

METALEX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2010

AUDITORS' REPORT

To the Shareholders of
Metalex Ventures Ltd.

We have audited the consolidated balance sheets of Metalex Ventures Ltd. as at April 30, 2010 and 2009 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, 2010 and 2009 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

August 13, 2010



METALEX VENTURES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30

	2010	2009
ASSETS		
Current		
Cash	\$ 8,926,728	\$ 866,414
Receivables	170,257	243,664
Prepaid expenses	<u>979,742</u>	<u>19,357</u>
	10,076,727	1,129,435
Mineral properties (Note 4)	369,750	369,750
Equipment (Note 6)	<u>36,741</u>	<u>321,061</u>
	<u>\$ 10,483,218</u>	<u>\$ 1,820,246</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 2,253,047	\$ 6,308,075
Exploration advance deposit (Note 4)	-	250,000
Current portion of capital lease obligations (Note 8)	<u>-</u>	<u>190,685</u>
	<u>2,253,047</u>	<u>6,748,760</u>
Shareholders' equity (deficiency)		
Capital stock (Note 7)	67,216,657	46,377,500
Contributed surplus (Note 7)	12,068,418	7,832,795
Deficit	<u>(71,054,904)</u>	<u>(59,138,809)</u>
	<u>8,230,171</u>	<u>(4,928,514)</u>
	<u>\$ 10,483,218</u>	<u>\$ 1,820,246</u>

Nature and continuance of operations (Note 1)

Contingencies (Note 14)

Subsequent event (Note 15)

On behalf of the Board:

"Lorie Waisberg" Director _____ *'Chad Ulansky'* Director

See accompanying notes to consolidated financial statements.

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

	2010	2009
Expenses		
Amortization	\$ 33,294	\$ 56,989
Exploration expenditures (Note 5)	14,366,243	6,307,972
Management fees	60,000	80,292
Office and administrative	327,741	304,870
Professional fees	84,158	97,408
Property investigation	-	249,317
Stock-based compensation (Note 7)	803,956	114,932
Transfer agent and filing fees	40,093	41,705
Travel and promotion	<u>110,912</u>	<u>76,559</u>
Loss before other items	<u>(15,826,397)</u>	<u>(7,330,044)</u>
Other items		
Administration fees earned	14,924	833,445
Interest income	40,861	39,725
Foreign exchange gain	<u>29,517</u>	<u>42,348</u>
	<u>85,302</u>	<u>915,518</u>
Loss before income taxes	<u>(15,741,095)</u>	<u>(6,414,526)</u>
Future income tax recovery (Note 9)	<u>3,825,000</u>	<u>-</u>
Loss and comprehensive loss for the year	(11,916,095)	(6,414,526)
Deficit, beginning of year	<u>(59,138,809)</u>	<u>(52,724,283)</u>
Deficit, end of year	<u>\$ (71,054,904)</u>	<u>\$ (59,138,809)</u>
Basic and diluted loss per share	<u>\$ (0.40)</u>	<u>\$ (0.69)</u>
Weighted average number of shares outstanding	<u>29,908,612</u>	<u>9,353,290</u>

See accompanying notes to consolidated financial statements.

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$(11,916,095)	\$ (6,414,526)
Items not affecting cash:		
Amortization	285,858	435,217
Stock-based compensation	803,956	114,932
Recoveries through professional fees	(43,450)	-
Future income tax recovery	(3,825,000)	-
Change in non-cash working capital items:		
Decrease in receivables	73,407	2,063,296
(Increase) decrease in prepaid expenses	(960,385)	102,284
Increase (decrease) in accounts payable and accrued liabilities	(2,557,778)	1,504,931
Increase in exploration advance deposit	<u>-</u>	<u>250,000</u>
Net cash used in operating activities	<u>(18,139,487)</u>	<u>(1,943,866)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(1,538)	(46,801)
Proceeds on disposition of equipment	<u>-</u>	<u>559</u>
Net cash used in investing activities	<u>(1,538)</u>	<u>(46,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	30,000,000	-
Share issuance costs	(1,904,176)	-
Advances from related party	786,300	1,782,669
Repayment of advances from related party	(2,490,100)	-
Payments on capital lease	<u>(190,685)</u>	<u>(403,781)</u>
Net cash provided by financing activities	<u>26,201,339</u>	<u>1,378,888</u>
Increase (decrease) in cash during the year	8,060,314	(611,220)
Cash, beginning of year	<u>866,414</u>	<u>1,477,634</u>
Cash, end of year	<u>\$ 8,926,728</u>	<u>\$ 866,414</u>
Cash paid for interest during the year	<u>\$ 9,534</u>	<u>\$ 12,712</u>
Cash paid for income taxes during the year	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 13)

See accompanying notes to 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 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 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 relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. CHANGE IN ACCOUNTING POLICIES

Adoption of new accounting standards

a) Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements has had no impact on the Company's consolidated financial statements.

b) Goodwill and Intangible Assets

Effective May 1, 2009, the Company adopted CICA HB Section 3064, Goodwill and Intangible Assets ("Section 3064"), which replaces HB Section 3062, Goodwill and Other Intangible Assets ("Section 3062") and HB Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. HB Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous HB Section 3062. The Company has evaluated the new section and determined that adoption of these new requirements has had no impact on the Company's consolidated financial statements.

c) Mining exploration costs

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting years to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated the new section and determined that adoption of these new requirements has had no impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Recent accounting pronouncements

Business combinations, Non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning May 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.

Significant accounts that require estimates relate to the impairment of mineral properties, useful life of equipment, valuation allowances for future income taxes, valuation of stock-based compensation, shares issued for non-cash consideration and the valuation of warrants in private placements.

Leases

Leases that substantially transfer all of the benefits and risks of ownership of property of the Company, or otherwise meet the criteria for capitalization under Canadian generally accepted accounting principles, are accounted for as capital leases. An asset is recorded at the time a capital lease is entered into together with its related long-term obligation to reflect its purchase and financing. Rental payments under operating leases are expenses as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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. The Company has determined that it has no significant asset retirement obligations as at April 30, 2010 and 2009.

Equipment

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

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.

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 on renunciation. A portion of the Company's future income tax assets, if any, that were not recognized in previous years, due to a recording of a valuation allowance, will be applied against the future income tax liability resulting in 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 7. The Company uses the fair value method of accounting for stock options whereby the fair value of options granted is recorded in the financial statements as a compensation expense over the vesting period of the stock options. Any consideration paid by the option holders to purchase shares is credited to capital stock.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

The Company follows the recommendations of the CICA under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These Handbook Sections, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

Amendment to Financial Instruments - Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 11 for relevant disclosures.

Mineral properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

4. MINERAL PROPERTIES

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

	2010	2009
Property acquisition costs:		
Attawapiskat, Ontario	\$ 225,000	\$ 225,000
James Bay, Quebec	80,000	80,000
Wawa, Ontario	<u>64,750</u>	<u>64,750</u>
Total acquisition costs	<u>\$ 369,750</u>	<u>\$ 369,750</u>

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

Attawapiskat Property, Ontario

Big Red Diamond Joint Venture

As at April 30, 2010 the Company has a 63.9% working interest (54% 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 Development Ltd. ("Kel-Ex"). The Company is obligated to contribute to the costs of the exploration program in proportion to its working interest.

During fiscal 2002, Kel-Ex formed an exploration joint venture with Big Red Diamond 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 100,000 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.

During fiscal 2008, Big Red elected to dilute a portion of its working interest which the Company has elected to assume effective January 1, 2010 thereby increasing its working interest in the claims from 60% to 63.9%.

4. MINERAL PROPERTIES (cont'd...)

Attawapiskat Property, Ontario (cont'd...)

Dumont Joint Venture

As at April 30, 2010 the Company has a 61.1% working interest (43.3% earned interest) in certain mineral claims located in the vicinity of the Attawapiskat property. These claims are subject to 10% carried interests in each favour of Kel-Ex and Dumont Nickel Inc. ("Dumont"). The Company is obligated to contribute to the costs of the exploration program in proportion to its working interest.

Pursuant to an agreement between Kel-Ex and Dumont, a joint venture was formed 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 and 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 with Kel-Ex retaining a 10% free carried interest. 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.

During fiscal 2008, Big Red and Oasis elected to dilute a portion of their working interests which the Company has elected to assume effective January 1, 2010 thereby increasing its working interest in the claims from 50% to 61.1%.

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 20,000 common shares of the Company valued at \$80,000.

During fiscal 2007, 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 finalized a joint venture agreement with the remaining partner for the exploration of various base metals within the same claim area in the Wemindji James Bay region. The Company holds a 50% interest in this joint venture while retaining its 33.3% share in the original project which will explore solely for diamonds.

Kyle Lake Project, Ontario

At April 30, 2010, the Company has a 94% 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. This interest is 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.

4. MINERAL PROPERTIES (cont'd...)

Kyle Lake Project, Ontario (cont'd...)

The Company acquired, by staking, a 100% interest in certain mineral claims 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 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.

James Bay Lowlands Property, Ontario

At April 30, 2010, the Company has a 70% earned interest in certain mineral claims located in the Kyle Ring of Fire region of the James Bay Lowlands, Ontario.

In March 2008, the Company and Arctic Star entered into a farm-in agreement whereby White Pine Resources Inc. ("WPR") can earn up to a 50% interest in certain mineral claims. Certain of these claims were previously included as part of the Kyle Lake project. Under the terms of the agreement, WPR has the right to earn up to a 50% interest in the project by funding up to \$20,000,000 in expenditures on the property over a 4 year period. For each \$5,000,000 in funding, WPR will acquire a 12.5% interest in the claims (25% interest earned as at April 30, 2010).

Wawa Property, 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 \$129,500 to Mori upon signing the agreement and, commencing December 2005, agreed to pay \$100,000 annually until it earns its interest or withdraws from the venture. 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 May 2007, the Company was granted an exploration permit which is valid for a period of three years; renewable twice for a total of nine years.

In February 2009, the Company was granted a second exploration permit which is valid for a period of three years; renewable twice for a total of nine years.

The annual exploration commitments for both permits in CFA Francs ("CFA"), with Canadian Dollar equivalents using exchange rates at April 30, 2010 is estimated as follows:

Fiscal		
2010	344,000,000 CFA	\$705,544
2011-12	174,000,000 CFA	\$356,874 (annually)

To date, the exploration commitments have not been met.

4. MINERAL PROPERTIES (cont'd...)

Angola

The Company 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 will be 25%. The kimberlite license was valid for a three year period to April 29, 2008 and was twice renewable for one year periods through to April 29, 2010. Under the terms of the license, the Company was required to spend US\$10,000,000. The Company has formally applied for a further three year extension which would extend the license through to April 29, 2013.

Morocco

In May 2004, the Company entered into an agreement with the Office National de Hydrocarburiers 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. The Company is currently finalizing a new joint venture agreement with the ONHYM for further exploration of the claim areas.

Greenland

In December 2003, the Company applied for an exploration license in the Umiiviit area of West Greenland. The license was granted in May 2004 and was 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. Portions of the exploration licenses were relinquished in December 2006 and the remaining ground was amalgamated into a single license. This license was renewed for a period of 5 years effective to December 2013.

The annual exploration commitments on the remaining license area, in Danish Kroners ("DKK"), with Canadian Dollar weighted equivalents using exchange rates at April 30, 2010 are estimated as follows:

Calendar		
2010	576,000 DKK	\$104,141
2011-13	599,349 DKK	\$108,362 (annually)

As confirmed by the Greenland Bureau of Minerals and Petroleum, the Company has a credit remaining of 514,687 DKK from its 2008 expenditures which will count towards its 2010 commitment.

Brazil

In 2007, the Company entered into a letter of intent with Kel-Ex to acquire certain mineral claims located in Brazil conditional on arranging financing. The Company subsequently entered into an option agreement with Iciena Ventures Inc. ("Iciena") whereby Iciena could earn an interest in the above mentioned claims by funding certain exploration expenditures. Iciena was unsuccessful in raising the required capital pursuant to the terms of the agreement and therefore the agreement with Iciena has been terminated. The agreement between the Company and Kel-Ex has also been terminated.

METALEX VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010

5. EXPLORATION EXPENDITURES

	Attawapiskat, Ontario	James Bay, Quebec	Kyle Lake, Ontario	James Bay, Ontario	Wawa, Ontario	Mali	Angola	Morocco	Greenland	Total
Cumulative expenditures, April 30, 2008	\$ 8,665,960	\$ 1,028,962	\$ 22,813,132	\$ -	\$ 1,202,622	\$ 82,540	\$ 9,620,832	\$ 2,551,890	\$ 3,225,582	\$ 49,191,520
Additions										
Aircraft field transport	-	257,916	186,233	2,918,978	-	-	118,177	-	-	3,481,304
Camp and field supplies	-	9,430	71,861	440,737	-	-	608,202	-	-	1,130,230
Drill supplies and repairs	-	-	61,665	384,970	39,612	-	40,016	-	-	526,263
Equipment rental and amortization	-	16,813	555,713	206,902	-	-	307,879	-	-	1,087,307
Fuel	-	27,560	10,147	1,022,943	-	-	142,719	-	-	1,203,369
Licenses, Rent and other	31,052	58,673	6,814	2,000	50,000	3,986	120,451	-	1,062	274,038
Labour	7,885	176,604	59,465	2,950,844	3,377	6,268	1,425,894	13,698	4,749	4,648,784
Sample laboratory analysis	-	259,741	16,290	148,186	150,210	-	557,622	6,257	-	1,138,306
Shipping and freight	-	18,278	46,286	31,113	2,302	-	392,534	-	-	490,513
Telephone and communications	-	676	34,028	68,468	-	-	38,980	-	-	142,152
Travel and accommodation	296	46,334	217,015	159,308	133	266	131,265	1,806	-	556,423
Total additions	39,233	872,025	1,265,517	8,334,449	245,634	10,520	3,883,739	21,761	5,811	14,678,689
Cost recoveries	(6,600)	-	(29,668)	(8,334,449)	-	-	-	-	-	(8,370,717)
Net exploration expenditures during year	32,633	872,025	1,235,849	-	245,634	10,520	3,883,739	21,761	5,811	6,307,972
Cumulative expenditures, April 30, 2009	8,698,593	1,900,987	24,048,981	-	1,448,256	93,060	13,504,571	2,573,651	3,231,393	55,499,492
Additions										
Aircraft field transport	16,931	-	2,843,333	28,245	-	-	10,459	-	30,335	2,929,303
Camp and field supplies	778	3,070	659,672	54,383	-	10,061	361,136	39	4,034	1,093,173
Drill supplies and repairs	-	63,120	713,707	-	-	-	53,775	-	-	830,602
Equipment rental and amortization	-	-	270,687	1,200	-	-	206,304	-	-	478,191
Fuel	-	-	521,940	-	-	-	29,944	-	-	551,884
Licenses, Rent and other	1,630	1,930	16,889	-	50,000	-	149,971	770	20,990	242,180
Labour	9,898	44,961	3,545,684	51,911	149,265	22,935	1,171,823	2,342	26,854	5,025,673
Sample laboratory analysis	32,560	357,308	508,200	13,010	-	-	1,221,032	206,376	-	2,338,486
Shipping and freight	-	-	246,804	247	2,648	1,847	294,729	-	10,171	556,446
Telephone and communications	-	-	51,770	242	-	2,082	36,803	-	145	91,042
Travel and accommodation	4,100	1,058	241,839	-	-	6,276	110,850	591	13,787	378,501
Total additions	65,897	471,447	9,620,525	149,238	201,913	43,201	3,646,826	210,118	106,316	14,515,481
Cost recoveries	-	-	-	(149,238)	-	-	-	-	-	(149,238)
Net exploration expenditures during year	65,897	471,447	9,620,525	-	201,913	43,201	3,646,826	210,118	106,316	14,366,243
Cumulative expenditures, April 30, 2010	\$ 8,764,490	\$ 2,372,434	\$ 33,669,506	\$ -	\$ 1,650,169	\$ 136,261	\$ 17,151,397	\$ 2,783,769	\$ 3,337,709	\$ 69,865,735

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6. EQUIPMENT

	Expected useful life	2010			2009		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	2-3 years	\$ 880,309	\$ 880,309	\$ -	\$ 880,309	\$ 627,745	\$ 252,564
Automotive	3 years	241,176	211,177	29,999	241,176	183,727	57,449
Computer equipment	3 years	18,712	12,688	6,024	17,174	7,900	9,274
Furniture and fixtures	5 years	<u>5,194</u>	<u>4,476</u>	<u>718</u>	<u>5,194</u>	<u>3,420</u>	<u>1,774</u>
		\$ 1,145,391	\$ 1,108,650	\$ 36,741	\$ 1,143,853	\$ 822,792	\$ 321,061

Field equipment at April 30, 2010 with a cost of \$880,309 (2009 - \$880,309) and net book value of \$Nil (2009 - \$252,564) was held under two capital leases (Note 8). Amortization on this field equipment has been charged to exploration expenditures.

In April 2009, the Company disposed of certain out-dated computer equipment with an original cost of \$27,259, accumulated depreciation of \$26,700 and a net book value of \$559. The proceeds on disposition was \$559.

7. 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, 2008	9,339,109	\$ 46,316,125	\$ 7,717,863
Shares issued under deferred share unit plan	40,051	61,375	-
Stock-based compensation	<u>-</u>	<u>-</u>	<u>114,932</u>
Balance as at April 30, 2009	9,379,160	46,377,500	7,832,795
Private placement	36,375,000	30,000,000	-
Share issue costs	-	(5,335,843)	3,431,667
Stock-based compensation – options granted	-	-	803,956
Tax benefits renounced to flow-through share subscribers	<u>-</u>	<u>(3,825,000)</u>	<u>-</u>
Balance as at April 30, 2010	45,754,160	\$ 67,216,657	\$ 12,068,418

Private placement

In October 2009, the Company completed a private placement consisting of 18,000,000 flow-through shares at \$0.85 per share for gross proceeds of \$15,300,000 and 18,375,000 non-flow-through units at \$0.80 per unit for gross proceeds of \$14,700,000. 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 \$1.30 per share until October 6, 2011. Finders' fees in the amount of \$1,904,176 were paid in connection with this private placement. In addition, 3,637,500 agents' options were issued as finder's fees in connection with this placement. The agents' options

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (con't...)

Private placement (con't...)

are exercisable for the purchase of non-flow-through units of the Company at a price of \$0.80 per unit for a period of two years from the date of issuance. Each unit will consist 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 \$1.30 per share until October 6, 2011. The agents' options were valued at \$3,431,667 using the Black-Scholes option pricing model with an expected volatility of 135%, a risk free interest rate of 1.3%, an expected life of 2 years and an expected dividend yield of 0%.

Deferred share unit plan

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly at which time the number of deferred share units will be determined based on the Company's share price at the end of the quarter. Upon leaving the Board, directors, at their discretion, can elect to receive either cash or shares for the deferred compensation. As of April 30, 2010, \$259,167 of deferred compensation (2009 - \$199,167) has been accrued in accounts payable which equates to 192,498 shares (2009 - 128,680 shares) if the directors elected to receive shares under the plan. During fiscal 2009, 40,051 common shares with a value of \$61,375, were issued to a former director to settle accrued compensation.

Stock-based compensation

During fiscal 2010, the Company recognized stock-based compensation of \$803,956 (2009 - \$114,932) in the statement of operations as a result of the granting and vesting of incentive stock options. The weighted average fair value of options granted was \$0.71 per option (2009 - \$2.20).

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:

	2010	2009
Risk-free interest rate	2.0%	2.8%
Expected option life	3 years	3 years
Expected stock price volatility	119.9%	93.4%
Expected dividend yield	0%	0%

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. On October 23, 2009, shareholders approved and the Company implemented a new stock option plan. 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 up to ten years from the date of grant.

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (con't...)

Stock options and warrants (con't...)

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, 2008	515,000	\$ 6.60	1,012,700	\$ 7.10
Granted	523,800	1.10	-	-
Expired/cancelled	<u>(522,000)</u>	(6.52)	<u>-</u>	-
Outstanding, April 30, 2009	516,800	1.08	1,012,700	7.10
Granted			9,187,500	1.30
Compensatory	1,133,000	1.00		
Agents'	3,637,500	0.80		
Expired/cancelled	<u>-</u>	-	<u>(1,012,700)</u>	7.10
Outstanding, April 30, 2010	5,287,300	\$ 0.87	9,187,500	\$ 1.30
Number currently exercisable	5,287,300	\$ 0.87	9,187,500	\$ 1.30

In May 2008, the Company granted 15,000 stock options to an officer. The options vested immediately and allow the holder to purchase one common share in the Company at a price of \$4.50 until May 7, 2013.

In November 2008, the Company granted an aggregate of 508,800 options to certain officers, directors, employees and consultants. Each of these options vested immediately and allow the holder to purchase one common share in the Company at a price of \$1.00 until November 13, 2013. As a condition of these new grants, an aggregate of 382,000 options, originally granted to those certain officers, directors, employees and consultants with a weighted average exercise price of \$6.54, were cancelled. The cancellation and re-granting is effectively treated as a re-pricing of the original options which results in additional stock-based compensation being recorded.

In February 2009, 140,000 options with a weighted average price of \$6.46 expired unexercised.

In October 2009, the Company granted an aggregate of 1,133,000 options to certain officers, directors, employees and consultants. Each of these options vested immediately and allow the holder to purchase one common share in the Company at a price of \$1.00 until October 23, 2014.

The following stock options and warrants were outstanding at April 30, 2010:

	Number	Exercise Price	Expiry Date
Options	5,000	\$ 7.00	November 1, 2011
	3,000	4.50	March 5, 2013
	508,800	1.00	November 18, 2013
	<u>1,133,000</u>	1.00	October 23, 2014
	1,649,800		
Agents' Options	3,637,500	\$ 0.80	October 6, 2011
Warrants	9,187,500	\$ 1.30	October 6, 2011

8. 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 \$1,917,246 (2009 - \$805,051) to a company controlled by a director; and a 10% administration fee of \$92,647 (2009 - \$120,511), geological consulting fees of \$312,918 (2009 - \$149,137), drilling and equipment rental charges of \$202,802 (2009 - \$132,250), interest on equipment leases of \$9,534 (2009 - \$12,712) and shared office and administrative costs of \$15,295 (2009 - \$18,975) to two companies controlled by directors.
- b) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$57,434 (2009 - \$73,749) and for shared field expenditures of \$1,824 (2009 - \$168,843) from a company controlled by a director and from a company with common directors and management.

Included in accounts payable is \$425,718 (2009 - \$1,063,329) for laboratory and mineralogical costs, \$129,285 (2009 - \$1,517,271) for project payroll and camp supplies costs, \$2,888 (2009 - \$88,446) for consulting fees, \$33,249 (2009 - \$159,164) for shared office and administrative costs and \$380,854 (2009 - \$507,860) for exploration work completed on certain properties owing to companies controlled by directors and a company with common directors and management. In addition, \$Nil (2009 - \$1,703,800) of cash advances received from a company controlled by a director are included in accounts payable. During fiscal 2010, cash advances received totaling \$786,300 were repaid in full together with previously received advances totaling \$1,703,800.

Included in receivables is \$4,371 (2009 - \$13,713) for shared office and administrative costs due from a company controlled by a director and from a company with common directors and management.

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.

Leases 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. As of April 30, 2009, this lease obligation had been fully repaid.

Effective February 2008, the Company entered into a capital lease with a company controlled by a director involving field equipment with a cost of \$508,492. The lease obligation carried an imputed interest rate of 5% and a term of 24 months. As of April 30, 2010, this lease obligation has been fully repaid.

Minimum lease payments under the capital lease are as follows:

	2010	2009
Total minimum lease payments	\$ 533,917	\$ 533,917
Less: imputed interest	(25,425)	(25,425)
Less: payments made	(508,492)	(317,807)
Balance of obligation	-	190,685
Less: current portion	-	(190,685)
Non-current portion	\$ -	\$ -

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9. INCOME TAXES

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

	2010	2009
Loss before income taxes	\$(15,741,095)	\$ (6,414,526)
Expected income tax recovery	\$ 4,643,623	\$ 1,964,320
Exploration expenditures	(4,163,535)	(1,931,690)
Other non-deductible items	(85,517)	(134,343)
Stock-based compensation	(237,167)	(35,196)
Tax deductible share issuance costs	253,681	167,424
Non-capital losses, financing costs and resource pool benefits	<u>3,413,915</u>	<u>(30,515)</u>
Income tax recovery - future	<u>\$ 3,825,000</u>	<u>\$ -</u>

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

	2010	2009
Future income tax assets:		
Losses available for future periods	\$ 1,162,189	\$ 818,732
Other tax assets	717,468	388,686
Mineral properties	<u>5,927,907</u>	<u>6,665,904</u>
	7,807,564	7,873,322
Valuation allowance	<u>(7,807,564)</u>	<u>(7,873,322)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses of approximately \$4,649,000 available to reduce future years' taxable income. These losses, if not utilized, will expire through to 2030. The Company also has, subject to certain restrictions, mineral property resource expenditures available to reduce future years' taxable income.

During fiscal 2010, the Company issued 18,000,000 (2009 - Nil) common shares on a flow-through basis for gross proceeds of \$15,300,000 (2009 - \$Nil). 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 2010, the Company renounced exploration expenditures of approximately \$15,300,000 (2009 - \$Nil).

10. CAPITAL RISK MANAGEMENT

The Company includes equity, comprised of issued common shares, contributed surplus 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.

10. CAPITAL RISK MANAGEMENT (cont'd...)

The Company expects its current capital resources will be sufficient to complete its currently budgeted exploration programs and operations through its current operating period. Until its equity financing was recently completed, the Company had relied on extended credit terms and/or advances from a related party to fund its operations. 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.

11. 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.

a) Currency risk

While the Company's capital is raised in Canadian dollars, the Company is conducting business in Angola, Mali and Greenland whose currencies are the Rand, Franc and Krone, 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.

b) 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 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, 2010 - \$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.

c) 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

d) 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 10.

e) 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.

12. SEGMENTED INFORMATION

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

	2010	2009
Capital Assets (Mineral properties and equipment):		
Canada	\$ 376,492	\$ 442,690
Angola	29,999	248,121
	<u>\$ 406,491</u>	<u>\$ 690,811</u>

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended April 30, 2010 included issuing 3,637,500 agent's options valued at \$3,431,667 as finder's fees for the private placement.

Significant non-cash transactions for the year ended April 30, 2009 included issuing 40,051 shares with a value of \$61,375 under the deferred share unit plan (Note 7) to settle an accrued obligation.

14. CONTINGENCIES

In June 2009, a legal action was commenced against the Company by a vendor that provided drilling rig equipment to the Company. In November 2009, the Company negotiated a new agreement with the vendor concerning the drilling rig equipment and, pursuant thereto, the vendor has released the Company from any and all actions. Although the Company is not required to pay any of the damages initially being sought by the vendor, the Company has a commitment for certain de-mobilization costs associated with the drilling rig. Subsequent to year end, the Company's commitment to demobilize the drill was satisfied.

15. SUBSEQUENT EVENT

Subsequent to April 30, 2010, the Company granted an aggregate of 825,000 stock options to certain directors, officers and employees pursuant to the Company's incentive stock option plan. Each of these options vest immediately and allow the holder to purchase one common share of the Company at a price of \$0.80 until June 15, 2015.