Tantalex Resources Corporation

(Formerly Lynnwood Capital inc)

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AS AT AUGUST 31, 2014

(Expressed in Canadian dollars)

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www.tantalex.com

Tantalex Resources Corporation

(Formerly Lynnwood Capital Inc.)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)
(expressed in Canadian dollars)

	$ August 31, 2014	$ February 28, 2014
ASSETS		
CURRENT ASSETS		
Cash	-	14,827
Accounts receivable and other receivable	1,725	1,725
Sales tax receivable	76,256	47,100
Prepaid expenses	2,782	12,628
Advances receivable (Note 11)	-	7,095
	80,763	83,375
EQUIPMENT (Note 9)	2,921	3,745
EXPLORATION AND EVALUATION ASSETS (Note 8)	620,124	468,149
	703,808	555,269
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	33,126	-
Trade payable and accrued liabilities	552,911	338,575
Loan (Note 12)	82,580	71,775
Due to a related company (Note 18)	30,553	21,821
Due to directors	206,231	116,124
Due to consultants	167,160	142,938
Balance of sale (Note 10)	200,000	200,000
	1,272,561	891,233
BALANCE OF SALE (Note 10)	148,419	148,419
CONVERTIBLE DEBENTURES (Note 13)	200,362	178,030
	1,621,342	1,217,682
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 14)	2,547,657	2,046,817
Contributed surplus	354,037	354,037
Warrants (Note 14)	314,955	243,473
Equity component of convertible debentures (Note 13)	31,183	31,183
Deficit	(4,165,773)	(3,344,595)
Accumulated other comprehensive income	407	6,672
	(917,534)	(662,413)
	703,808	555,269

GOING CONCERN (Note 2)
COMMITMENTS (Note 21)

The accompanying notes form an integral part of these consolidated financial statements

ON BEHALF OF THE BOARD OF DIRECTORS

(s) - ____________________ , Director

Tantalex Resources Corporation

(Formerly Lynnwood Capital Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)

(expressed in Canadian dollars)

	$ 3 months ended August 31, 2014	$ 3 months ended August 31, 2013	$ 6 Months ended August 31, 2014	$ 6 Months ended August 31, 2013
GENERAL AND ADMINISTRATIVE EXPENSES				
Salaries and fringe benefits	2,181	-	21,361	-
Lodging fees	12,476	-	28,670	-
Insurance	4,923	-	9,846	-
Bank charges	3,114	612	5,906	1,042
Trustee fees and registration	3,210	-	8,837	-
Management fees	98,033	115,306	218,715	236,810
Professional fees	114,354	13,009	300,925	65,545
Financial costs	12,231	-	23,157	-
Reporting to shareholders	11,170	20,933	36,000	45,724
Rent	13,105	9,405	20,075	9,405
Office fees	5,358	1,542	13,504	10,979
Telecommunication	1,029	2,528	5,805	6,855
Travel fees	43,074	12,271	128,058	31,899
Business development	511	1,526	581	8,905
Amortization	297	268	604	536
Gain on exchange rate	-	-	(866)	-
	325,066	177,400	821,178	417,700
NET LOSS AND COMPREHENSIVE LOSS	(325,066)	(177,400)	(821,178)	(417,700)
OTHER COMPREHENSIVE LOSS				
Item that will be reclassified subsequently to net loss:				
Exchange differences on translating foreign operations	2,609	-	(6,265)	(2,547)
COMPREHENSIVE LOSS FOR THE PERIOD	(322,457)	(177,400)	(827,443)	(420,247)
LOSS PER SHARE				
Basic and diluted loss per share (Note 15)	(0.01)	(0.01)	(0.02)	(0.02)

Tantalex Resources Corporation

(Formerly Lynnwood Capital Inc.)

Condensed Interim Consolidated Statements of changes in Equity (unaudited)

(expressed in Canadian dollars)

	Number of issued and outstanding common shares	Share Capital	Equity component of convertible debenture	Warrants	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Equity
		$	$	$	$	$		
Balance as at February 28, 2013	5,650,000	339,621	47,607	56,915	329,575	1,069	(1,922,663)	(1,147,876)
Shares issued by private placement	-	44,262	-	22,738	-	-	-	67,000
Conversion of convertible debenture	-	28,789	(656)	21,211	-	-	5,919	55,263
	5,650,000	412,672	46,951	100,864	329,575	1,069	(1,916,744)	(1,025,613)
Net loss for the period	-	-	-	-	-	-	(417,700)	(417,700)
Other Comprehensive loss	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	(2,547)	-	(2,547)
Balance as at August 31, 2013	5,650,000	412,672	46,951	100,864	329,575	(1,478)	(2,334,444)	(1,445,860)
Balance as at February 28, 2014	34,900,564	2,046,817	31,183	243,473	354,037	6,672	(3,344,595)	(662,413)
Shares issued by private placement	3,700,000	304,818	-	65,182	-	-	-	370,000
Share issue costs on financings	-	(23,300)	-	6,300	-	-	-	(17,000)
Shares issued on settlement of debt	840,000	84,000	-	-	-	-	-	84,000
Shares issued in accordance with consulting services	100,000	10,000	-	-	-	-	-	10,000
Shares issued in accordance with joint venture agreement	653,220	65,322	-	-	-	-	-	65,322
Shares issued in accordance with consulting agreement (Note 3)	371,212	60,000	-	-	-	-	-	60,000
	40,564,996	2,547,657	31,183	314,955	354,037	6,672	(3,344,595)	(90,091)
Net loss for the period	-	-	-	-	-	-	(821,178)	(821,178)
Other Comprehensive loss								
Exchange differences on translating foreign operations	-	-	-	-	-	(6,265)	-	(6,265)
Balance as at August 31, 2014	40,564,996	2,547,657	31,183	314,955	354,037	407	(4,165,773)	(917,534)

The accompanying notes form an integral part of these consolidated financial statements

Tantalex Resources Corporation

(Formerly Lynnwood Capital Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(expressed in Canadian dollars)

	$	$
	6 Months ended August 31, 2014	**6 Months ended August 31, 2013**
OPERATING ACTIVITIES		
Net loss before income taxes	(821,178)	(417,700)
Operating items not involving cash		
Effective interest cost	7,010	9,783
Interest on convertible debentures	15,322	20,169
Amortization of equipment	604	536
Shares issued in accordance with consulting agreements	154,000	-
Changes in working capital items		
Accounts receivable and other receivable	-	-
Sales taxes receivable	(29,156)	(15,972)
Prepaid expenses	9,846	
Trade payables and accrued liabilities	214,336	(121,362)
Due to directors	90,107	19,543
Due to consultants	24,222	23,360
Cash flows from operating activities	(334,887)	(481,643)
INVESTING ACTIVITIES		
Advances receivable	7,095	40,501
Exploration and evaluation assets	(86,653)	-
Cash flows from investing activities	(79,558)	40,501
FINANCING ACTIVITIES		
Due to a related party	8,732	-
Repayment of debt	-	6,000
Subscriptions received in advance	-	475,000
Issuance of share capital	353,000	67,000
Loan advances	10,805	-
Cash flows from financing activities	372,537	548,000
NET INCREASE (DECREASE) IN CASH	(41,908)	106,858
Effect of exchange rate fluctuations	(6,045)	(930)
CASH, BEGINNING OF PERIOD	14,827	99,481
CASH, END OF PERIOD	(33,126)	205,409

Note 16 provide additional information on the consolidated statements of cash flows.

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

1. NATURE OF OPERATIONS

Tantalex Resources Corporation ("Tantalex" or "the Company") (formerly, Lynnwood Capital Inc. ("Lynnwood")) was incorporated under the Business Corporations Act (British Columbia) on September 28, 2009 as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On October 21, 2013, Lynnwood completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Tantalex (the "Transaction") and changed its name from Lynnwood Capital Inc., to Tantalex Resources Corporation. As a result of the transaction, the former shareholders of Tantalex acquired approximately 96% of the Company. Accordingly, from an accounting standpoint, the transaction constitutes a reverse takeover. Tantalex has been treated as the accounting parent (legal subsidiary) and Lynnwood has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Tantalex was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Lynnwood's results have been included from the date of the reverse takeover ("RTO"). The legal share capital of the entity continues to be that of Lynnwood, the legal parent. The Company is listed on the Canadian Securities Exchange under the symbol TTX , as well as on the Frankfurt Stock exchange under the symbol 1TO beginning May 2014, and is primarily engaged in exploration for Tantalum ore in Central Africa and owns mining rights for Tantalum in the Republic of Congo. To date, the Company has not earned significant revenues and is considered to be in exploration stage.

The head office of the Company is located 1055 West Georgia Street, Suite 1500, P.O Box 11117, Vancouver, British Columbia V6E 4N7.

The Board of Directors approved and authorized for issue these consolidated financial statements on October 30 , 2014.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classification that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the six months ended August 31, 2014 the Company reported a net loss of $821,178 ($417,700 for the three months ended August 31, 2013) and has an accumulated deficit of $4,165,773 at August 31, 2014 ($3,344,595 at February 28, 2014). In addition to ongoing working capital requirements, the Company must secure sufficient funding to further develop the Company's properties and pay for general and administration expenses. At August 31, 2014, the Company had a negative working capital of $1,191,798 ($807,858 at February 28, 2014). These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity, debt financing or a corporate transaction. To this effect, the Company is currently evaluating different financing options. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements

(expressed in Canadian dollars)

3-. REVERSE TAKEOVER TRANSACTION ("RTO")

The Company entered into a letter agreement (the "Letter Agreement") dated October 16, 2013 with Lynnwood Capital Inc. ("Lynnwood"), and its subsidiary (8482373 Canada Inc.) pursuant to which it was agreed to combine their businesses by way of a triangular amalgamation. The amalgamation was effective on October 21, 2013 (the "Amalgamation date"). The amalgamation (the "Amalgamation") provided for the acquisition of all of the outstanding equity interests of Tantalex by Lynnwood. The agreement set out the terms of the transaction as follows:

(i) Lynwood issued 19,810,199 common shares to Tantalex shareholders, being one (1) exchange share for each Tantelex shares that was issued and outstanding as at the date of the agreement;

(ii) Lynnwood issued 12,496,634 common shares to Tantalex shareholders and suppliers party to Tantelex escrow agreements, and pursuant to the conversion of an aggregate of $125,000 of convertible debentures, being one (1) exchange share for each Tantalex share to be issued pursuant to the escrow agreements or upon the conversion of an aggregate of $125,000 of convertible debentures at $0.05 per Tantalex share;

(iii) In accordance with the amalgamation agreement, each option and warrant providing for the acquisition of shares of Tantalex were converted into the same number of options or warrants providing for the acquisition of shares of the Company, at the same exercise prices and expiry dates. In addition, the Company assumed the obligations of the Tantalex Convertible Debentures.

The determination and allocation of the deemed acquisition cost is summarized below:

		$	
Deemed acquisition cost		290,199	(i)
Net assets acquired			
Cash	224,691		
Sales tax receivable	2,351		
Liabilities	(16,421)		
Total net assets		210,900	(ii)
Cost of listing		79,299	(iii)

(i) The deemed acquisition cost is based on the fair value of the number of equity interests the legal subsidiary would have had to issue to provide the owners of the legal parent the same percentage of equity interest in the combined entity that results from the RTO.

(ii) Represents the fair value of the net identifiable assets of Lynnwood as at October 21, 2013.

(iii) The excess of the deemed acquisition cost over the net assets acquired has been charged to operations, and is presented as cost of listing.

Concurrent with the closing of the Transaction, the Company entered into a consulting agreement with a company owned and controlled by former directors and officers of Lynnwood, for mining, financial and capital markets consulting services pursuant to the following terms:

(i) a $15,000 engagement fee payable by the issuance of 75,000 common shares at a deemed price of $0.20

(ii) $15,000 per month payable by the issuance of common shares at the end of each month at a deemed price equal to the greater of (i) $0.10, and (ii) the market price of the common shares on the Canadian Securities Exchange on the last trading day of each month.

3-. REVERSE TAKEOVER TRANSACTION ("RTO") (continued)

This agreement shall enter into effect as of the date hereof and shall continue in effect until the later of (i) 20 months from commencement of the agreement and (ii) the issuance of 2,200,000 shares.

Fees related with this agreement, $45,000 for the three months ended May 31, 2014, are classified under professional fees in the consolidated statement of loss and comprehensive loss. For the three months ended May 31, 2014, 287,879 common shares were issued in accordance with this contract for services rendered.

Pursuant to the Letter Agreement, prior to the Amalgamation, Lynnwood was required to consolidate the 2,050,000 issued and outstanding Lynnwood shares into 1,118,731 shares (Note 14).

4. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IFRS

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements do not included all the information and disclosures required in the Company's annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended February 28, 2014.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries Tantalex Resources Inc., Sandstone Worldwide Ltd., and Sadem Congo S.A.R.L. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company's subsidiaries are all 100% owned by the parent company. All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between the companies. All subsidiaries have a reporting date of February 28.

5. CORRECTION OF ERRORS

The consolidated financial statements for the comparative period have been adjusted to correct three transactions that were inadequately accounted for the 14 months period ended February 28, 2013.

First, the gain on conversion of debt of $13,870 was reversed, with a corresponding increase in share capital, as the principles of IFRCI 19, extinguishing financial liabilities with equity instruments, were applied. However, IFRS 19 shall not apply to transactions of extinguishing of a financial liability by issuing equity shares when such conversion is in accordance with the original terms of the financial liability.

5. CORRECTION OF ERRORS (continued)

Secondly, an amount of $52,627 of stock-based compensation was reversed, with a corresponding decrease in equity component of convertible debentures. This relates to the options issued to debentures holders for which principles of IFRS 2, share-based payment, were applied. However, these options were not issued in consideration of services rendered and as such, no stock-based compensation should have been accounted for. An amount of $14,347 of stock-based compensation from periods prior to the 14 months period ended February 28, 2013 was reversed from deficit with a corresponding decrease in equity component of convertible debentures.

Finally, management fees for the 14 months period ended February 28, 2014 were adjusted related to a cut-off error.

The total impact of these threes corrections are a decrease in the net loss and comprehensive loss of $25,700, an increase in the share capital of $13,870, a decrease in equity component of convertible debentures of $66,974 and an increase in deficit of $40,046.

In terms of presentation, advances receivable were reclassified as current assets as given their nature, these amounts are short-term.

6. SUMMARY OF ACCOUNTING POLICIES

During the six months ended August 31, 2014, the Company adopted new IFRS standards and amendments to existing standards that became mandatory. These new standards and amendments did not have any material impact on the Company's consolidated financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Management does not anticipate impact on the consolidated financial statements of the Company.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated financial statements.

Accounting standards issued but not yet applied

6. SUMMARY OF ACCOUNTING POLICIES (continued)

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010, May 2013 and July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

7. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

7.1 - Estimation of uncertainty
Information about the significant estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

7.1.1 - Impairment of property plant and equipment and exploration and evaluation assets
Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. In assessing impairment of exploration and evaluation assets, the Company must make some estimates and assumptions regarding future circumstance, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recover from either future exploitation or sale when the activities have not reached a stage that permits reasonable assessment of the existence of reserves, the Company’s capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company’s assets and earnings may occur during the next period.

No impairment loss of the exploration and evaluation assets and property, plant and equipment, and no reversal of impairment losses has been recognized for the reporting periods.

7. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

7.1.2- Share-based payments
The fair value of share-based payment costs is determined using the Black-Scholes valuation model taking into account the features of the plan and market data as at the grant date and on the basis of the Company management assumptions. They made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants.

7.1.3- Fair value of the balance of sale
On initial recognition, management estimated the fair value of the balance of sale. Estimation uncertainty relates to assumptions about the timing of the expected outflows of this liability and the discounting rate used.

7.2 Significant management judgment
The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

7.2.1 Recognition of deferred income tax assets and measurement of income tax expense
Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

7.2.2- Going concern
The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

(expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Balance as at February 28, 2014	Additions	Balance as at August 31, 2014
	$	$	$
Republic of Congo			
Mining rights (1)	348,669	-	348,669
Exploration and evaluation expenses (2)	119,480	65,848	185,328
	468,149	65,848	533,997
Namibia			
Joint venture payment	-	65,322	65,322
Exploration and evaluation expenses (3)	-	20,805	20,805
	-	86,127	86,127
Total	468,149	131,170	620,124

	Balance as at February 28, 2013	Additions	Balance as at February 28, 2014
	$	$	$
Republic of Congo			
Mining rights (1)	348,669	-	348,669
Exploration and evaluation expenses (2)	86,441	33,039	119,480
	435,110	33,039	468,149

(1) The mining rights are related to the acquisition of Sadem Congo S.A.R.L. (see Note 11)

(2) The exploration and evaluation expenses for 2015 include payment to the better sourcing program to assist the company with conflict free compliance with its operations in the Republic of Congo, as well as tents for the camp and other camp related costs. In 2014 expenses consisted of geologist fees that were assumed by the Company to explore the awarded concession area in the Republic of Congo.

(3) Exploration costs for 2014 consist of geological work.

(expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Republic of Congo
As at February 28, 2014 and 2013, the Company had four Tantalum/Niobium prospecting mining concessions in the Republic of Congo totaling 4,050km2, located in the Matsanga Marala zone, in the Niari department. The four exclusive concessions were awarded in June 2012 and expire on July 15, 2015.

Namibia
On May 27, 2014 the Company entered in to a joint venture agreement with Reydev Mining (Proprietry) Limited, for the development of the exclusive prospecting licenses held by Reydev in Namibia. In accordance with the joint venture, the Company will pay Reydev $US60,000 by issuing 653,220 common shares of the Company at a deemed price of $0.10 per share. The Agreement will be implemented in three phases, as follows:

Phase 1: The Approval Phase
Reydev will establish three (3) Namibian companies incorporated under the Namibia Companies Act, 2004 (the "Newcos"). The first of the Newcos ("Tantalex Namibia") will entirely hold the issued share capital of the other two Newcos (the "Newcos Subs") who will hold the two (2) prospecting Licenses acquired under the Agreement. Tantalex Namibia will issue twenty percent (20%) of its issued share capital to Reydev and eighty percent (80%) of its issued share capital to Tantalex. In the event that the parties are unable to secure the transfer of the Licenses to the Newco Subs within a period of three (3) months following the submission of the application, either party will be entitled to terminate the Agreement, in which case the common shares of Tantalex issued to Reydev will be cancelled.

Phase 2: The Exploration Phase
The conduct of prospecting on one or more of the Licenses will commence following the establishment or acquisition of the Newcos and the completion of the transfer of the Licenses from Reydev to the Newco Subs. During the exploration phase, and in respect of each Newco Sub, prospecting operations will be funded fully by Tantalex.

Phase 3: The Mining Phase
Following the successful grant of a mining license, the Newcos' administrative expenditures and all mine establishment, development and operational expenditures will be funded by Tantalex and Reydev in proportion to their shareholdings in Tantalex Namibia.

The Agreement is subject to all necessary regulatory approvals, including the approval of the CSE and approval by the Ministry of Mines and Energy of Namibia.

9. EQUIPMENT

	Office
	$
Gross carrying amount	
Balance at February 28, 2014	6,172
Additions	-
Foreign exchange variation	(408)
Balance at August 31, 2014	5,764
Accumulated depreciation and impairment	
Balance at February 28, 2014	2,427
Additions	604
	(188)
Balance at August 31, 2014	2,843
Carrying amount at August 31, 2014	2,921

(expressed in Canadian dollars)

9. EQUIPMENT (continued)

	Office
	$
Gross carrying amount	
Balance at February 28, 2013	5,693
Additions	-
Foreign exchange variation	479
Balance at February 28, 2014	6,172
Accumulated depreciation and impairment	
Balance at February 28, 2013	1,312
Additions	1,123
Foreign exchange variation	(8)
Balance at February 28, 2014	2,427
Carrying amount at February 28, 2014	**3,745**

10. ASSET ACQUISITION

On October 20, 2011, the Company acquired 100% of the outstanding common shares of SADEM Congo S.A.R.L. ("SADEM"), a mining exploration company which owns a mineral property in the Republic of Congo, for a total consideration of $348,419 comprised of 25% of the outstanding common shares of the Company and a deferred balance of sale of $400,000. The terms of payments of the balance of sale are as follows:

-A payment of $200,000 was due when SADEM converted its current prospecting permit into four explorations mining permits.
-A payment of $200,000 is due when the Company will successfully file a National Instrument 43-101 technical report stating inferred resources with the Canadian securities authorities.

As at August 31, 2014 and February 28, 2014 only the first condition was met.

The acquisition was classified as an asset acquisition as it did not have the mineral reserve and other inputs, nor any significant processes that would make it capable of producing outputs, and consequently of being considered a business.

At acquisition date, the asset is recognized at cost. The cost is the fair value of the total consideration given. The fair value of the balance of sale was calculated by using the best estimates of when the payments would occur, using an effective rate of 22%.

The estimated maturity of the second condition was initially made with the best estimate possible at the time of the transaction. Since then, new information was made available which changed the past estimates and the Company revalued the fair value of total consideration as at year end. The difference of $32,652 ($38,754 in 2013) was recognized in profit or loss as financial cost at year end.

11. ADVANCES RECEIVABLE

These advances receivable are without interest, without repayment terms. Unless otherwise stated, none of the transactions provided for special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(expressed in Canadian dollars)

12. LOAN

During the year ended February 28, 2014, the Company entered in a factoring contract with FinexCorp Inc. under which the Company has the possibility to effect the factoring of its accounts receivable against a fee as a percentage of the receivables transferred. The maximal amount of receivables that could be transferred to FinexCorp Inc. amounts to $500,000. The transaction has been accounted for under the principles of IAS 39 - Financial instruments: recognition and measurement and does not meet the criteria for de-recognition of the underlying assets. Accordingly, an amount of $31,719 ($71,775 as at February 28, 2014) is recognized as a short-term liability. The loan is secured by a $750,000 mortgage, 25% per annum, on the universality of the Company's moveable tangible and intangible assets.

13. CONVERTIBLE DEBENTURES

	August 31, 2014	February 28, 2014
	$	$
Convertible debenture debt component:		
Balance, at beginning of the period	178,030	337,722
Conversion of debentures	-	(168,613)
Conversion of accrued interests	-	(44,593)
Accretion	7,010	19,793
Accrued interest	15,322	33,721
Balance, at the end of the period	**200,362**	**178,030**
Balance of the equity component at the end of the period	**31,183**	**31,183**

The Debenture, issued on December 22, 2011, bears interest at the rate of 10% per annum, and matures in December 2016. The Debenture holder has the option to convert the principal and accrued interests at any time into Common Shares at price of $0.05 ($0.10 prior to share split made on July 1, 2012) per share. The accrued interests as at January 18, 2013 and as at July 16, 2013 have been converted into shares at the price of $0.20 effective at the Amalgamation date.

The Debenture, issued on January 19, 2012, bears interest at a rate of 10% per annum, and matures in January 2017. The Debenture holder has the option to convert the principal and accrued interests at any time into Common Shares at price of $0.05 ($0.10 prior to share split made on July 1, 2012) per share. As at the Amalgamation date, the total amount of the debenture has been converted into shares. The accrued interests as at July 16, 2013 have been converted into shares at the price of $0.20.

The Debenture, issued on March 14, 2012, bears interest at a rate of 10% per annum, and matures in March 2017. The Debenture holder has the option to convert the principal and accrued interests at any time into Common Shares at price of $0.05 ($0.10 prior to share split made on July 1, 2012) per share. 25% of the debenture has been converted at the Amalgamation date. The accrued interests as at January 18, 2013 and as at July 16, 2013 have been converted into shares at the price of $0.20 effective at the Amalgamation date.

The Debenture, issued on May 17, 2012, bears interest at a rate of 10% per annum, and matures in May 2017. The Debenture holder has the option to convert the principal and accrued interests at any time into Common Shares at price of $0.05 ($0.10 prior to share split made on July 1, 2012) per share. The accrued interests as at January 18, 2013 and as at July 16, 2013 have been converted into shares at the price of $0.20 effective at the Amalgamation date.

(expressed in Canadian dollars)

13. CONVERTIBLE DEBENTURES (continued)

The Debenture, issued on May 17, 2012, bears interest at a rate of 10% per annum, and matures in May 2017. Upon the closing of a going public transaction whereby the Common Shares of the Corporation are listed on a Canadian exchange, the principal amount of the Debenture, plus accrued and unpaid interest thereon, shall be automatically converted into Common Shares at a price equal to a twenty percent (20%) discount of the price of any concurrent distribution of the Common Shares upon the closing of the going public transaction. As at the Amalgamation date, the total amount of the debenture has been converted into shares at the price of $0.128.

14. EQUITY

Share capital
Authorized
Unlimited number of shares without par value. All shares are equally admissible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company.

The share capital of Tantalex Resources Corporation consists only of fully paid common shares.

	Number of shares	Amount
Total shares issued and fully paid at February 28, 2014	**34,900,564**	**2,046,817**
Shares issued by private placement (i) (ii)	3,700,000	304,818
Share issue expenses (i) (ii)	-	(23,300)
Shares issued on settlement of debt (iii)	840,000	84,000
Shares issued in accordance with consulting services (iv)	100,000	10,000
Shares issued in accordance with joint venture agreement (v)	653,220	65,322
Shares issued in accordance with consulting agreement (note 3)	371,212	60,000
Total shares issued and fully paid at August 31, 2014	**40,564,996**	**2,547,657**

(i) On March 11, 2014, the Company completed the second closing of a non-brokered private placement financing by issuing 1,500,000 common share units (“Units”) at a price of $0.10 per Unit for gross proceeds of $150,000. Each Unit consisted of one common share (a “Common Share”) and one-half of one common share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.15 per Common Share for twenty-four months from closing. In connection with the financing, the Company paid cash commissions of $12,000, and issued compensation warrants to purchase 120,000 Common Shares at an exercise price of $0.10 per Common Share exercisable for a period of twenty-four months from closing.

(ii) On May 2, 2014 the Company completed the final closing of its non-brokered private placement financing by issuing 2,200,000 common share units (“Units”) at a price of $0.10 per Unit for gross proceeds of $220,000. Each Unit consisted of one common share in the capital of Tantalex (a “Common Share”) and one-half of one common share purchase warrant (a “Warrant”) of Tantalex. Each whole Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $0.15 per Common Share up to the date that is twenty-four (24) months from closing. All securities issued pursuant to the financing are subject to a four-month hold period.

(expressed in Canadian dollars)

14. EQUITY (continued)

(iii) On May 2, 2014 the Company entered into an agreement with an arm's length service provider, pursuant to which the Company will settle $84,000 of debt through the issuance of 840,000 Common Shares based on an agreed issue price of $0.10 per share. The Company determined to satisfy the indebtedness with common shares in order to preserve its cash. The Common Shares issued in satisfaction of the indebtedness will be subject to a four month statutory hold period from the date of issuance.

(iv) On May 2, 2014 the Company issued 100,000 Common Shares to an arm's length consultant in consideration for fiscal advisory services provided pursuant to the terms of a consulting agreement. The Common Shares issued to the consultant will be subject to a four month statutory hold period from the date of issuance.

(v) On May 27, 2014 the Company entered into a joint venture agreement (the "Agreement") with Reydev Mining (Proprietary) Limited ("Reydev"), for the development of the exclusive prospecting licenses (the "Licenses") held by Reydev for tantalum properties located in the tantalite valley in Namibia. The Company has agreed to pay Reydev consideration of US$60,000 by issuing 653,220 common shares to Reydev, at a deemed price of CDN$0.10 per share.

Share options
The Company has established a share option plan whereby the Board of Directors may from time to time grant options to purchase common shares to employees, officers, directors and consultants, for such terms and at such exercise prices as may be determined by the Board.

The Group's share options are as follows for the reporting periods presented:

	Number of options	Amount	Weighted average exercised price
		$	$
Balance at December 31, 2011	666,668	14,347	0.08
Granted (1)	10,366,670	330,464	0.04
Exercised	(175,824)	(5,512)	0.02
Balance at February 28, 2013	10,857,514	339,299	0.04
Exercised	(6,524,176)	(130,484)	0.02
Balance at February 28, 2014 and August 31, 2014	4,333,338	208,815	0.08

The following options are outstanding as at August 31, 2014

Expiry Date	Weighted	Number of options	Weighted average
December 21, 2016	0.08	2,000,000	2.3
December 22, 2016	0.08	666,668	2.3
January 19, 2017	0.08	666,668	2.4
March 14, 2017	0.08	666,668	2.5
May 17, 2017	0.08	333,334	2.7
			2.4

(expressed in Canadian dollars)

15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and six months ended August 31, 2014 was based on the loss attributable to common shareholders of $325,066 and $821,178, respectively (three and six months ended August 31, 2013 - $177,400 and $417,700, respectively). The weighted average number of common shares outstanding used for the calculation for the three and six months ended August 31, 2014 were 40,555,032 and 38,975,938, respectively (17,435,199 for the three and six months ended August 31, 2013).

Excluded from the calculation of the diluted loss per share for the three and six months ended August 31, 2014 and August 31, 2013 are warrants, and stock options because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

16. ADDITIONNAL INFORMATION ON CONSOLIDATED STATEMENT OF CASH FLOWS

Certain investing and financing activities do not require the use of cash and, accordingly, have been excluded from the consolidated statements of cash flows:

	For the six months ended August 31, 2014	For the six months ended August 31, 2013
Changes in exploration and evaluation assets included in trade payables		
Shares issued for advisory services	154,000	-
Shares issued as per joint venture agreement	65,322	-

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The Company’s financial instruments include cash, due to a related company, accounts receivable and other receivables, advances receivable, trade payables and accrued liabilities, loan, due to directors, due to consultants, balance of sale and the convertible debentures.

The carrying amount and fair value of financial instruments, with the exception of the balance of sale and the convertible debentures, are considered to be a reasonable approximation of fair value because of their short-term maturities. The carrying values of the balance of sale and the liability component of the convertible debentures (level 2 of the fair value hierarchy) are considered to be a reasonable approximation of fair value, since the interest rate used initial approximates the interest rate at year end for similar instruments. The fair value of balance of sale payable and the convertible debentures has been determinate using the present value of cash flows method.

(expressed in Canadian dollars)

18. RELATED PARTY TRANSACTIONS

As at August 31, 2014, there is an amount of $18,366 due to Charbone Potash Mining, a related party by virtue of common significant shareholders ($21,821 as at February 28, 2014). As at August 31, 2014, there is an amount of $12,187 due to Charbone Buckell, a related party by virtue of common directors (nil as at February 28, 2014).

No guarantees were given or received. Outstanding balances are usually settled in cash.

Remuneration of key management personnel of the Company

The remuneration awarded to key management personnel, including directors, the Chief Executive Officer, the Chief Financial Officer and the Director of Congo's operations, is as follows:

	6 month period ended August 31 2014	6 month period ended August 31, 2013
Management and consulting fees	107,815	188,500
Share-based remuneration	-	-
Total	107,815	188,500

Unless otherwise stated, none of the transactions provided for special terms and conditions.

19. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company defines capital as shareholders' equity. The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholder of the Company.

These objectives will be achieved by acquiring the right exploration projects, implementing appropriate work programs to assess resources and by identifying and executing the optimal corporate strategy in terms of cash flow or sale.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financing liabilities. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order, to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. There were no changes in the Company's approach to capital management during the six months ended August 31, 2014. The Company is not subject to any externally imposed capital requirements as at August 31, 2014.

When financing conditions are not optimal, the Company may enter into option agreements or others solutions to continue its exploration activities or may slow its activities until conditions improve.

(expressed in Canadian dollars)

20. FINANCIAL INSTRUMENT RISKS

Objectives and policies concerning financial risk management
The Company is exposed to different financial risks resulting from its operations as well as investing and financing activities. The following analysis enables users to evaluate the nature and extent of the risks at the end of the year.

Financial risks
The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follow:

Interest rate risk
The convertible debentures provide for a fixed annual interest rate and therefore expose the Company to the risk of fair value variation due to interest rate variation because this financial asset is recognized at amortized cost. The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Liquidity risk
Management's objective is to maintain sufficient levels of cash and to ensure that the Company has at its disposal sufficient sources of financing, such as private financing and capital markets. Obtaining additional funds make it possible for the Company to continue its operations.

The following table presents contractual maturities (including interest payments where applicable) of the Company financial liabilities:

	August 31, 2014		February 28, 2014	
	Current	Non-current	Current	Non-current
	Within 1 year	1 to 5 years	Within 1 year	1 to 5 years
	$	$	$	$
Trade payables and accrued liabilities	552,911		338,575	
Loan	82,580		71,775	
Due to a related company	30,553		21,821	
Due to directors	206,231		116,124	
Due to consultants	167,160		142,938	
Balance of safe	200,000	148,419	200,000	200,000
Convertible debentures	-	200,362	0	178,030
	1,239,435	348,781	891,233	378,030

As at August 31, 2014, management estimates that funds available will not be sufficient to meet the Company's obligations through February 28, 2015. The Company is evaluating different financing options to continue the exploration and development of its projects, which may include the issuance of securities, entering into partnership, joint venture or other arrangements. There can be no assurance that additional funds will be available or available on terms acceptable to the Company. If management is unable to obtain new funding, the Company may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests.

20. FINANCIAL INSTRUMENT RISKS (continued)

Foreign Currency Risk
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and Central African Franc will affect the Company's operations and financial results. At August 31, 2014, the Canadian equivalent value of assets and liabilities denominated in a foreign currency consisted of cash of $5,478 (February 28, 2014 - $15,014), accounts payable and accrued liabilities of $nil (February 28, 2014 - $4,381) and due to directors of $nil (February 28, 2014 - $4,947). The impact on operations and comprehensive income and equity of a 10% increase or decrease in foreign currencies to the Canadian dollar exchange rate on the Company's financial instruments based on balances at August 31, 2014 would be insignificant.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company has no trade accounts. The exposure to credit risk for the Company's receivables is considered immaterial. No impairment loss has been recognized in the periods presented.

The Company's management considered that all the above financial assets that are not impaired or past due are of good credit quality.

The credit risk for cash is considered negligible since the counter parties are reputable banks with high quality external credit ratings and that cash held in Congo is not subject to any restrictions.

21. COMMITMENTS

As part of the acquisition of Sadem Congo, the Company shall pay a royalty of 10% of the gross income on the sales of minerals. The royalty should be paid until a total of 2 000 000 USD has been paid to the sellers of Sadem Congo. In addition to the initial royalty commitments, the Company shall pay the sellers, 15 % of gross income on the sales of minerals coming from a stock pile of minerals gathered by "La compagnie Avoine" estimated at approximatively 20 metric tons.

On May 15, 2012, the Company signed a supply agreement with Kemet Corporation (the Buyer) for the supply of Tantalite ore concentrate. The initial terms included the delivery of a minimum of 5,000lbs of 25% contained Ta_2O_5 up to a maximum of 20,000lbs per month, for the duration of the 5 years agreement. The Company could be exposed to penalties in the event where a specific monthly purchase order issued by the Buyer is accepted by the Company but not fulfill according to the terms of this purchase order. Such penalties, if any, would be limited to the difference between the agreed upon price for the purchase order and the actual price paid by the Buyer for the order when filled by a third party. An addendum to the supply agreement was signed on August 2, 2013 to amend the initial term of the contract that is now from May 15, 2013 to May 14, 2018.

On December 5, 2013, the Company signed a three-year agreement with Better Sourcing Program for the Mayoko supply chain due diligence assurance including due diligence setup services prior to export commencement and on-going services for export validation. The agreement includes minimum annual payment for export validation amounting to USD 70,000 per annum calculated from the date of first export.

22. POST-REPORTING DATE EVENTS

On September 25th, 2014, the Company closed a $65,000 debt financing in the form of three promissory notes. The promissory notes accrue interest at a rate of 20% per annum (calculated on the basis of the 360 day per year method). The promissory notes and accrued interest are due December 20th, 2014.