REGARDING ERRORS IN METALEX AUDIT REPORT

Western Sahara Resource Watch (WSRW) is privileged to write to you. We are writing with regard to the reporting of Metalex Ventures Ltd to SEDAR, and your audits of these reports. We wish to make you aware of the fact that these reports contain a fundamental error, which is repeated annually.

The error is to be found for instance in the Consolidated Statements of Financial Position, dated 30 April 2020, under non-current assets, Note 6 ‘Exploration and Evaluation Assets’, and is to our knowledge repeated in every annual report.


In Note 6, it is written that:

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

In April 2011, the Company entered into a new joint venture agreement with the ONHYM for further exploration of the claim areas. The Company will hold a 60% interest while ONHYM will retain a 40% interest in the project. Both parties will be responsible for funding their respective interests. The Company’s 36 month agreement with ONHYM has expired and the Company is in the process of extending it.”

In Note 7, the company enlists the expenditures in “Morocco”.

Western Sahara Resource Watch wishes to alert Davidson & Company that Metalex does not have any assets in Morocco.
Metalex holds licences in Western Sahara, which is a so-called non-self-governing territory that is not part of Morocco. The fact that Western Sahara is not part of Morocco, is confirmed by the UN and by the International Court of Justice. According to Court of Justice of the EU, Morocco and Western Sahara are ‘separate and distinct’ territories. As Morocco does not extend to Western Sahara, and Morocco has no international mandate to be present in the territory it holds under occupation, Moroccan laws and regulations have no validity in the territory.

Hence, any mining license in the territory, signed with the neighbouring country of Morocco, for a location outside of the internationally recognized borders of Morocco, cannot be seen as valid.

Taking this into account, we wish to ask Davidson & Company two questions:

1. Are you aware of the erroneous information in the reports issued by Metalex?
2. Will Davidson & Company make sure that these misstatements will be corrected in future reports?

Finally, we encourage Davidson & Company to ask Metalex the following questions:

a) Why does Metalex refer to these licences as being in “Morocco”, when they are not?
b) Does Metalex believe that Morocco has a legal mandate to be present in the territory of Western Sahara?
   If yes, why?
   If no, which country’s laws and regulations apply in the area where Metalex has licences?
c) Considering that the Saharawi people has not given its consent to the agreement between Metalex and the government of Western Sahara’s neighbouring country, and taking into account the legal development in the question of Western Sahara during the last six years, how does Metalex assess the risks associated with these assets?

Kind regards

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