

**METALEX VENTURES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**APRIL 30, 2007**

## **AUDITORS' REPORT**

To the Shareholders of  
Metalex Ventures Ltd.

We have audited the consolidated balance sheets of Metalex Ventures Ltd. as at April 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

July 5, 2007  
(except as to Note 11 which  
is as of August 10, 2007)

A Member of *SC INTERNATIONAL*

**METALEX VENTURES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT APRIL 30**

	2007	2006
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,712,144	\$ 14,392,563
Receivables	515,716	875,584
Prepaid expenses	<u>4,140</u>	<u>7,102</u>
	2,232,000	15,275,249
<b>Mineral properties</b> (Note 3)	41,997,441	28,566,194
<b>Equipment</b> (Note 4)	439,846	346,363
<b>Exploration advances</b> (Note 6)	<u>679,438</u>	<u>1,542,817</u>
	<u>\$ 45,348,725</u>	<u>\$ 45,730,623</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,714,084	\$ 3,213,496
Current portion of capital lease obligation	149,537	-
Due to related party (Note 6)	-	157,994
Loan payable to related parties (Note 6)	<u>1,019,052</u>	<u>2,536,707</u>
	2,882,673	5,908,197
<b>Capital lease obligation due to related party</b> (Note 6)	149,532	-
<b>Future income taxes</b> (Note 7)	<u>7,297,749</u>	<u>3,968,770</u>
	<u>10,329,954</u>	<u>9,876,967</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	38,070,429	38,291,907
Subscriptions received in advance	-	17,500
Contributed surplus (Note 5)	7,037,076	6,788,667
Deficit	<u>(10,088,734)</u>	<u>(9,244,418)</u>
	<u>35,018,771</u>	<u>35,853,656</u>
	<u>\$ 45,348,725</u>	<u>\$ 45,730,623</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 11)

**On behalf of the Board:**

"Lorie Waisberg"

Director

"Michael Hitch"

Director

The accompanying notes are an integral part of these consolidated financial statements.

**METALEX VENTURES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEAR ENDED APRIL 30**

	2007	2006
<b>EXPENSES</b>		
Amortization	\$ 56,544	\$ 30,431
Consulting fees	300,475	104,789
Management fees	252,206	424,675
Office and administrative	411,381	273,567
Professional fees	164,763	112,828
Property investigation	10,550	72,330
Stock-based compensation (Note 5)	265,804	351,335
Transfer agent and filing fees	35,779	37,934
Travel	<u>74,030</u>	<u>389,572</u>
<b>Loss before other items</b>	<u>(1,571,532)</u>	<u>(1,797,461)</u>
<b>OTHER ITEMS</b>		
Interest income and foreign exchange	312,706	47,889
Write-off of mineral properties (Note 3)	<u>(306,835)</u>	<u>(472,113)</u>
	<u>5,871</u>	<u>(424,224)</u>
<b>Loss before income taxes</b>	(1,565,661)	(2,221,685)
<b>Future income tax recovery (Note 7)</b>	<u>721,345</u>	<u>1,955,279</u>
<b>Loss for the year</b>	(844,316)	(266,406)
<b>Deficit, beginning of year</b>	<u>(9,244,418)</u>	<u>(8,978,012)</u>
<b>Deficit, end of year</b>	<u>\$ (10,088,734)</u>	<u>\$ (9,244,418)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of shares outstanding</b>	<u>67,912,089</u>	<u>36,586,454</u>

The accompanying notes are an integral part of these consolidated financial statements.

**METALEX VENTURES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED APRIL 30**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (844,316)	\$ (266,406)
Items not affecting cash:		
Amortization	56,544	30,431
Stock-based compensation	265,804	351,335
Write-off of mineral properties	306,835	472,113
Future income tax recovery	(721,345)	(1,955,279)
Change in non-cash working capital items:		
Decrease (increase) in receivables	616,590	(151,882)
Decrease (increase) in prepaid expenses	2,962	(6,380)
Decrease in accounts payable and accrued liabilities	<u>(91,178)</u>	<u>(586,911)</u>
Net cash used in operating activities	<u>(408,104)</u>	<u>(2,112,979)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration advances	(511,143)	(459,105)
Mineral property expenditures	(13,692,530)	(7,671,221)
Acquisition of equipment	(288,796)	(322,889)
Payments on capital lease	(149,535)	-
Proceeds from disposition of equipment	448,604	-
Mineral property cost recoveries	<u>271,092</u>	<u>736,764</u>
Net cash used in investing activities	<u>(13,922,308)</u>	<u>(7,716,451)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	4,164,510	22,709,298
Subscriptions received in advance	-	17,500
Share issue costs	(1,251,692)	(443,350)
Amounts due to related party	(157,994)	609,177
Loan payable to related parties	<u>(1,104,831)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,649,993</u>	<u>22,892,625</u>
<b>Change in cash during the year</b>	(12,680,419)	13,063,195
<b>Cash, beginning of year</b>	<u>14,392,563</u>	<u>1,329,368</u>
<b>Cash, end of year</b>	<u>\$ 1,712,144</u>	<u>\$ 14,392,563</u>
<b>Cash paid for interest during the year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid for income taxes during the year</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental disclosure with respect to cash flows** (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

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

The Company's principal business activity is the acquisition and exploration of mineral properties. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties, including acquisition costs and related exploration costs, are 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 financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. 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 to assets and liabilities should the Company be unable to continue in existence.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The subsidiaries were incorporated under foreign jurisdiction, have no assets or liabilities and have been inactive since incorporation.

### **Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the straight-line method and rates estimated to amortize the cost of the assets over their expected useful lives.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties**

Costs related to the acquisition and exploration of mineral properties are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that the carrying amount of a mineral property is impaired, or a property is abandoned, that property is written down to its net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The amounts shown for mineral properties do not necessarily represent present or future values. Recoverability of these amounts is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Asset retirement obligations**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

**Income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the net future tax assets.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**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. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares of the Company at the average market price during the period. For the years presented, this calculation was not presented separately as the calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of shares outstanding during the year.

**Stock-based compensation**

The Company has a stock option plan which is described in Note 5. The Company uses the fair value method of accounting for stock options whereby the fair value of options granted is recorded as a compensation expense over the vesting period of the stock options in the financial statements. Any consideration paid by the option holders to purchase shares is credited to capital stock.

**Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**METALEX VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**3. MINERAL PROPERTIES**

<b>2007</b>	<b>Attawapiskat</b>	<b>Wemindji James Bay</b>	<b>Kyle Lake</b>	<b>New Liskeard</b>	<b>Wawa</b>	<b>Mali</b>	<b>Angola</b>	<b>Morocco</b>	<b>Greenland</b>	<b>Total 2007</b>
<b>Acquisition costs:</b>										
Balance, beginning of year	\$ 389,936	\$ 80,000	\$ 90,179	\$ 160,000	\$ 121,890	\$ -	\$ 711,000	\$ -	\$ 7,085	\$ 1,560,090
Additions	5,399	-	29,550	1,101	50,808	8,916	200,000	-	15,644	311,418
Cost recoveries	-	-	(2,509)	-	-	-	-	-	-	(2,509)
	<u>395,335</u>	<u>80,000</u>	<u>117,220</u>	<u>161,101</u>	<u>172,698</u>	<u>8,916</u>	<u>911,000</u>	<u>-</u>	<u>22,729</u>	<u>1,868,999</u>
<b>Exploration costs:</b>										
Balance, beginning of year	8,460,447	349,925	9,930,950	69,567	119,643	-	3,886,841	1,440,847	2,747,884	27,006,104
<b>Additions</b>										
Airborne geophysical survey	-	-	521,876	-	39,854	-	158,543	5,500	-	725,773
Aircraft field transport	-	265,672	3,373,970	-	-	-	-	-	65,648	3,705,290
Camp and field supplies	-	19,356	736,279	-	99,775	-	761,507	33,615	162	1,650,694
Consulting fees	19,940	29,345	69,873	27,909	84,550	550	251,863	68,611	7,850	560,491
Drilling	-	-	1,617,675	48,258	125,042	-	-	-	-	1,790,975
Equipment rental and amortization	-	15,852	231,547	-	2,765	-	154,140	10,648	-	414,952
Ground geophysical survey	-	-	8,190	-	13,597	-	-	-	5,753	27,540
Insurance, legal and licenses	2,161	30	34,878	-	4,449	-	52,306	6,888	-	100,712
Labour	1,423	19,931	1,609,170	-	3,925	-	623,868	7,694	4,227	2,270,238
Mapping	5,452	11,961	14,055	-	18,450	16,505	3,840	32,634	2,987	105,884
Rent	-	-	-	-	-	-	77,181	-	-	77,181
Sample laboratory analysis	5,515	5,008	375,835	-	43,129	37,265	15,050	618,125	287,625	1,387,552
Shipping and freight	24	16,915	142,271	-	1,413	17,365	32,377	30,631	64,201	305,197
Telephone and communications	-	1,337	65,842	-	261	-	30,245	4,005	1,315	103,005
Transportation fuel	-	56,476	560,536	-	-	-	-	149	6,672	623,833
Travel and accommodation	-	44,117	197,808	-	24,300	338	60,078	85,165	8,151	419,957
Total additions	34,515	486,000	9,559,805	76,167	461,510	72,023	2,220,998	903,665	454,591	14,269,274
Cost recoveries	-	(26,713)	(813,388)	-	-	-	-	-	-	(840,101)
	<u>8,494,962</u>	<u>809,212</u>	<u>18,677,367</u>	<u>145,734</u>	<u>581,153</u>	<u>72,023</u>	<u>6,107,839</u>	<u>2,344,512</u>	<u>3,202,475</u>	<u>40,435,277</u>
Total costs before write-offs	8,890,297	889,212	18,794,587	306,835	753,851	80,939	7,018,839	2,344,512	3,225,204	42,304,276
Written-off during year	-	-	-	(306,835)	-	-	-	-	-	(306,835)
<b>Total costs, end of year</b>	<b>\$ 8,890,297</b>	<b>\$ 889,212</b>	<b>\$ 18,794,587</b>	<b>\$ -</b>	<b>\$ 753,851</b>	<b>\$ 80,939</b>	<b>\$ 7,018,839</b>	<b>\$ 2,344,512</b>	<b>\$ 3,225,204</b>	<b>\$ 41,997,441</b>

**METALEX VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2007**

**3. MINERAL PROPERTIES (cont'd...)**

<b>2006</b>	<b>Attawapiskat</b>	<b>Wemindji James Bay</b>	<b>Kyle Lake</b>	<b>New Liskeard</b>	<b>Wawa</b>	<b>Mali</b>	<b>Angola</b>	<b>Morocco</b>	<b>Greenland</b>	<b>Total 2006</b>
<b>Acquisition costs:</b>										
Balance, beginning of year	\$ 389,936	\$ 80,000	\$ 66,483	\$ 20,000	\$ -	\$ -	\$ 411,000	\$ -	\$ 7,085	\$ 974,504
Additions	-	-	25,896	140,000	121,890	-	300,000	-	-	587,786
Cost recoveries	-	-	(2,200)	-	-	-	-	-	-	(2,200)
	<u>389,936</u>	<u>80,000</u>	<u>90,179</u>	<u>160,000</u>	<u>121,890</u>	<u>-</u>	<u>711,000</u>	<u>-</u>	<u>7,085</u>	<u>1,560,090</u>
<b>Exploration costs:</b>										
Balance, beginning of year	7,859,577	259,636	4,616,760	60,920	-	457,432	2,155,838	825,265	1,540,437	17,775,865
<b>Additions</b>										
Airborne geophysical survey	17,779	-	80,599	-	-	-	244,820	-	-	343,198
Aircraft field transport	66,972	-	2,167,736	-	-	-	16,983	-	189,791	2,441,482
Camp and field supplies	40,136	6,106	585,697	-	2,205	-	426,631	5,732	42,323	1,108,830
Consulting fees	7,249	6,601	80,477	7,839	11,713	-	48,607	25,482	18,125	206,093
Drilling	6,706	-	735,065	-	-	-	-	-	58,164	799,935
Equipment rental and amortization	1,139	-	173,578	-	-	-	33,844	46,942	42,911	298,414
Ground geophysical survey	1,179	-	63	-	-	-	-	-	51,795	53,037
Insurance, legal and licenses	5,401	7,833	17,517	-	4,562	-	23,620	-	-	58,933
Labour	60,166	-	994,198	-	2,625	-	649,788	1,974	27,618	1,736,369
Mapping	20,433	16,405	8,292	808	2,738	3,336	12,105	17,811	22,717	104,645
Rent	-	-	-	-	-	-	73,640	-	-	73,640
Sample laboratory analysis	334,059	50,983	182,278	-	89,961	8,656	71,539	432,634	677,367	1,847,477
Shipping and freight	1,163	2,361	66,651	-	-	2,689	67,896	32,362	36,712	209,834
Telephone and communications	4,804	-	61,189	-	378	-	15,963	6,812	4,945	94,091
Transportation fuel	28,850	-	507,932	-	-	-	115	-	6,686	543,583
Travel and accommodation	4,834	-	145,951	-	5,461	-	45,452	45,833	28,293	275,824
Total additions	600,870	90,289	5,807,223	8,647	119,643	14,681	1,731,003	615,582	1,207,447	10,195,385
Cost recoveries	-	-	(493,033)	-	-	-	-	-	-	(493,033)
	<u>8,460,447</u>	<u>349,925</u>	<u>9,930,950</u>	<u>69,567</u>	<u>119,643</u>	<u>472,113</u>	<u>3,886,841</u>	<u>1,440,847</u>	<u>2,747,884</u>	<u>27,478,217</u>
Total costs before write-offs	8,850,383	429,925	10,021,129	229,567	241,533	472,113	4,597,841	1,440,847	2,754,969	29,038,307
Written-off during year	-	-	-	-	-	(472,113)	-	-	-	(472,113)
<b>Total costs, end of year</b>	<b>\$ 8,850,383</b>	<b>\$ 429,925</b>	<b>\$ 10,021,129</b>	<b>\$ 229,567</b>	<b>\$ 241,533</b>	<b>\$ -</b>	<b>\$ 4,597,841</b>	<b>\$ 1,440,847</b>	<b>\$ 2,754,969</b>	<b>\$ 28,566,194</b>

**3. MINERAL PROPERTIES (cont'd...)**

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 are in good standing.

**Attawapiskat Property, Ontario**

*Big Red Diamond Joint Venture*

During fiscal 2002, Kel-Ex Development Ltd. ("Kel-Ex") formed an exploration joint venture with Big Red Diamonds Ltd. ("Big Red"), (the Big Red Diamond Joint Venture) with respect to certain mineral claims in the Attawapiskat area of Ontario, with Kel-Ex having an 80% interest and Big Red, a 20% interest. Also during this period, the Company entered into an agreement with Kel-Ex to acquire Kel-Ex's 80% interest in these claims in consideration for \$300,000 and the issuance of 1,000,000 common shares of the Company valued at \$225,000. Kel-Ex is controlled by an individual who became a director of the Company subsequent to this agreement.

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

As at April 30, 2007 the Company has a 60% working interest in certain mineral claims. These claims are subject to a 7.5% carried interest in favour of Kel-Ex, and the Company is obligated to contribute to the costs of the development program in proportion to its working interest.

*Dumont Joint Venture*

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

The Company, along with Arctic Star and Oasis Diamond Corp. ("Oasis"), entered into an agreement dated October 23, 2003 with Kel-Ex whereby the parties acquired Kel-Ex's interest in the Dumont joint venture in exchange for assuming Kel-Ex's obligations under the Dumont agreement and reimbursing Kel-Ex for its costs incurred. Under this agreement, the Company acquired 70% of Kel-Ex's interest in the Dumont joint venture with Arctic Star and Oasis acquiring 20% and 10% interests, respectively. Kel-Ex retains a 10% free carried interest of which the Company's share is 7.78%. Pursuant to an agreement dated September 21, 2004, Big Red was assigned a 20% working interest of the Kel-Ex interest from the Company in consideration for payment to the Company of \$909,747 comprised of a mineral property expense recovery of \$892,001 and interest of \$17,746. As a result, the Company's working interest was reduced to 50% of Kel-Ex's right to earn 90% (95% on new claims) in the Dumont joint venture. It remains to be negotiated between the parties as to which of the Company or Big Red shall be liable for payment of the proportionate share of the Kel-Ex free carried interest.

**3. MINERAL PROPERTIES (cont'd...)**

**Wemindji James Bay Property, Quebec**

During fiscal 2003, the Company acquired a 33.3% interest in various mineral claims located in the Wemindji James Bay region of Quebec, Canada from Kel-Ex in consideration for 200,000 common shares of the Company valued at \$80,000.

During the current fiscal year, the Company received notification from one joint venture party that they did not wish to participate in non-diamond related exploration on these claims. The Company is finalizing a joint venture agreement with the other party for the exploration of various base metals within the same claim area in the Wemindji James Bay region. The Company will hold a 50% interest in this joint venture while retaining its 33.3% share in the original project which will explore solely for diamonds. Accordingly, certain non-diamond exploration costs have been recorded to reflect the Company's increased interest.

**Kyle Lake Area, Ontario**

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

During fiscal 2005, Arctic Star advised the Company that it declined to contribute financially to exploration of the Kyle Lake project and the Company elected to increase its interest in the project by funding Arctic Star's contribution. At April 30, 2007, the working interest of the Company in the project was approximately 91.5%.

The property is subject to a 10% free carried interest in favour of Kel-Ex. This interest will be financed on a pro-rata basis by the Company and Arctic Star and will be carried through to commercial production. Funds expended by the Company and Arctic Star in financing this interest will be repaid out of 90% of Kel-Ex's share of mine profits.

**New Liskeard, Ontario**

During fiscal 2005, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in the New Liskeard area of Ontario, Canada for which the Company paid \$20,000 cash. Pursuant to the agreement, the Company also paid \$60,000 and issued 102,645 common shares valued at \$80,000 in fiscal 2006.

During the current fiscal year, the Company decided not to proceed with further exploration on this property and, accordingly, capitalized costs of \$306,835 were written off to operations.

**3. MINERAL PROPERTIES (cont'd...)**

**Wawa, Ontario**

In July 2005, the Company executed an agreement with Mori Diamonds Inc (“Mori”) that allows the Company to earn a 60% interest in certain claim units by solely funding the first diamond deposit discovered in the claim units to bankable feasibility. The Company paid \$229,500 to Mori during fiscal 2006 and agreed to pay \$100,000 annually until it earns its interest or withdraws from the venture. The minimum spending requirement of \$400,000 to have been incurred by May 31, 2006 was met. The claim units are subject to a 2% net smelter royalty.

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

**Mali**

In fiscal 2004, the Company was granted two Authorities to Prospect (“A to P”) to conduct exploration activities in Northwestern Mali. The Company allowed these original A to P’s to lapse and in February 2005, was granted a single A to P having a term of 90 days with an option to extend it for a further 90 days in order to continue exploration activities in the area. This A to P lapsed in fiscal 2006 and accordingly, capitalized costs of \$472,113 were written off to operations during fiscal 2006.

In January 2007, an exploration license was granted covering 490 square kilometers. The license covers a period of three years and is renewable twice for a total of nine years.

The annual exploration commitment in CFA Francs (“CFA”), with Canadian Dollar equivalents using exchange rates at April 30, 2007 is as follows:

Fiscal		
2008	45,000,000 CFA	\$103,680
2009	121,000,000 CFA	\$278,784
2010	103,000,000 CFA	\$237,312

**Angola**

The Company participates, as a member of a joint venture, in alluvial diamond exploration in Angola through its interest in Project Chitamba which owns an alluvial diamond license which comprises the project area. 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 51%. After the Company’s costs have been repaid, the Company’s interest in the project will be 33%.

**3. MINERAL PROPERTIES (cont'd...)**

**Angola (cont'd...)**

Although the alluvial rights to the Chitamba license were granted to the Company, the underlying agreement with a consortium of four private companies (the "Consortium") provided for the Consortium to retain an interest in alluvial diamonds and to fund all alluvial work in this license. As the Consortium was not able to fund any exploration, the Company agreed to fund US\$400,000 of alluvial exploration in return for earning a 51% interest, of the Consortium's interest, in the alluvial license.

On June 1, 2005 the Company completed a settlement agreement with two members of the Consortium with respect to disputes which had arisen between those parties and the Company in relation to earlier joint efforts to secure certain diamond exploration concessions in Angola. Under the terms of the agreement, these two members of the Consortium relinquished any rights they might otherwise have had to the Angolan concessions in consideration for which the Company issued each of them 206,587 common shares at a total value of \$300,000.

On June 30, 2006 the Company completed a settlement agreement with a third member of the Consortium. Under the terms of the agreement, this member of the Consortium relinquished any rights it might otherwise have had to the Angolan concessions in consideration for which the Company agreed to pay that member \$200,000 in cash, in four equal installments over a period of one year (paid). The Company also purchased all rights and title to the Chitamba project from the fourth member of the Consortium for \$44,444 in cash plus reimbursement of previous expenditure incurred by that member of US\$10,000. Thus the Company has no further obligations to any members of the Consortium and the members of the Consortium have no further interest in Project Chitamba. Under the terms of the Chitamba alluvial license, the Company must spend US\$3,000,000 by July 31, 2008.

The Company also entered into an agreement for kimberlite diamond exploration in Angola pursuant to an agreement executed by the Angolan Council of Ministers in April 2005. Under the terms of the agreement, the Company contributes 100% of all costs incurred by the project up to the end of feasibility studies. These costs are repaid out of future profits and during the period the costs are being repaid, the Company's interest in the project is 55-60%. After the Company's costs have been repaid, the Company's interest in the project is 25%. Under the terms of the Chitamba kimberlite license, the Company must spend US \$10,000,000 by April 29, 2008. The Company's ability to meet this expenditure criteria will be dependent upon its success in raising additional financing.

**3. MINERAL PROPERTIES (cont'd...)**

**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 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. The parties are finalizing a joint venture agreement for further exploration of the claim areas, under which the Company will hold a 60% contributing interest.

**Greenland**

In December 2003, the Company applied for an exploration license in the Umiivitt area of West Greenland. The license was granted in May 2004 and is effective to December 31, 2008.

In January 2005, the Company entered into an agreement with Cantex Mine Development Corp. (“Cantex”), whereby two exploration licenses held by Cantex in Greenland were transferred and assigned to the Company. In return, the Company will solely fund exploration of these licenses until January 20, 2008 and Cantex is granted an option to purchase a 25% interest in these licenses, and the Company’s Umiivitt license, for \$120,000. The option is exercisable between January 1 and 20, 2008 and, if exercised, both parties will contribute to ongoing exploration costs in proportion to their interests. Cantex is related to the Company by virtue of directors in common.

The Company granted Kel-Ex a 10% free carried interest.

In December 2006, portions of the exploration licenses were relinquished and the remaining ground was amalgamated into a single license.

The annual exploration commitment in Danish Kroners (“DKK”), with Canadian Dollar equivalents using exchange rates at April 30, 2007 is as follows:

Calendar		
2007	6,878,080 DKK	\$1,394,875
2008	6,878,080 DKK	\$1,394,875

The expenditure commitment is based on a fixed amount plus a sliding scale based on the surface area of the license. The commitment will be reduced if certain ground is relinquished. As of April 30, 2007, the Company has incurred approximately 13,113,543 DKK in expenditures towards this commitment.

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**4. EQUIPMENT**

	Expected useful life	2007			2006		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	3 years	\$371,816	\$ 61,981	\$ 309,835	\$ 311,476	\$ 6,374	\$ 305,102
Automotive	3 years	196,178	76,210	119,968	46,551	23,279	23,272
Computer equipment	3 years	30,799	24,642	6,157	28,758	15,702	13,056
Furniture and fixtures	5 years	5,194	1,308	3,886	5,194	261	4,933
		\$603,987	\$ 164,141	\$ 439,846	\$ 391,979	\$ 45,616	\$ 346,363

Field equipment at April 30, 2007 with a cost of \$371,816 (2006 - \$Nil) and net book value of \$309,835 (2006 - \$Nil) is held under capital lease. Amortization on this field equipment of \$61,981 (2006 - \$Nil) has been charged to mineral properties.

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Issued			
Balance as at April 30, 2005	30,367,083	\$ 18,938,646	\$ 6,214,985
Private placements	31,862,021	22,709,298	-
For mineral properties	515,819	380,000	-
Finder's shares	24,150	16,905	-
Stock-based compensation	-	-	351,335
Agents' warrants	-	-	222,347
Share issue costs	-	(1,563,735)	-
Tax benefits renounced to flow through share subscribers	-	(2,189,207)	-
Balance as at April 30, 2006	62,769,073	38,291,907	6,788,667
Private placement	5,974,300	4,182,010	-
Stock-based compensation – for services	50,000	22,000	-
Stock-based compensation – options granted	-	-	243,804
Agents' warrants	-	-	4,605
Share issue costs	-	(375,164)	-
Tax benefits renounced to flow through share subscribers	-	(4,050,324)	-
Balance as at April 30, 2007	68,793,373	\$ 38,070,429	\$ 7,037,076

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Private placements**

In May 2005, the Company completed a private placement consisting of 1,176,471 flow-through common shares at \$0.85 per share for gross proceeds of \$1,000,000 and 1,529,411 non-flow-through common shares at \$0.85 per share for gross proceeds of \$1,300,000. A finder's fee of \$70,000 was paid in respect of the placement.

In January 2006, the Company completed a private placement consisting of 6,866,285 flow-through shares at \$0.70 per share for gross proceeds of \$4,806,399 and 1,442,642 non-flow-through units at \$0.70 per unit for gross proceeds of \$1,009,849. Each non-flow-through unit consists of one common share and one half of one share purchase warrant, each whole warrant exercisable for the purchase of one common share in the Company at a price of \$0.85 per share for a period of one year from the date of issuance. Finder's fees in the amount of \$218,670 were paid in cash in connection with the private placement. In addition, 12,775 common shares and 11,375 units with a total value of \$16,905 were issued as finders fees. These units have the same terms as described above.

In April 2006, the Company completed a private placement consisting of 1,198,928 flow-through shares at \$0.70 per share for gross proceeds of \$839,250 and 1,088,428 non-flow-through units at \$0.70 per unit for gross proceeds of \$761,900. Each non-flow-through unit consists of one common share and one half of one share purchase warrant, each whole warrant exercisable for the purchase of one common share in the Company at a price of \$0.88 per share for a period of one year from the date of issuance. Finder's fees in the amount of \$31,900 were paid in cash in connection with the private placement.

In April 2006, the Company completed a private placement consisting of 10,570,571 flow-through shares at \$0.70 per share for gross proceeds of \$7,399,400 and 7,989,285 non-flow-through units at \$0.70 per unit for gross proceeds of \$5,592,500. Each non-flow-through unit consists of one common share and one half of one share purchase warrant, each whole warrant exercisable for the purchase of one common share in the Company at a price of \$0.88 per share for a period of one year from the date of issuance. Finder's fees in the amount of \$819,070 were incurred in connection with the private placement. In addition, 1,640,500 agent's warrants were also issued as finder's fees in connection with this placement. The agents' warrants have the same terms as described above and were valued at \$222,347 using the Black-Scholes option pricing model with an expected volatility of 66%, a risk free interest rate of 4.1%, an expected life of 1 year and an expected dividend yield of 0%.

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Private placements (cont'd...)**

In May 2006, the Company completed a private placement consisting of 4,551,200 flow-through shares at \$0.70 per share for gross proceeds of \$3,185,840 and 1,423,100 non-flow-through units at \$0.70 per unit for gross proceeds of \$996,170. Each non-flow-through unit consists of one common share and one half of one share purchase warrant, each whole warrant exercisable for the purchase of one common share in the Company at a price of \$0.88 per share until June 19, 2007. Finder's fees of \$278,483 were paid in cash in connection with the private placement and the Company issued agent's warrants entitling the holders to acquire 22,400 common shares at \$0.88 per share until April 12, 2007. The agent's warrants were valued at \$4,605 using the Black-Scholes option pricing model with an expected volatility of 67%, a risk free interest rate of 3.8%, an expected life of 1 year and an expected dividend yield of 0%.

**Stock-based compensation – for services**

In November 2006, the Company issued 50,000 shares, at a value of \$22,000, to a former director as compensation for services.

**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. The directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. As of April 30, 2007, \$89,333 (2006 - \$50,000) of deferred compensation has been accrued.

**Stock options and warrants**

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting provisions determined by the Board of Directors.

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**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options and warrants (cont'd...)**

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

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, April 30, 2005	2,500,000	\$ 0.95	651,929	\$ 2.21
Granted	650,000	0.91	6,906,363	0.88
Exercised	-	-	-	-
Expired/cancelled	<u>(240,000)</u>	(3.34)	<u>(364,490)</u>	(3.25)
Outstanding, April 30, 2006	2,910,000	0.75	7,193,802	0.88
Granted	1,700,000	0.70	733,950	0.88
Exercised	-	-	-	-
Expired/cancelled	<u>(700,000)</u>	(0.76)	<u>(7,216,202)</u>	(0.88)
Outstanding, April 30, 2007	3,910,000	\$ 0.72	711,550	\$ 0.88
Number currently exercisable	3,576,667	\$ 0.72	711,550	\$ 0.88

The following incentive stock options and share purchase warrants were outstanding at April 30, 2007:

	Number	Exercise Price	Expiry Date
<b>Options</b>	1,710,000	\$ 0.70	February 24, 2010
	500,000	0.88	January 13, 2011
	<u>1,700,000</u>	0.70	November 1, 2011
	3,910,000		
<b>Warrants</b>	711,550	0.88	June 19, 2007 (expired subsequent)

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock-based compensation**

During fiscal 2007, the Company recognized stock-based compensation of \$265,804 (2006 - \$351,335) in the statement of operations as a result of the issuance of shares for services and incentive stock options granted and vested. The weighted average fair value of options granted was \$0.18 per option (2006 - \$0.54).

The fair value of compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value are as follows:

	2007	2006
Risk-free interest rate	3.9%	3.7 – 4.2%
Expected option life	5 years	1 – 5 years
Expected stock price volatility	57%	80%
Expected dividend yield	0%	0%

**6. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:

- a) Paid or accrued either, directly or indirectly, sampling, laboratory and mineralogical costs of \$1,370,279 (2006 - \$2,009,768) to a company controlled by a director; and a 10% administration fee of \$160,262 (2006 - \$109,488), consulting fees of \$237,134 (2006 - \$126,382) and drilling and equipment rental charges of \$294,427 (2006 - \$268,481) to another company controlled by a director.
- b) Paid or accrued management fees of \$218,498 (2006 - \$399,675) to two companies controlled by directors.
- c) Paid or accrued office expenses of \$10,150 (2006 - \$39,193) to a company controlled by a director.
- d) Paid or accrued a 10% administration fee of \$6,157 (2006 - \$1,330) and shared office and administrative costs of \$2,543 (2006 - \$1,374) to a company controlled by a director and to a company with common directors and management.
- e) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$126,715 (2006 - \$7,926) and for shared field expenditures of \$104,375 (2006 - \$40,208) from a company controlled by a director and from a company with common directors and management.

Included in exploration advances is \$285,530 (April 30, 2006 - \$889,399) which represent funds advanced to Kel-Ex, a company controlled by a director of the Company, towards the exploration of certain mineral properties. Kel-Ex is the operator of these properties and is holding these funds on behalf of the Company towards future exploration work. During fiscal 2006, Kel-Ex and the Company agreed to convert various exploration payments made on behalf of the Company totaling \$526,477 and included in net exploration advances, to a loan payable.

**6. RELATED PARTY TRANSACTIONS (cont'd...)**

Included in accounts payable is \$600,164 (April 30, 2006 - \$253,874) for laboratory and mineralogical costs, \$44,435 (April 30, 2006 - \$137,582) for project payroll and camp supplies costs, \$6,492 (April 30, 2006 - \$7,500) for management fees and \$11,713 (April 30, 2006 - \$9,637) for shared office and administrative costs owing to companies controlled by directors and a company with common directors and management.

Included in receivables is \$90,133 (April 30, 2006 - \$40,209) for shared equipment and camp supplies costs incurred in a joint exploration program in Greenland and \$17,483 (April 30, 2006 - \$11,033) for shared office and administrative costs due from a company controlled by a director and a company with common directors and management.

Amounts due to related party, which were owing to a director of the Company, were paid in full (April 30, 2006 - \$157,994).

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.

*Loan payable to related parties*

A forbearance of indebtedness agreement was completed effective January 31, 2006 whereby accounts payable and advances of \$2,536,707 due to a director and companies controlled by a director were exchanged for the loan payable. The loan is non-interest bearing, matures on April 1, 2008, and is secured by a general security agreement on the Company's assets.

During the year ended April 30, 2007, payments totaling \$1,104,831 and exploration advances totaling \$412,824 were applied to reduce the loan, which has a balance remaining of \$1,019,052.

*Lease payable to related party*

Effective November 2006, the Company completed a sale-leaseback transaction with a company controlled by a director involving field equipment with an original cost of \$448,604 and net book value of \$371,816. The field equipment was sold for proceeds of \$448,604 and then leased back under a capital lease obligation of \$448,604. The lease obligation is non-interest bearing and for a term of 30 months.

Future minimum lease payments under the capital lease are as follows:

	2007	2006
Total minimum lease payments	\$ 448,604	\$ -
Less: payments to April 30, 2007	<u>(149,535)</u>	<u>-</u>
Balance of obligation	299,069	-
Less: current portion	<u>(149,537)</u>	<u>-</u>
Non-current portion – due Fiscal 2009	\$ 149,532	\$ -

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**6. RELATED PARTY TRANSACTIONS (cont'd...)**

*Lease payable to related party (con't...)*

Since this transaction was a related party transaction, the resulting gain of \$76,788 (being the difference between the sales proceeds and net book value of the assets) has been credited to contributed surplus. On the subsequent leaseback, the difference between the lease obligation and original carrying value of the equipment of \$76,788 has been charged against contributed surplus. The net effect to contributed surplus is \$Nil.

**7. INCOME TAXES**

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

	2007	2006
Loss before income taxes	\$ (1,565,661)	\$ (2,221,685)
Expected income tax recovery	\$ 555,074	\$ 837,649
Write-off of mineral properties	(108,782)	(178,002)
Other non-deductible items	(23,157)	(549,272)
Stock-based compensation	(94,235)	(132,465)
Tax deductible share issuance costs	249,376	237,262
Non-capital losses, financing costs and resource pool benefits	<u>143,069</u>	<u>1,740,107</u>
Income tax recovery - future	<u>\$ 721,345</u>	<u>\$ 1,955,279</u>

The significant components of the Company's future income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets:		
Losses available for future periods	\$ 778,776	\$ 546,890
Other tax assets	<u>362,843</u>	<u>561,074</u>
	1,141,619	1,107,964
Future income tax liabilities:		
Mineral properties principally due to flow-through shares	<u>(8,439,368)</u>	<u>(5,076,734)</u>
Net future income tax liabilities	<u>\$ (7,297,749)</u>	<u>\$ (3,968,770)</u>

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**7. INCOME TAXES (cont'd...)**

The Company has non-capital losses of approximately \$2,510,000 available to reduce future years' taxable income. These losses, if not utilized, will expire through to 2027. The Company also has, subject to certain restrictions, mineral property resource expenditures available to reduce future years' taxable income.

During 2007, the Company issued 4,551,200 (2006 - 19,812,255) common shares on a flow-through basis for gross proceeds of \$3,185,840 (2006 - \$14,045,049). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During fiscal 2007, the Company renounced exploration expenditures of approximately \$11,424,000 (2006 - \$5,806,000).

**8. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, capital lease obligation and loan payable to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**9. SEGMENTED INFORMATION**

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

	2007	2006
Mineral properties and equipment:		
Canada	\$ 29,655,573	\$ 20,118,899
Angola	7,131,058	4,597,841
Greenland	3,225,205	2,754,970
Morocco	2,344,512	1,440,847
Mali	<u>80,939</u>	<u>-</u>
	<u>\$ 42,437,287</u>	<u>\$ 28,912,557</u>

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the year ended April 30, 2007 included:

- a) Incurring mineral property expenditures through exploration advances paid previously of \$961,698.
- b) Issuing 22,400 agent's warrants at a value of \$4,605 as finder's fees for a private placement.
- c) Recording share capital of \$17,500 for subscriptions received in advance.
- d) Incurring mineral property expenditures of \$138,769 with respect to amortization of field equipment.
- e) Recognizing mineral property recoveries of \$256,722 through receivables and \$313,263 of recoveries from funds advanced from exploration partners in the prior fiscal year recorded in accounts payable.
- f) Incurring mineral property expenditures of \$1,517,625 through accounts payable.
- g) Exchanging a portion of loan payable to related parties for exploration advances to related parties of \$412,824.
- h) The purchase of equipment through the assumption of a capital lease obligation of \$448,604 (Note 6).
- i) Renouncing flow through expenditures of approximately \$11,424,000 resulting in a charge to capital stock of \$4,050,324.
- j) Issuing 50,000 common shares valued at \$22,000 for services rendered.

Significant non-cash transactions for the year ended April 30, 2006 included:

- a) Exchanging accounts payable and accrued liabilities due to a director and companies controlled by a director in the amount of \$1,559,047, exploration payment made on behalf of the Company of \$526,477 and amounts due to a director of \$451,183 for a loan payable totaling \$2,536,707.
- b) Issuing 515,819 common shares valued at \$380,000 pursuant to the acquisition of mineral properties.
- c) Issuing 1,640,500 agent warrants at a value of \$222,347 as finder's fees for a private placement.
- d) Issuing 12,775 common shares and 11,375 units with a total value of \$16,905 as finder's fees for a private placement.
- e) Incurring mineral property expenditures through accounts payable of \$2,945,507 and exploration advances paid previously of \$27,974.
- f) Incurring share issue costs through accounts payable of \$881,133.
- g) Renouncing flow through expenditures of approximately \$5,806,000 resulting in a charge to capital stock of \$2,189,207.
- h) Reclassifying prepaid expenses of \$329,921 to exploration advances.

**11. SUBSEQUENT EVENTS**

Subsequent to April 30, 2007, the Company:

- a) announced that it has entered into a letter of intent with Kel-Ex Development Ltd. to acquire certain mineral claims located in the State of Mato Grosso, Brazil in consideration for the issuance of 10,000,000 common shares of the Company (subject to regulatory and shareholder approval).
- b) completed a private placement consisting of 7,620,000 flow-through units at \$0.55 per unit for gross proceeds of \$4,191,000 and 9,425,000 non-flow-through units at \$0.45 per unit for gross proceeds of \$4,241,250. Each unit consists of one common share and one half of one share purchase warrant, each whole warrant exercisable for the purchase of one common share of the Company at a price of \$0.75 per share for a period of two years from the date of issuance.