METALEX VENTURES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited – prepared by management

Expressed in Canadian dollars

JULY 31, 2012

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

	Note	July 31, 2012	April 30, 2012
ASSETS			
Current assets			
Cash		$ 12,526,777	$ 15,507,491
Receivables	4	302,375	211,297
Prepaid expenses		1,177,532	158,766
		14,006,684	15,877,554
Non-current assets			
Exploration and evaluation assets	5	344,862	344,862
Equipment	7	139,014	155,283
Total Assets		$ 14,490,560	$ 16,377,699
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 1,784,825	$ 1,259,006
Flow-through premium liability	11(b)	375,084	677,585
		2,159,909	1,936,591
SHAREHOLDERS' EQUITY			
Share capital	11	84,950,427	84,950,427
Reserves	11	11,581,660	11,579,389
Convertible advance	11(f)	5,000,000	5,000,000
Deficit		(89,201,436)	(87,088,708)
		12,330,651	14,441,108
Total Liabilities and Shareholders' Equity		$ 14,490,560	$ 16,377,699

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 July 31, 2012	July 31, 2011
EXPENSES			
Depreciation	7	$ 16,269	$ 4,176
Consulting fees		4,500	4,000
Exploration expenditures	6	2,300,185	1,172,630
Management fees	11(e)	15,000	15,000
Office and administrative		64,909	55,325
Professional fees		45,052	44,251
Property investigation		4,102	-
Share-based compensation	11(d)	2,271	2,200
Transfer agent and filing fees		3,848	4,414
Travel and promotion		8,680	4,824
Loss before other items		(2,464,816)	(1,306,820)
OTHER ITEMS			
Interest income		46,872	43,366
Other income	11(b)	302,501	69,422
Foreign exchange gain (loss)		2,715	34,414
		352,088	147,202
Loss and comprehensive loss for the period		$ (2,112,728)	$ (1,159,618)
Basic and diluted loss per share		$ (0.03)	$ (0.02)
Weighted average number of shares outstanding		66,463,562	66,463,562

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	Convertible Advance	Deficit	Total
Balance at April 30, 2011		66,463,562	$ 81,518,760	$15,027,625	$ -	$(79,910,199)	$ 16,636,186
Share-based compensation	11(d)	-	-	2,200	-	-	2,200
Loss for the period		-	-	-	-	(1,159,618)	(1,159,618)
Balance at July 31, 2011		66,463,562	$ 81,518,760	$15,029,825	$ -	$(81,069,817)	$ 15,478,768
Balance at April 30, 2012		66,463,562	$ 84,950,427	$11,579,389	$ 5,000,000	$(87,088,708)	$ 14,441,108
Share-based compensation	11(d)	-	-	2,271	-	-	2,271
Loss for the period		-	-	-	-	(2,112,728)	(2,112,728)
Balance at July 31, 2012		66,463,562	$ 84,950,427	$11,581,660	$ 5,000,000	$(89,201,436)	$ 12,330,651

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)

	Three Months Ended July 31, 2012	July 31, 2011
OPERATING ACTIVITIES		
Loss for the period	$ (2,112,728)	$ (1,159,618)
Items not affecting cash:		
Depreciation	16,269	4,176
Share-based compensation	2,271	2,200
Other income – flow-through premium	(302,501)	(69,422)
	(2,396,689)	(1,222,664)
Net changes in non-cash working capital items:		
Decrease in receivables	(91,078)	(804)
(Increase) decrease in prepaid expenses	(1,018,766)	44,457
Decrease in exploration advances	-	(37,565)
(Decrease) increase in accounts payable and accrued liabilities	525,819	(222,494)
Net cash used for operating activities	(2,980,714)	(1,439,070)
Net decrease in cash	(2,980,714)	(1,439,070)
Cash, beginning of period	15,507,491	18,153,497
Cash, end of period	$ 12,526,777	$ 16,714,427
Cash paid for interest during the period	$ -	$ -
Cash paid for taxes during the period	$ -	$ -

See accompanying notes to condensed consolidated interim financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

These 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 result, they do not confirm 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, 2012.

In preparing these Financial Statements, the Company applied the same accounting principles and methods of computation as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended April 30, 2012. These Financial Statements were approved for issue by the Audit Committee on September 18, 2012.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption Of Accounting Policies Effective May 1, 2012

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The adoption of this policy had no impact on these condensed consolidated interim financial statements.

New Standards Not Yet Adopted

Certain new standards, interpretations and amendments to existing standards are not yet effective as of July 31, 2012 and have not been applied in preparing these condensed consolidated interim financial statements.

New standard IFRS 9 "Financial Instruments"

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

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

IFRS 10, "Consolidated Financial Statements"

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

IFRS 11, "Joint Arrangements"

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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

New Standards Not Yet Adopted *(continued)*

IFRS 12, "Disclosure of Interests in Other Entities"

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

IFRS 13, "Fair Value Measurement"

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

4. RECEIVABLES

The Company's receivables are as follows:

	July 31, 2012	April 30, 2012
HST receivables	$ 231,657	$ 208,004
Trade receivables	65,844	-
Related party receivables	4,874	3,293
Total	$ 302,375	$ 211,297

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.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

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

	James Bay, Quebec	Kyle Lake, Ontario	Total
Balance and April 30, 2012	$ 80,000	$ 264,862	$ 344,862
Additions	-	-	-
Written off	-	-	-
Balance July 31, 2012	$ 80,000	$ 264,862	$ 344,862

Kyle Lake Project, Ontario

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

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

Angola

In April 2005, the Company entered into an agreement for kimberlite diamond exploration in Angola pursuant to an agreement executed by the Angolan Council of Ministers. Pursuant to the agreement, the Company contributes 100% of all costs incurred by the project up to the end of feasibility studies. These costs are repaid out of future profits and during the period the costs are being repaid, the Company's interest in the project is 55-60%. After the costs have been repaid, the Company's interest in the project will be 25%. The license is valid through to December 2, 2012.

Wemindji James Bay Property, Quebec

As at July 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 non-diamond commodities (ie: various base and precious metals) within the same claim area.

Morocco

In April 2011, the Company entered into a joint venture agreement with the Office National de Hydrocarburers et des Mines ("ONHYM") for exploration of a large claim area in Southern Morocco. 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.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (*continued*)

James Bay Lowlands Property, Ontario

As at July 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.

Attawapiskat Property, Ontario

Big Red Diamond Joint Venture

As at July 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 July 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.

Mali

The Company has a 100% interest in two gold exploration licenses. The annual exploration commitments for both permits in CFA Francs ("CFA"), with Canadian Dollar equivalents using exchange rates at July 31, 2012 is estimated as follows:

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

To date, the exploration commitments have not been met.

Wawa Property, Ontario

In 2005, the Company entered into an agreement with Mori Diamonds Inc. ("Mori") that allowed a 60% interest to be earned in certain mineral claims by funding the first diamond deposit discovered on the claims to bankable feasibility. The Company subsequently assigned 50% of the entitlements and obligations under the Mori agreement to Dianor Resources Inc. ("Dianor") in exchange for Dianor funding a proportionate share of the project costs.

In March 2012, the Company and Dianor elected to withdraw from the joint venture with Mori.

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).

(Expressed in Canadian Dollars)

6. EXPLORATION EXPENDITURES

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	James Bay, Ontario	Wawa, Ontario	Mali	Angola	Morocco	Greenland	Total
Cumulative expenditures, April 30, 2011	$ 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	-	-	1,176,757	-	-	-	-	898,264	-	2,075,021
Camp and field supplies	-	1,781	328,656	-	-	492	327,860	6,512	-	665,301
Drill supplies and repairs	-	-	138,741	-	-	-	309,864	-	-	448,605
Equipment rental and amortization	-	-	3,674	-	-	-	84,319	9,800	-	97,793
Fuel	-	-	198,020	-	-	-	51,677	268,582	-	518,279
Licenses, Rent and other	-	-	5,958	-	60,137	-	116,718	10,505	-	193,318
Labour	1,409	36,317	1,231,435	-	550	5,511	923,350	201,995	-	2,400,567
Sample laboratory analysis	7,664	420,396	283,865	-	-	-	156,106	27,733	11,880	907,644
Shipping and freight	-	-	94,822	-	-	201	267,472	9,936	-	372,431
Telephone and communications	-	-	29,014	-	-	-	26,213	787	-	56,014
Travel and accommodation	-	100	98,845	-	-	315	57,526	35,281	-	192,067
Total additions	9,073	458,594	3,589,787	-	60,687	6,519	2,321,105	1,469,395	11,880	7,927,040
Cost recoveries	-	(377,009)	(27,271)	-	-	-	-	-	-	(404,280)
Net exploration expenditures during year	9,073	81,585	3,562,516	-	60,867	6,519	2,321,105	1,469,395	11,880	7,522,760
Cumulative expenditures, April 30, 2012	$ 9,414,870	$ 3,995,976	$ 40,135,458	$ -	$ 2,232,200	$ 148,481	$ 20,342,453	$ 4,323,733	$ 3,377,217	$ 83,970,388
Additions										
Aircraft field transport	-	-	405,839	-	-	-	-	-	-	405,839
Camp and field supplies	-	-	44,837	-	-	-	30,047	23,341	-	98,225
Drill supplies and repairs	-	-	52,457	-	-	-	-	-	-	52,457
Equipment rental and amortization	-	-	7,688	-	-	-	41,197	69,340	-	118,225
Fuel	-	-	39,060	-	-	-	5,053	9,300	-	53,413
Licenses, Rent and other	-	-	513	-	-	-	31,828	2,623	-	34,964
Labour	-	9,051	858,869	-	-	-	180,700	116,345	-	1,164,965
Sample laboratory analysis	-	-	345	-	-	-	124,224	50,173	-	174,742
Shipping and freight	-	2,588	53,469	-	-	-	3,983	41,616	-	101,656
Telephone and communications	-	-	8,921	-	-	-	1,038	944	-	10,903
Travel and accommodation	-	-	36,007	-	-	-	15,627	33,162	-	84,796
Total additions	-	11,639	1,508,005	-	-	-	433,697	346,844	-	2,300,185
Cost recoveries	-	-	-	-	-	-	-	-	-	-
Net exploration expenditures during period	-	11,639	1,508,005	-	-	-	433,697	346,844	-	2,300,185
Cumulative expenditures, July 31, 2012	$ 9,414,870	$ 4,007,615	$ 41,643,463	$ -	$ 2,232,200	$ 148,481	$ 20,776,150	$ 4,670,577	$ 3,377,217	$ 86,270,573

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Field equipment	Automotive	Computer equipment	Furniture and fixtures	Total
Cost:					
Balance at April 30, 2011 and 2012	$ 1,071,917	$ 241,176	$ 18,135	$ 5,194	$1,336,422
Additions	-	-	-	-	-
Balance at July 31, 2012	$ 1,071,917	$ 241,176	$ 18,135	$ 5,194	$1,336,422
Accumulated depreciation:					
Balance at April 30, 2011	$ 880,309	$ 226,177	$ 15,550	$ 5,194	$1,127,230
Depreciation	37,275	14,999	1,635	-	53,909
Balance at April 30, 2012	917,584	241,176	17,185	5,194	1,181,139
Depreciation	15,975	-	294	-	16,269
Balance at July 31, 2012	$ 933,559	$ 241,176	$ 17,479	$ 5,194	$1,197,408
Carrying amounts:					
As at April 30, 2011	$ 191,608	$ 14,999	$ 2,585	$ -	$ 209,192
As at April 30, 2012	$ 154,333	$ -	$ 950	$ -	$ 155,283
As at July 31, 2012	$ 138,358	$ -	$ 656	$ -	$ 139,014

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	July 31, 2012	**April 30, 2012**
Trade payables	$ 1,042,778	$ 719,081
Accrued liabilities	467,675	401,880
Related party payables	274,372	138,045
Total	$ 1,784,825	$ 1,259,006

9. COMMITMENTS

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

Fiscal year ending April 30, 2013	$ 11,554
Fiscal year ending April 30, 2014	$ 14,121

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

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES

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

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

During the three months ended July 31, 2012, the Company entered into the following transactions with other related parties:

a) Paid or accrued laboratory and mineralogical costs of $208,402 (2011 - $15,275); a 10% administration fee of $16,607 (2011 - $Nil), geological consulting fees of $7,863 (2011 - $234), drilling and equipment rental charges of $1,896 (2011 - $Nil), and shared office and administrative costs of $5,369 (2011 - $5,767) to companies controlled by Charles Fipke, a director of the Company.

b) Paid or accrued geological consulting fees of $64,900 (2011 - $44,275) and travel and field expenses of $3,524 (2011 - $4,433), to a company controlled by Chad Ulansky, an officer of the Company

c) Paid or accrued field expenses of $1,032 (2011 - $Nil), to a company with common directors and management.

d) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of $1,163 (2011 - $8,609) from a company controlled by Charles Fipke, a director of the Company.

e) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of $1,944 (2011 - $2,370) and for shared field expenditures of $Nil (2011 - $15,210) from a company with common directors and management.

Included in accounts payable is $140,385 (April 30, 2012 - $Nil) for laboratory and mineralogical costs, $76,639 (April 30, 2012 - $85,535) for payroll costs, $6,013 (April 30, 2012 - $5,206) for shared office and administrative costs and $37,551 (April 30, 2012 - $23,788) for exploration work completed on certain properties owing to companies controlled by Charles Fipke, a director of the Company.

Included in accounts payable is $12,628 (April 30, 2012 - $23,516) for consulting fees owing to a company controlled by Chad Ulansky, an officer of the Company.

Included in accounts payable is $1,156 (April 30, 2012 - $Nil) for shared field expenditures owing to a company with common directors and management.

Included in receivables is $2,000 (April 30, 2012 - $1,749) for shared office and administrative costs due from a company controlled by Charles Fipke, a director of the Company.

Included in receivables is $2,874 (April 30, 2012 - $1,543) for shared office and administrative costs due from a company with common directors and management.

(Expressed in Canadian Dollars)

10. RELATED PARTY DISCLOSURES (*continued*)

The remuneration of directors and officers is as follows:

	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011
Director fees [1]	$ 15,000	$ 15,000
Share-based compensation [2]	-	-
Wages and benefits [3]	84,115	63,751
Total	$ 99,115	$ 78,751

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

In April 2011, the Company completed a non-brokered private placement with the Chairman of the Company for gross proceeds of $1,200,000 through the issuance of (i) 600,000 flow-through shares at a price of $1.00 per share, and (ii) 705,882 non flow-through units at a price of $0.85 per unit. The common shares were valued at $558,000 with the residual value allocated to the flow-through premium liability in the amount of $42,000.

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

As of April 30, 2012, $4,718,209 of the eligible expenditures had been spent, which reduced the flow-through premium liability by $895,818, resulting in a flow-through premium liability of $677,585. As of July 31, 2012, $6,237,854 of the eligible expenditures had been spent, which reduced the flow-through premium liability by $302,501, resulting in a flow-through premium liability of $375,084. As of July 31, 2012, the Company had a balance of $5,358,348 in flow-through dollars to be spent on eligible Canadian exploration expenses (defined in the Income Tax Act) prior to December 31, 2012. Once these funds are fully expended, the flow-through premium liability will be reduced to zero.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (*continued*)

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 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, 2011	5,144,800	$ 0.91	5,251,382	$ 0.79	16,742,200	$ 1.16
Granted	40,000	0.54	-	-	-	-
Expired	(25,700)	2.17	(3,637,500)	0.80	(9,187,500)	1.30
Outstanding, April 30, 2012	5,159,100	$ 0.90	1,613,882	$ 0.77	7,554,700	$ 0.99
Granted	-	-	-	-	-	-
Outstanding, July 31, 2012	5,159,100	$ 0.90	1,613,882	$ 0.77	7,554,700	$ 0.99
Number currently exercisable	5,154,100	$ 0.90	1,613,882	$ 0.77	7,554,700	$ 0.99

The following stock options and warrants were outstanding at July 31, 2012:

	Number	Exercise Price	Expiry Date
Options	3,000	4.50	March 5, 2013
	40,000	0.54	June 30, 2013
	508,100	1.00	November 18, 2013
	1,113,000	1.00	October 23, 2014
	825,000	0.80	June 15, 2015
	770,000	0.70	October 20, 2020
	1,900,000	0.95	March 28, 2021
	5,159,100		
Agents' Options	852,117	0.70	December 23, 2012
	761,765	0.85	April 13, 2013
	1,613,882		
Warrants	3,349,833	1.00	December 23, 2012
	910,750	0.90	December 23, 2012
	3,294,117	1.00	April 13, 2013
	7,554,700		

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (*continued*)

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

During the three months ended July 31, 2012, the Company recognized share-based compensation of $2,271 (2011 - $2,200) in the statement of loss and comprehensive loss as a result of the granting and vesting of incentive stock options. The weighted average fair value of options granted was $0.23 per option (2011 - $0.22).

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%	1.6%
Expected option life	1 year	1 years
Expected stock price volatility	105.6%	105.6%
Expected dividend yield	0%	0%

e) **Deferred share unit plan**

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly ($7,500 per quarter per director) at which time the number of deferred share units will be determined based on the Company's share price at the end of the quarter. Upon leaving the Board, directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. As of July 31, 2012, $394,167 of deferred compensation (April 30, 2012 – $379,167) has been accrued in accounts payable which equates to 472,532 shares (April 30, 2012 – 412,532 shares) if the directors elected to receive shares under the plan.

f) **Convertible advance**

In January 2012, the Company signed a letter agreement whereby an equity fund managed by the Dundee Corporation group (the "Fund") may acquire up to a 51% interest in the U2 and T1 kimberlite pipes through a four stage investment of up to $51 million. Pursuant to the letter agreement, the Fund has advanced $5 million to the Company which is to be used for preparatory work for the 10,000+ ton bulk sample (the "Bulk Sample").

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

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

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

12. SEGMENTED INFORMATION

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

	July 31, 2012	April 30, 2012
Capital Assets (Exploration and evaluation assets and equipment):		
Canada	$ 345,518	$ 345,812
Angola	138,358	154,333
	$ 483,876	$ 500,145

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 (July 31, 2012 - $Nil). Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures.

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

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

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

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 MANAGMENT

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

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

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

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