



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

Expressed in Canadian dollars

January 31, 2016

# **Metalex Ventures Ltd.**

January 31, 2016

## Table of contents

Notice to Reader	1
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	3
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)	4
Condensed Consolidated Interim Statements of Cash Flows	5
Notes to the condensed consolidated interim financial statements	6 - 20

## **NOTICE TO READER**

These condensed consolidated interim financial statements of Metalex Ventures Ltd. for the nine months ended January 31, 2016 have been prepared by and are the responsibility of the Company's management.

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

## Metalex Ventures Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

	Note	January 31, 2016	April 30, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 932,210	\$ 1,630,815
Receivables	4	11,498	164,264
Prepaid expenses		70,578	27,330
		1,014,286	1,822,409
<b>Non-current assets</b>			
Reclamation deposit		1,089,531	1,085,974
Exploration and evaluation assets	5	344,862	344,862
Equipment	7	-	-
<b>Total Assets</b>		<b>\$ 2,448,679</b>	<b>\$ 3,253,245</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 2,578,835	\$ 3,295,587
Provision for indemnity	9	1,511,000	1,418,000
		4,089,835	4,713,587
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	11	90,378,001	89,739,278
Reserves	11	9,908,061	9,677,724
Deficit		(101,927,218)	(100,877,344)
		(1,641,156)	(1,460,342)
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>		<b>\$ 2,448,679</b>	<b>\$ 3,253,245</b>

Nature and continuance of operations (Note 1)

Commitments (Note 9)

Approved by the Board of Directors:

*"Chad Ulansky"*

Chad Ulansky

*"Lorie Waisberg"*

Lorie Waisberg

*See accompanying notes to condensed consolidated interim financial statements.*

## Metalex Ventures Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

	Note	Three Months Ended January 31,		Nine Months Ended January 31,	
		2016	2015	2016	2015
<b>EXPENSES</b>					
Depreciation	7	\$ -	\$ -	\$ -	\$ 26,533
Exploration expenditures	6	4,006	410,056	528,278	495,481
Indemnity interest expense		31,500	31,000	94,400	93,000
Management fees	11(c)	57,033	16,905	38,829	21,871
Office and administrative		32,206	31,243	79,968	94,266
Professional fees		7,371	11,605	54,450	63,403
Share-based compensation	10	509,087	-	509,087	-
Transfer agent and filing fees		8,807	10,851	18,996	25,745
Travel and promotion		21,928	1,743	37,673	2,116
<b>Loss before other items</b>		<b>(671,938)</b>	<b>(513,403)</b>	<b>(1,361,681)</b>	<b>(822,415)</b>
<b>OTHER ITEMS</b>					
Interest income		4,626	7,141	13,945	27,099
Foreign exchange gain		5,205	42,985	19,112	58,833
		9,831	50,126	33,057	85,932
<b>Loss and comprehensive loss for the year</b>		<b>\$ (662,107)</b>	<b>\$ (463,277)</b>	<b>\$ (1,328,624)</b>	<b>\$ (736,483)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares</b>		<b>108,097,165</b>	<b>95,097,165</b>	<b>102,115,281</b>	<b>93,252,721</b>

See accompanying notes to condensed consolidated interim financial statements.

## Metalex Ventures Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Reserves	Convertible Advance	Deficit	Total
<b>Balance at April 30, 2014</b>		92,330,499	\$ 88,079,278	\$ 10,423,784	\$ 1,660,000	\$ (99,522,762)	\$ 640,300
Share conversion	11 (e)	2,766,666	1,660,000	-	(1,660,000)	-	-
Reserves transferred on expired and cancelled options	11 (d)	-	-	(127,642)	-	127,642	-
Loss for the period		-	-	-	-	(736,483)	(736,483)
<b>Balance at January 31, 2015</b>		95,097,165	\$ 89,739,278	\$ 10,296,142	\$ -	\$ (100,131,603)	\$ (96,183)
<b>Balance at April 30, 2015</b>		95,097,165	\$ 89,739,278	\$ 9,677,724	\$ -	\$ (100,877,344)	\$ (1,460,342)
Share issuance	11(b)	13,000,000	650,000	-	-	-	650,000
Share issuance costs	11(b)	-	(11,277)	-	-	-	(11,277)
Stock-based compensation	11(c)	-	-	14,638	-	-	14,638
Stock-based compensation adjustment for re-pricing	11(c)	-	-	494,449	-	-	494,449
Reserves transferred on expired and cancelled options	11(d)	-	-	(278,750)	-	278,750	-
Loss for the period		-	-	-	-	(1,328,624)	(1,328,624)
<b>Balance at January 31, 2016</b>		108,097,165	\$ 90,378,001	\$ 9,908,061	\$ -	\$ (101,927,218)	\$ (1,641,156)

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)

	Nine Months Ended January 31,	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,328,624)	\$ (736,483)
Items not affecting cash:		
Depreciation	-	26,533
Interest accrued on reclamation deposit	(3,557)	(6,505)
Interest accrued on indemnity provision	94,400	62,000
Share-based compensation	509,087	-
	(728,694)	(654,455)
Net changes in non-cash working capital items:		
Decrease (increase) in receivables	152,766	224,080
Decrease in prepaid expenses	(43,248)	9,599
Decrease in accounts payable and accrued liabilities	(718,152)	(1,224,388)
Net cash used for operating activities	(1,337,328)	(1,645,164)
<b>FINANCING ACTIVITIES</b>		
Issuance of share capital	650,000	-
Issuance cost	(11,277)	-
Net cash provided by financing activities	638,723	-
<b>Net decrease in cash</b>	(698,605)	(1,645,164)
<b>Cash, beginning of year</b>	1,630,815	3,385,044
<b>Cash, end of year</b>	\$ 932,210	\$ 1,739,880
<b>Cash paid for interest during the year</b>	\$ -	\$ -
<b>Cash paid for taxes during the year</b>	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 14)

*See accompanying notes to condensed consolidated interim financial statements.*

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

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

These 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. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

These unaudited condensed consolidated interim financial statements (the “Financial Statements”), including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As a results, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended April 30, 2015. The accounting policies and methods of application are consistent with those used in the Company’s consolidated financial statements for the year ended April 30, 2015.

These Financial Statements were approved for issue by the Audit Committee on March 30, 2016.

#### **Basis of Consolidation and Presentation**

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

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



## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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### **2. BASIS OF PRESENTATION** *(continued)*

#### **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 materially and adversely from these estimates.

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **New Standards Not Yet Adopted**

*IFRS 9 "Financial Instruments"* – This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and will be applicable fiscal years beginning January 1, 2018. 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. The Company does not expect any impact to the financial statements from the adoption of this standard.

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

### 4. RECEIVABLES

The Company's receivables are as follows:

	January 31, 2016	April 30, 2015
Related party receivables	\$ 2,451	\$ 133,179
GST receivable	9,047	31,085
Total	\$ 11,498	\$ 164,264

### 5. EXPLORATION AND EVALUATION ASSETS

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

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

	James Bay, Quebec	Kyle Lake, Ontario	Total
Balances as at April 30, 2014 and 2015	\$ 80,000	\$ 264,862	\$ 344,862
Additions (Written-off)	-	-	-
Balance, January 31, 2016	\$ 80,000	\$ 264,862	\$ 344,862

#### Kyle Lake Project, Ontario

As at January 31, 2016, the Company has a 100% earned interest in certain mineral claims located in the Kyle Lake area of Ontario. These claims are subject to a 10% carried interest in favour of Kel-Ex Development Ltd. ("Kel-Ex"). In September 2011, the Company acquired all of Arctic Star Exploration Corp's ("Arctic Star") remaining joint venture interests in the Company's Kyle Lake, James Bay Lowlands and Attawapiskat projects for a lump sum payment of \$264,862. Also pursuant to the agreement, the Company will pay Arctic Star a further \$2,000,000 in circumstances where a mine is put into production on the claims comprising the Kyle Lake project.

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

#### **Morocco**

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

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

The Company’s 36 month agreement with ONHYM has expired and the Company is in the process of extending it for a further 18 months.

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

As at January 31, 2016, the Company has a 74.3% contributing interest in various mineral claims located in the Wemindji James Bay region of Quebec for the exploration of diamonds. The Company also holds a 78.9% contributing interest in a joint venture for the exploration of non-diamond commodities (ie: various base and precious metals) within the same claim area.

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

As at January 31, 2016, 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 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 January 31, 2016, 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, 2016, the Company has a 82.5% working interest (61.7% earned interest) in certain mineral claims located in the vicinity of Attawapiskat, Ontario. These claims are subject to 10% carried interests in favour of each of Kel-Ex and Dumont Nickel Inc.

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

#### **Mali**

The Company had 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 January 31, 2016 is estimated at \$1,496,860 (CFA 692,000,000)

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

#### **Angola**

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

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

### 6. EXPLORATION EXPENDITURES

	Atta wapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	Mali	Angola	Morocco	Total
<b>Cumulative expenditures, April 30, 2014</b>	\$ 9,414,870	\$ 7,007,917	\$ 45,712,244	\$ 156,299	\$ 22,113,280	\$ 5,182,360	\$ 89,586,970
Additions							
Aircraft field transport	-	175,641	-	-	-	-	175,641
Camp and field supplies	-	5,843	-	-	-	1,612	7,455
Drill supplies and repairs	-	3,170	4,764	-	-	-	7,934
Equipment rental and amortization	-	25,319	216	-	444	225,467	251,446
Fuel (recovery)	-	35,465	(350)	-	-	-	35,115
Licenses, rent and other	-	-	7,031	2,613	-	-	9,644
Labour (recovery)	275	62,407	35,075	-	10,597	52,658	161,012
Sample laboratory analysis	-	-	14,218	-	-	97,068	111,286
Shipping and freight	-	9,277	48,850	-	38,134	1,418	97,679
Telephone and communication	-	363	-	-	-	-	363
Travel and accommodation	-	47,719	5,548	-	-	15,905	69,172
Total additions	275	365,204	115,352	2,613	49,175	394,128	926,747
Cost recoveries	-	-	-	-	-	(431,266)	(431,266)
Net exploration expenditures during the period	275	365,204	115,352	2,613	49,175	(37,138)	495,481
<b>Cumulative expenditures, January 31, 2015</b>	9,415,145	7,373,121	45,827,596	158,912	22,162,455	5,145,222	90,082,451
Net exploration expenditures to year end	-	729,101	91,659	2,190	16,199	393,774	1,232,923
<b>Cumulative expenditures, April 30, 2015</b>	9,415,145	8,102,222	45,919,255	161,102	22,178,654	5,538,996	91,315,374
Additions							
Aircraft field transport	-	20,489	-	-	-	-	20,489
Camp and field supplies	-	680	64	-	-	15,377	16,121
Drill supplies (recovery)	-	(154)	-	-	-	-	(154)
Equipment rental and amortization	-	-	-	-	-	236,724	236,724
Fuel	-	2,750	-	-	-	-	2,750
Licenses, rent and other	-	243	2,170	3,165	-	-	5,578
Labour	-	41,828	67,761	-	-	157,838	267,427
Sample laboratory analysis	-	117,944	-	-	-	14,014	131,958
Shipping and freight	-	4,367	30,920	183	-	9,554	45,024
Telephone and communication	-	132	-	-	-	542	674
Travel and accommodation	-	13,304	21,211	-	-	21,512	56,027
Total additions	-	201,583	122,126	3,348	-	455,561	782,618
Cost recoveries	-	(254,340)	-	-	-	-	(254,340)
Net exploration expenditures (recovery) during the period	-	(52,757)	122,126	3,348	-	455,561	528,278
<b>Cumulative expenditures, January 31, 2016</b>	\$ 9,415,145	\$ 8,049,465	\$ 46,041,381	\$ 164,450	\$ 22,178,654	\$ 5,994,557	\$ 91,843,652

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

### 7. EQUIPMENT

	Field equipment	Computer equipment	Furniture and fixtures	Total
<b>Cost:</b>				
Balance at April 30, 2014 and January 31, 2015	\$ 1,071,917	\$ 18,135	\$ 5,194	\$ 1,095,246
Dispositions	-	-	-	-
Balance at April 30, 2015	1,071,917	18,135	5,194	1,095,246
Dispositions	-	-	-	-
Balance as January 31, 2016	\$ 1,071,917	\$ 18,135	\$ 5,194	\$ 1,095,246
<b>Accumulated depreciation:</b>				
Balance at April 30, 2014	\$ 1,045,384	\$ 18,135	\$ 5,194	\$ 1,068,713
Depreciation	26,533	-	-	26,533
Balance at January 31, and April 30, 2015	1,071,917	18,135	5,194	1,095,246
Depreciation	-	-	-	-
Balance as January 31, 2016	\$ 1,071,917	\$ 18,135	\$ 5,194	\$ 1,095,246
<b>Carrying amounts</b>				
As at April 30, 2015	\$ -	\$ -	\$ -	\$ -
As at January 31, 2016	\$ -	\$ -	\$ -	\$ -

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	January 31, 2016	April 30, 2015
Trade payables	\$ 15,317	\$ 136,021
Accrued liabilities	216,691	176,463
Related party payables	2,346,827	2,983,103
Total	\$ 2,578,835	\$ 3,295,587

### 9. COMMITMENTS

In addition to the exploration commitments described in Note 5, the Company is committed to minimum future lease payments for office premises through to May, 2016 as follows:

Fiscal year ending April 30, 2016	\$ 2,469
Fiscal year ending April 30, 2017	\$ 823

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

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### 9. COMMITMENTS *(continued)*

During the 2010 and 2011 fiscal years, the Company completed a succession of flow-through share arrangements and renounced the expenditures to investors in accordance with Canadian income tax legislation. The Company was required to incur eligible Canadian exploration expenditures in order to ensure investors were eligible for the tax deductions. As at April 30, 2013 and 2014, the Company did not incur all the required expenditures and the investors are no longer eligible to receive certain tax deductions. Consequently, the flow-through share premium liability has been reduced to \$nil and the Company had recorded a provision of \$1,170,000 towards potential indemnification of tax liabilities to purchasers of the flow-through shares as at April 30, 2013. Interest of \$341,000 has been accrued on this balance to January 31, 2016.

### 10. RELATED PARTY DISCLOSURES

The 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, 2016	April 30, 2015
Mali Gold Mine Ltd.	Mali	100%	100%

During the three and nine month periods ended January 31, 2016 and 2015, the Company had related party transactions with the following companies related by way of common directors or shareholders:

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

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

### 10. RELATED PARTY DISCLOSURES (continued)

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

	Three months ended January 31,		Nine months ended January 31,	
	2016	2015	2016	2015
Laboratory and mineralogical costs	\$ 2,841	\$ 57,780	\$ 3,810	\$ 57,945
Administration fees (10%)	2,526	1,797	12,569	33,387
Geological consulting fees	70,402	41,627	109,759	78,055
Shared field expenditures	9,134	1,730	21,296	1,846
Shared office and administrative costs	2,812	3,488	22,717	11,609
	<u>\$ 87,715</u>	<u>\$ 106,422</u>	<u>\$ 170,151</u>	<u>\$ 182,842</u>

	Three months ended January 31,		Nine months ended January 31,	
	2016	2015	2016	2015
C.F. Mineral Research Ltd.	\$ 2,841	\$ 57,780	\$ 3,810	\$ 57,945
Cantex Mine Development Corp.	3,121	144	3,971	207
Element 29 Ventures Ltd.	48,476	32,621	83,756	53,215
Kel-Ex Development Ltd.	29,719	15,877	74,255	71,083
Northern Uranium Corp.	3,558	-	4,359	392
	<u>\$ 87,715</u>	<u>\$ 106,422</u>	<u>\$ 170,151</u>	<u>\$ 182,842</u>

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

	Three months ended January 31,		Nine months ended January 31,	
	2016	2015	2016	2015
Shared field expenditures	\$ 23,527	\$ 19,659	\$ 122,668	\$ 163,130
Shared office and administrative costs	4,510	31,675	25,781	71,982
	<u>\$ 28,037</u>	<u>\$ 51,334</u>	<u>\$ 148,449</u>	<u>\$ 235,112</u>

	Three months ended January 31,		Nine months ended January 31,	
	2016	2015	2016	2015
Cantex Mine Development Corp.	\$ 3,799	\$ 1,625	\$ 14,758	\$ 18,482
Diamante Minerals, Inc.	922	-	4,272	-
Element 29 Ventures Ltd.	-	266	-	398
Kel-Ex Development Ltd.	585	26,147	9,463	43,990
Northern Uranium Corp.	22,731	23,296	119,956	172,242
	<u>\$ 28,037</u>	<u>\$ 51,334</u>	<u>\$ 148,449</u>	<u>\$ 235,112</u>



## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

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

	<b>January 31, 2016</b>		April 30, 2015
C.F. Mineral Research Ltd.	\$ 715,234	\$	710,217
Cantex Mine Development Corp.	11		949
Element 29 Ventures Ltd.	15,354		34,376
Kel-Ex Development Ltd.	1,616,228		2,237,561
	<b>\$ 2,346,827</b>	<b>\$</b>	<b>2,983,103</b>

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

	<b>January 31, 2016</b>		April 30, 2015
Cantex Mine Development Corp.	\$ 1,331	\$	3,239
Diamante Minerals, Inc.	297		-
Kel-Ex Development Ltd.	198		3,082
Northern Uranium Corp.	625		126,858
	<b>\$ 2,451</b>	<b>\$</b>	<b>133,179</b>

The remuneration of directors and officers is as follows:

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
Director fees <sup>(1)</sup>	\$ 57,033	\$ 16,905	\$ 38,829	\$ 21,871
Share-based compensation <sup>(2)</sup>	14,638	-	14,638	-
Wages and benefits <sup>(3)</sup>	49,714	41,462	96,662	78,201
	<b>\$ 121,385</b>	<b>\$ 58,367</b>	<b>\$ 150,129</b>	<b>\$ 100,072</b>

(1) Directors fees are amounts accrued under the Company's deferred share unit plan as described in Note 11 (d). In the current quarter, there was a decrease in the balance of the accrued liability for management fees; as such, there was a recovery of management fees.

(2) Share-based compensation is the fair value of options granted to directors and management personnel. During the period ended January 31, 2016, the Company re-priced stock-options previously issued to directors and management; total adjustment to stock-based compensation for previously granted options was \$494,449.

(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.

## Metalex Ventures Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

#### b) Issued share capital

On September 4, 2015, the Company announced it had completed a private placement for flow through and non-flow through shares. The Company issued 7,000,000 flow through units (“FT units”) at a price of \$0.05 per FT unit and 6,000,000 non-flow through units (“units”) at \$0.05 per unit. Each FT unit is comprised of one flow through share and one-half a warrant, with each whole warrant exercisable at \$0.07 for a term of two years; each unit it comprised of one non-flow through share and one-half a warrant exercisable at \$0.07 for a term of two years. The Company incurred share issuance costs relating to this private placement of \$11,277.

#### 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.

Stock option transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise	Number	Weighted Average Exercise
Outstanding, April 30, 2014	7,809,000	\$ 0.54	-	\$ -
Expired	(1,093,000)	1.00	-	-
Outstanding, January 31, 2015	6,716,000	\$ 0.62	-	\$ -
Expired/cancelled	-	0.75	-	-
Outstanding, April 30, 2015	6,716,000	\$ 0.47	-	\$ -
Granted	400,000	0.08	6,500,000	\$ 0.07
Expired/cancelled	(650,000)	0.80	-	-
Outstanding, January 31, 2016	6,466,000	\$ 0.08	6,500,000	\$ 0.07
Number currently exercisable	6,466,000	\$ 0.08	6,500,000	\$ 0.07

Of the 6,500,000 warrants granted during the period ended January 31, 2016, 3,500,000 were flow-through units and 3,000,000 were non-flow through units.

The following stock options were outstanding at January 31, 2016:

	Number	Exercise Price	Expiry Date
<b>Options</b>	610,000	\$ 0.08	October 20, 2020
	1,700,000	0.08	March 28, 2021
	3,756,000	0.08	December 19, 2023
	400,000	0.08	January 13, 2026
	<u>6,466,000</u>		

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

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

During the nine month period ended January 31, 2016, the Company recognized share-based compensation of \$509,087 (2015 – \$nil) in the statement of loss and comprehensive loss as a result of granting (\$14,638) and re-pricing (\$494,449) of incentive stock options.

#### **d) Deferred share unit plan**

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly (\$7,500 initial value per quarter per director) at which time the number of deferred share units will be determined based on the Company's share price at the end of the quarter. Upon leaving the Board, directors, at their discretion, will receive shares for the deferred compensation. Under the deferred share plan, directors are entitled to receive the cash value equal to the fair value of the deferred shares outstanding. Accordingly, the value of the deferred liability is equal to the fair value of the shares. As of January 31, 2016, \$183,130 of deferred compensation (April 30, 2015 – \$144,301) has been accrued in accounts payable which equates to 2,289,126 shares (April 30, 2015 – 1,551,625 shares) if the directors left the Company.

#### **e) Convertible advance**

In January 2012, the Company signed a letter agreement whereby an equity fund managed by the Dundee Corporation group ("Dundee") may acquire up to a 51% interest in the U2 and T1 kimberlite pipes through a four stage investment of up to \$51 million. Pursuant to the letter agreement, the Fund has advanced \$5 million to the Company.

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

In July 2014, the Company received notice from Dundee that they were terminating the earn-in agreement. As at October 31, 2014, the \$1,660,000 advance was converted to 2,766,666 shares.

### **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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### **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

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

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

The Company's cash is in large Canadian financial institutions. The Company's receivables consist mainly of mineral property recoveries due from joint venture partners, receivables from related parties for shared expenditures and GST receivable due from the Federal Government of Canada. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures (April 30, 2015 - \$Nil). Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures. As at April 30, 2015, the Company had \$133,179 in outstanding related party receivables; the Company has subsequently received all of this balance.

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

*Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

*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.

### **13. CAPITAL RISK MANAGEMENT**

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

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

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

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

## **Metalex Ventures Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

January 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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### **14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The Company's significant non-cash transactions for the nine month period ended January 31, 2016 included the following:

- the transfer of reserves, representing expired stock options valued at \$278,750;
- the transfer of reserves, representing re-pricing of stock options valued at \$494,449;
- and the issuance of stock-based compensation in the amount of \$14,638.

Significant non-cash transactions for the nine month period ended January 31, 2014 included the conversion of the \$1,660,000 advance to shares and transferring reserves, representing expired stock options valued at \$127,642.