Share Capital	Reserves	Deficit	Total
Balance at May 1, 2010		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)
Stock-based compensation		-	-	1,913,473	-	1,913,473
Net loss for period		-	-	-	(8,855,295)	(8,855,295)
Balance April 30, 2011		66,463,562	\$ 81,518,760	\$ 15,027,625	\$ (79,910,199)	\$16,636,186
Reserves transferred on expired options	11(c)	-	3,431,667	(3,431,667)	-	-
Stock-based compensation	11(d)	-	-	4,541	-	4,541
Convertible loan	11(f)	-	-	5,000,000	-	5,000,000
Net loss for period		-	-	-	(4,882,518)	(4,882,518)
Balance January 31, 2012		66,463,562	\$ 84,950,427	\$ 16,600,499	\$ (84,792,717)	\$16,758,209
Balance at May 1, 2010		45,754,160	\$ 67,216,657	\$ 12,068,418	\$ (71,054,904)	\$ 8,230,171
Issued for cash - private placements	11(b)	8,521,167	5,964,817	-	-	5,964,817
Share issuance costs	11(b)	-	(1,084,653)	512,423	-	(572,230)
Stock-based compensation	11(d)	-	-	661,813	-	661,813
Net loss for period		-	-	-	(6,885,049)	(6,885,049)
Balance January 31, 2011		54,275,327	\$ 72,096,821	\$ 13,242,654	\$ (77,939,953)	\$ 7,399,522

See accompanying notes to condensed consolidated interim financial statements

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

	Note	Nine Months Ended	
		January 31, 2012	January 31, 2011
OPERATING ACTIVITIES			
Loss for the period		\$ (4,882,518)	\$ (6,885,049)
Items not affecting cash:			
Depreciation		33,786	15,595
Loss on disposal of equipment		-	543
Stock-based compensation		4,541	661,813
Future income tax recovery		(534,191)	(82,881)
		(5,378,382)	(6,289,979)
Net changes in non-cash working capital items:			
Increase in receivables		(127,126)	(43,315)
(Decrease) increase in prepaid expenses		(40,940)	878,726
Decrease in exploration advances		74,435	-
Increase in accounts payable and accrued liabilities		917,416	253,788
Net cash used for operating activities		(4,554,597)	(5,200,788)
INVESTING ACTIVITIES			
Acquisition of equipment		-	(1,926)
Acquisition of mineral property interests	5	(264,862)	-
Net cash used for investing activities		(264,862)	(1,926)
FINANCING ACTIVITIES			
Issuance of capital stock		-	7,304,750
Share issuance costs		-	(572,230)
Proceeds from convertible loan	11(f)	5,000,000	-
Net cash provided by financing activities		5,000,000	6,732,520
Net increase in cash		180,541	1,529,806
Cash, beginning of period		18,153,497	8,926,728
Cash, end of period		\$ 18,334,038	\$ 10,456,534

See accompanying notes to condensed consolidated interim financial statements

METALEX VENTURES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JANUARY 31, 2012

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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 principal address 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 condensed consolidated interim 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.

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

Statement of Compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” 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 condensed consolidated interim 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 15. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed consolidated interim financial statements nor in the Company’s most current annual GAAP financial statements.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 30, 2012.

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

Basis of Consolidation and Presentation

The condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 from these estimates.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of receivables, valuation and depreciation of equipment, impairment of assets, contingencies, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments *(continued)*

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.

Mineral Property Exploration

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.

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.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-Based Payments

Equity settled plans - The Company has a stock option plan whereby it is authorized to grant stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited 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.

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 a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 balance sheet date.

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 provides a valuation allowance against that excess.

New Standards Yet Adopted

Certain new standards, interpretations and amendments to existing standards are not yet effective as of October 31, 2011 and have not been applied in preparing these condensed consolidated interim financial statements.

Accounting standards effective May 1, 2012

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

Accounting standards anticipated to be effective May 1, 2013

In September 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated financial statements.

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

JANUARY 31, 2012

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***New Standards Yet Adopted** *(continued)*

In November 2009, the IASB published IFRS 9, “Financial Instruments, “which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

4. RECEIVABLES

The Company’s receivables are as follows:

	January 31, 2012	April 30, 2011	May 1, 2010
HST receivables	\$ 181,937	\$ 62,134	\$ 165,886
Related party receivables	8,396	1,073	4,371
Total	\$ 190,333	\$ 63,207	\$ 170,257

5. MINERAL PROPERTIES

Title to mineral properties 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

The carrying values of the Company’s mineral properties are as follows:

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	Wawa, Ontario	Total
Balance May 1, 2010	\$ 225,000	\$ 80,000	\$ -	\$ 64,750	\$ 369,750
Additions	-	-	-	-	-
Written off	-	-	-	-	-
Balance April 30, 2011	\$ 225,000	\$ 80,000	\$ -	\$ 64,750	\$ 369,750
Additions	-	-	264,862	-	264,862
Written off	-	-	-	-	-
Balance January 31, 2012	\$ 225,000	\$ 80,000	\$ 264,862	\$ 64,750	\$ 634,612

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.

5. MINERAL PROPERTIES (*continued*)

Kyle Lake Project, Ontario

As at January 31, 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 interest free loan to Metalex which is to be used for preparatory work for the 10,000+ ton bulk sample. At the option of the fund, this loan can be converted to Metalex shares or applied towards the second stage of their \$51 million expenditure commitment.

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 May 21, 2012.

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.

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	
2012	\$4,625,000
2013	\$ 690,000

Wemindji James Bay Property, Quebec

As at January 31, 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 various base metals within the same claim area.

5. MINERAL PROPERTIES *(continued)*

Attawapiskat Property, Ontario

Big Red Diamond Joint Venture

As at January 31, 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 January 31, 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”).

James Bay Lowlands Property, Ontario

As at January 31, 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.

Wawa Property, Ontario

The Company entered into an agreement with Mori Diamonds Inc. (“Mori”) that allows 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.

Mali

The Company has a 100% interest in two gold exploration licenses covering a combined area of 990 km². 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	\$1,384,000

To date, the exploration commitments have not been met.

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).

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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	-	-	540,928	-	-	-	-	898,264	-	1,439,192
Camp and field supplies	-	1,781	116,165	-	-	492	251,078	6,512	-	376,028
Drill supplies and repairs	-	-	91,585	-	-	-	303,138	-	-	394,723
Equipment rental and amortization	-	-	-	-	-	-	72,935	9,800	-	82,735
Fuel	-	-	94,580	-	-	-	38,963	268,582	-	402,125
Licenses, Rent and other	-	-	2,429	-	50,000	-	88,871	10,505	-	151,805
Labour	1,409	13,943	684,275	-	275	5,511	648,269	83,570	-	1,437,252
Sample laboratory analysis	7,664	463,498	283,865	-	-	-	109,712	-	11,880	876,619
Shipping and freight	-	-	77,457	-	-	-	242,700	9,936	-	330,093
Telephone and communications	-	-	15,258	-	-	-	20,092	271	-	35,621
Travel and accommodation	-	100	58,762	-	-	314	46,278	34,903	-	140,357
Total additions	9,073	479,322	1,965,304	-	50,275	6,317	1,822,036	1,322,343	11,880	5,666,550
Cost recoveries	-	(377,009)	(14,252)	-	-	-	-	-	-	(391,261)
Net exploration expenditures during period	9,073	102,313	1,951,052	-	50,275	6,317	1,156,409	1,322,343	11,880	5,275,289
Cumulative expenditures, January 31, 2012	\$ 9,414,870	\$ 4,016,704	\$ 38,523,994	\$ -	\$ 2,221,788	\$ 148,279	\$ 19,843,384	\$ 4,176,681	\$ 3,377,217	\$ 81,722,917

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7. EQUIPMENT

	Field equipment	Automotive	Computer equipment	Furniture and fixtures	Total
Cost:					
Balance at May 1, 2010	\$ 880,309	\$ 211,177	\$ 18,712	\$ 5,194	\$1,145,391
Additions	191,608	-	1,926	-	193,534
Disposals	-	-	(2,503)	-	(2,503)
Balance at April 30, 2011	1,071,917	241,176	18,135	5,194	1,336,422
Additions	-	-	-	-	-
Balance at January 31, 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	21,300	11,250	1,236	-	33,786
Balance at January 31, 2012	\$ 901,609	\$ 237,427	\$ 16,786	\$ 5,194	\$ 1,161,016
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 January 31, 2012	\$ 170,308	\$ 3,749	\$ 1,349	\$ -	\$ 175,406

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	January 31, 2012	April 30, 2011	May 1, 2010
Trade payables	\$ 854,448	\$ 482,812	\$ 938,024
Accrued liabilities	415,684	348,737	343,030
Related party payables	503,466	24,633	971,993
Total	\$ 1,773,598	\$ 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, 2012	\$ 3,851
Fiscal year ending April 30, 2013	\$ 15,405
Fiscal year ending April 30, 2014	\$ 14,121

In July 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 40,000 stock to vest in quarterly instalments.

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10. RELATED PARTY DISCLOSURES

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

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest		
		January 31, 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 nine month period ended January 31, 2012:

- Paid or accrued laboratory and mineralogical costs of \$330,071 (2011 - \$1,495,909); a 10% administration fee of \$27,795 (2011 - \$130,925), geological consulting fees of \$6,800 (2011 - \$598), drilling and equipment rental charges of \$Nil (2011 - \$2,943), and shared office and administrative costs of \$16,361 (2011 - \$17,944) to companies controlled by Charles Fipke, a director of the Company.
- Paid or accrued geological consulting fees of \$161,443 (2011 - \$124,336) and travel and field expenses of \$12,343 (2011 - \$1,351), to a company controlled by Chad Ulansky, an officer of the Company
- Paid or accrued field expenses of \$6,073 (2011 - \$163), to a company with common directors and management.
- Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$18,050 (2011 - \$44,741) and for shared field expenditures of \$653 (2011 - \$6,483) from a company controlled by Charles Fipke, a director of the Company.
- Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$8,555 (2011 - \$9,410) and for shared field expenditures of \$22,785 (2011 - \$1,393) from a company with common directors and management.

Included in accounts payable is \$325,050 (April 30, 2011 - \$1,730) for laboratory and mineralogical costs, \$105,462 (April 30, 2011 - \$Nil) for payroll costs, \$5,873 (April 30, 2011 - \$2,009) for shared office and administrative costs and \$52,181 (April 30, 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 \$14,900 (April 30, 2011 - \$20,893) for consulting fees owing to a company controlled by Chad Ulansky, an officer of the Company.

Included in receivables is \$3,707 (April 30, 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 \$3,012 (April 30, 2011 - \$926) for shared office and administrative costs and \$1,677 (April 30, 2011 - \$Nil) for shared exploration expenditures due from a company with common directors and management.

Exploration advances of \$Nil (April 30, 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.

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10. RELATED PARTY DISCLOSURES *(continued)*

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.

The remuneration of directors and key management personnel is as follows:

	Three Months Ended		Nine Months Ended	
	January 31,	January 31,	January 31,	January 31,
	2012	2011	2012	2011
Director fees ⁽¹⁾	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000
Share-based compensation ⁽²⁾	-	-	-	601,648
Wages and benefits ⁽³⁾	76,062	64,845	232,079	195,145
Total	\$ 91,062	\$ 79,845	\$ 277,079	\$ 841,793

(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%.

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.

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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-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%.

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 ten years from the date of grant.

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

	Stock Options		Agents' Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, April 30, 2010	1,649,800	\$ 1.02	3,637,500	\$ 0.80	9,187,500	\$ 1.30
Granted	<u>3,495,000</u>	0.86	<u>1,613,882</u>	0.77	<u>7,554,700</u>	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	<u>(5,000)</u>	7.00	<u>(3,637,500)</u>	0.80	<u>(9,187,500)</u>	1.30
Outstanding, January 31, 2012	5,179,800	\$ 0.90	1,613,882	\$ 0.77	7,554,700	\$ 0.99
Number currently exercisable	5,154,800	\$ 0.90	1,613,882	\$ 0.77	7,554,700	\$ 0.99

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11. SHARE CAPITAL AND RESERVES *(continued)*

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

The following stock options and warrants were outstanding at January 31, 2011:

	Number	Exercise Price	Expiry Date
Options	10,000	0.54	June 30, 2012
	10,000	0.50	September 30, 2012
	20,000	0.55	October 31, 2012
	3,000	4.50	March 5, 2013
	508,800	1.00	November 18, 2013
	1,133,000	1.00	January 23, 2014
	825,000	0.80	June 15, 2015
	770,000	0.70	January 20, 2020
	<u>1,900,000</u>	0.95	March 28, 2021
	5,179,800		
Agents' Options	852,117	0.70	December 23, 2012
	<u>761,765</u>	0.85	April 13, 2013
	1,613,882		
Warrants	3,349,833	1.00	December 23, 2012
	910,750	0.90	December 23, 2012
	<u>3,294,117</u>	1.00	April 13, 2013
	7,554,700		

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

During the nine month period ended January 31, 2012, the Company recognized stock-based compensation of \$4,541 (2011 - \$661,813) in the statement of 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 - \$0.41).

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%	117.2%
Expected dividend yield	0%	0%

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11. SHARE CAPITAL AND RESERVES *(continued)*

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 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 January 31, 2012, \$364,167 of deferred compensation (April 30, 2011 – \$319,167) has been accrued in accounts payable which equates to 370,866 shares (April 30, 2011 – 292,132 shares) if the directors elected to receive shares under the plan.

f) **Convertible loan**

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 a \$5 million interest free loan to Metalex which is to be used for preparatory work for the 10,000+ ton bulk sample.

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

To earn a 17.5% interest, the Second Right investment of a minimum of \$17.5 million (including the \$5 million loan) shall be made by the Fund as required, if the Fund exercises its right within the later of one month after receipt by Metalex of the final permitting for the 10,000+ ton bulk sample and Metalex notifying of its proposal to commence undertaking the bulk sample.

12. SEGMENTED INFORMATION

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

	January 31, 2012	April 30, 2011	May 1, 2010
Capital Assets (Mineral properties and equipment):			
Canada	\$ 635,961	\$ 372,335	\$ 376,492
Angola	174,057	206,607	29,999
	\$ 810,018	\$ 578,942	\$ 406,491

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

Currency risk - While the Company's capital is raised in Canadian dollars, the Company is also conducting business 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 (January 31, 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.

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

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

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

14. CAPITAL RISK MANAGEMENT

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

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

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

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

15. 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 condensed consolidated interim 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 condensed consolidated interim financial statements for the periods ended January 31, 2012 and 2011, the condensed consolidated interim financial statements for the year ended April 30, 2011 and the opening IFRS statement of financial position on May 1, 2010, the "Transition Date".

Exemptions applied

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.

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 period ended January 31, 2011 or the year ended April 30, 2011.

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

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 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 a future income tax recovery.

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 Black-Scholes option pricing model. Application of this measurement method did not result in an adjustment of amounts previously accrued.

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

The reconciliation between GAAP and IFRS consolidated statement of financial position as at May 1, 2010 (date of transition to IFRS) is provided below:

	Note	May 1, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 8,926,728	\$ -	\$ 8,926,728
Receivables		170,257	-	170,257
Prepaid expenses		979,742	-	979,742
		10,076,727	-	10,076,727
Mineral properties		369,750	-	369,750
Equipment		36,741	-	36,741
Total Assets		\$ 10,483,218	\$ -	\$ 10,483,218
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 2,253,047	\$ -	\$ 2,253,047
Shareholders' Equity				
Share capital		67,216,657	-	67,216,657
Reserves		12,068,418	-	12,068,418
Deficit		(71,054,904)	-	(71,054,904)
		8,230,171	-	8,230,171
Total Liabilities and Shareholders' Equity		\$ 10,483,218	\$ -	\$ 10,483,218

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

The reconciliation between GAAP and IFRS consolidated statement of financial position as at January 31, 2011 is provided below:

	Note	January 31, 2011		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 10,456,534	\$ -	\$ 10,456,534
Receivables		213,572	-	213,572
Prepaid expenses		101,016	-	101,016
		10,771,122	-	10,771,122
Mineral properties		369,750	-	369,750
Equipment		22,529	-	22,529
Total Assets		\$ 11,163,401	\$ -	\$ 11,163,401
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 2,506,827	\$ -	\$ 2,506,827
Deferred tax obligation	15(a)	-	1,257,052	1,257,052
		2,506,827	1,257,052	3,763,879
Shareholders' Equity				
Share capital		73,436,754	(1,339,933)	72,096,821
Reserves		13,242,654	-	13,242,654
Deficit		(78,022,834)	82,881	(77,939,953)
		8,656,574	(1,257,052)	7,399,522
Total Liabilities and Shareholders' Equity		\$ 11,163,401	\$ -	\$ 11,163,401

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15. 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:

	Note	April 30, 2011		
		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
Deferred tax obligation	15(a)	-	1,573,403	1,573,403
		856,182	1,573,403	2,429,585
Shareholders' Equity				
Share capital	15(a)	81,751,643	(232,883)	81,518,760
Reserves		15,027,625	-	15,027,625
Deficit	15(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

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

The reconciliation between GAAP and IFRS consolidated statement of comprehensive loss for the nine months ended January 31, 2011 is provided below:

	For the Nine Months Ended January 31, 2011			
	Note	GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Depreciation		\$ 15,595	\$ -	\$ 15,595
Consulting fees		19,163	-	19,163
Exploration expenditures		5,942,697	-	5,942,697
Management fees		45,000	-	45,000
Office and administrative		192,385	-	192,385
Professional fees		72,716	-	72,716
Property investigation		32,465	-	32,465
Stock-based compensation		661,813	-	661,813
Transfer agent and filing fees		27,205	-	27,205
Travel and promotion		18,701	-	18,701
Loss before other items		(7,027,740)	-	(7,027,740)
OTHER ITEMS				
Interest income		56,543	-	56,543
Foreign exchange gain		3,810	-	3,810
Loss on disposal of equipment		(543)	-	(543)
		59,810	-	59,810
Loss before income taxes		(6,967,930)	-	(6,967,930)
Future income tax recovery	15(a)	-	82,881	82,881
Loss and comprehensive loss for the period		\$(6,967,930)	\$ 82,881	\$ (6,885,049)

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

The reconciliation between GAAP and IFRS consolidated statement of 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
Foreign exchange loss		(37,944)	-	(37,944)
Loss on disposal of equipment		(543)	-	(543)
		47,464	-	47,464
Loss before income taxes		(9,013,825)	-	(9,013,825)
Future income tax recovery	15(a)	1,499,050	(1,340,520)	158,530
Loss and comprehensive loss for the year		\$ (7,514,775)	\$ -	\$ (8,855,295)