

Canadian Public Accountability Board
510 Burrard Street, Suite 1080
Vancouver, British Columbia
Canada

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REGARDING ERRORS IN AUDITED REPORTS, METALEX VENTURES LTD

Western Sahara Resource Watch (WSRW) is privileged to write to you. We are writing with regard to the repeated and grave errors in the reporting of Metalex Ventures Ltd to SEDAR. Our association has alerted Metalex' auditing company Davidson & Company LLP about the matter, but has received no response from the latter.

The error relates to material errors in Metalex' audited reports, relating to the enlisting of assets. In our opinion, the erroneous reporting means that the company is misleading the market about the risks involved.

An agreement signed with an occupying power for exploration on occupied land, can and should not be reported as taking place on within the internationally recognized borders of the occupying state. Metalex is misleading regarding the real location of one of its assets.

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.

https://vest-sahara.s3.amazonaws.com/wsrw/feature-images/File/165/60927a8590e78_Metalex-audited-report-2020.pdf

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". The reports of the company are audited by Davidson & Company.

Western Sahara Resource Watch alerted Davidson & Company on 13 May 2021 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, our association asked Davidson & Company on 13 May 2021 two questions:

1. If the audit company was aware of the erroneous information in the reports issued by Metalex.
2. If the audit company would make sure that these misstatements will be corrected in future reports.

We also encouraged 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 have 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?

As the letter to Davidson & Company was not responded to, we sent the same letter to the auditing firm on 13 July 2021 and 12 December 2021. None of them were responded to.

We hereby request Canadian Public Accountability Board to review and take corrective action in relation to the material mis-statements made in the Davison & Company LLP audited reports. Please let us know what more we can provide in the matter. We are closely following this process, and continuing statements by the auditing firm and its client, and are hopeful of your reply at stages throughout.

Kind regards

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A CC of this mail is sent to Metalex and Davidson & Company LLP