

CANTEX MINE DEVELOPMENT CORP.

FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS NINE MONTHS ENDED APRIL 30, 2012

The following Management Discussion and Analysis (“MD&A”), prepared as of June 28, 2012, of the results of operations and financial position of Cantex Mine Development Corp. (the “Company”) for the nine months ended April 30, 2012 should be read together with the unaudited condensed interim consolidated financial statements for the nine months ended April 30, 2012 and related notes attached thereto, which are prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the audited annual consolidated financial statements for the years ended July 31, 2011 and 2010 and the MD&A for those years as well as the unaudited interim consolidated financial statements for the period ended April 30, 2011 along with the MD&A for that period.

Additional information related to the Company is available on www.cantex.ca or on SEDAR at www.sedar.com.

Forward Looking Statements

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Description of Business

The Company's principal business activity is the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company has not yet determined whether any of its properties contain ore reserves that are economically recoverable. The Company trades on the TSX Venture Exchange under the symbol CD.

The Company's primary project is located in the northwestern part of the Republic of Yemen where it owns exclusive exploration licenses over a 1,583 square kilometer (“km²”) area. The second project is in Nevada, USA where the Company has a 100% interest in 7 groups of gold exploration claims comprised of 267 claims over 2,233 hectares. Most recently, the Company has staked two claim blocks (approx 1,000 hectares each in size) in the Yukon, Canada.

Performance Summary

The following is a summary of significant events and transactions:

Private Placements

There were no private placements completed during the period.

The reader is referred to the Management Discussion and Analysis for the year ended July 31, 2011 for details of the private placement completed during that period.

Mineral Properties

Details of the activities on the properties are provided in the following commentary:

Yemen

In December 2011, the Company entered into an agreement with WCP Resources Ltd (“WCP”) wherein WCP can earn an interest in the Al Hariqah gold project by funding advanced exploration and mine development to commercial production. The staged earn-in agreement (“Agreement”) allows WCP to earn up to a 70% interest in the project after funding a minimum of US\$30,000,000 over a seven year period.

WCP will have up to 2 years to exercise an option to commence the earn-in to the Project (“Earn-in Option”) after which they may earn an initial 40% interest in the project by expending US\$5,000,000 within 2 years. A further expenditure of US\$10,000,000 within the following 2 years would increase its interest in the project to 50% and a further US\$15,000,000 within the following 3 years would increase its interest in the Project to 70%. In circumstances where WCP earn a 70% interest in the project and a decision to mine the project is reached, WCP will carry Cantex’s portion of mine construction costs to initial production via a loan at an agreed/market interest rate. The loan would be repaid from the first 80% of profits earned by Cantex.

The Agreement is subject to each party obtaining all necessary regulatory approvals necessary to effect to the transactions contemplated by the Agreement; and WCP completing due diligence to its sole satisfaction on the Project within 60 days of execution of the Agreement.

In February 2012, the Company announced that WCP Resources Ltd (“WCP”) completed its due diligence process with respect to the Al Hariqah gold project. No materially adverse issues were identified and WCP has formally notified the Company that it will proceed with its two year option period in accordance with the terms of the option agreement.

Al Hariqah Gold Deposit

The Al Hariqah gold deposit is located some 130 km northwest of Sana'a. It was discovered during follow up of anomalous gold values found in heavy mineral concentrates. Mapping and soil geochemistry have shown that gold mineralization occurs for a distance of nearly 4 km in two close, parallel, north northwest trending zones. These zones are up to 50 meters wide.

A 28 hole reverse circulation drill program, totalling 4,053 meters, was completed on the northern 1,100 meters length of the deposit in 1999 and 2000. These holes show that the mineralization extends to at least 150 meters depth with several deep holes bottoming in mineralization. The drilling suggests potential for a gold resource within the drilled area of 16 million tonnes at an average grade of 1.65 g/t to 100 meters depth. Extrapolation of this data to the area covered by the mapping suggests potential for a resource of 40 million tonnes at similar grades. However the deposit is open along strike, across strike and at depth so there is potential to increase the tonnage available.

To better define the mineralization discovered in the previous round of drilling, a program of 45 holes using the Company’s specialized core / percussion drill was conducted in late 2005 and 2006. These holes were located to test the extension of the mineralization defined by the previous drill program as well as to test the continuity of mineralization between holes. Results for these holes, as determined by fire assay at ALS Chemex, an ISO 9001:2000 accredited laboratory in Vancouver, were consistent with those of the previous drill program. The Company is most encouraged with the consistent results as they demonstrate the continuity of gold values within the Al Hariqah deposit. The gold grades recovered are typical of those found in open pit mines.

A third round of drilling is now underway and to date, 134 holes have been completed. The results to date, along with those from the drilling yet to be completed, will form the foundation of a prefeasibility study.

Notable intersections from the drilling completed to date are contained in the following table:

Hole	Gold Grade g/t	Length m	From m	To m
PDH 27A	1.49	54.0	1.5	55.5
PDH 28	2.24	39.0	18.0	57.0
RDH 07	1.10	64.5	10.5	75.0
RDH 23	1.41	141.9	9.0	150.9
RDH 34	2.44	126.8	24.0	150.8
RDH 44	1.26	52.5	3.0	55.5
RDH 46	3.08	78.0	0.0	78.0
RDH 82	0.87	87.0	6.0	93.0
YDH 02	3.02	46.5	28.5	75.0
YDH 03	1.08	67.5	24.0	91.5
YDH 05	0.95	99.0	81.0	108.0
YDH 07	0.98	76.5	39.0	119.5
YDH 10	1.90	61.5	18.0	79.5
YDH 20	1.04	88.5	70.5	159.0

In January 2012, the exploration license containing the Al Hariqah project was renewed under the new Yemeni mining code. The new license is valid for an initial four year period and can be renewed for two further four year periods. In addition, the license has been expanded from its original 71 km² to 956 km². The new area covers a trend of gold anomalies discovered by Cantex's regional exploration program which could reflect additional mineralization similar to that found at Al Hariqah.

Suwar Nickel, Copper, Cobalt, Platinum Project

In November 2008, Vale International SA ("Vale"), a wholly-owned subsidiary of Companhia Vale do Rio Doce (NYSE: RIO, Vale), signed a letter agreement for the Company's Suwar, Wadi Qutabah and Al Masna nickel, copper, cobalt and platinum group element projects in Yemen. Under the terms of the agreement, Vale could acquire up to a 60% interest in each of the mineral exploration licenses for the three properties through a series of progressive expenditure and activity thresholds.

The focus of exploration work completed during 2009-2011 was on the Suwar project where Vale exceeded the minimum expenditure requirements of the agreement in each of the three years. In December 2011, the Company received notification that Vale decided not to pursue the Suwar option and, accordingly, elected to terminate the letter agreement.

The Suwar nickel, copper, cobalt, platinum project is located 50 km to the west-northwest of Sana'a. The mineralization is hosted in the southern part of a mid Proterozoic layered basic igneous complex some 32 km in length and 8 km in width. Mineralization at surface occurs as a discontinuous series of gossan outcrops, often containing malachite, which occur along a northeast trending zone nearly 3 km long. At least 1.1 km of this zone exhibits an UTEM response.

It has been determined from earlier drilling results that the mineralized zones are dominated by pyrrhotite with nickel being contained mainly in pyrrhotite-pentlandite intergrowths and copper within chalcopyrite. The sulphides occur both as disseminations and as massive bands. While only traces of platinum group metals have been found, only a small part of the mineralized complex has been tested and there remains a possibility for discovery of significant PGE values. Currently there is insufficient drilling to calculate a resource.

In the first year with Vale, work conducted on the project included the collection of 1,894 soil samples, detailed geological mapping and acquisition of a satellite image. Ground geophysical surveys included 32 line kilometers of ground magnetics, 15 kilometers of ground gravity and a ground induced polarization (IP) survey covering a 2.5 km by 2.5 km area.

Interpretation of the northern portion of the IP survey discovered two significant IP anomalies. The eastern anomaly, which extends from the known mineralization at Suwar Hill, is 800 meters long and 130 to 250 meters wide. The western anomaly is 600 meters long and 150 to 300 meters wide. Drilling commenced June 2009 with the first hole designed to provide a platform for a down hole electro-magnetic geophysical survey below Suwar Hill. Subsequently five holes totalling 2,125 meters were drilled to test the eastern IP anomaly. Only one hole intersected significant mineralization and it appears that the IP anomalies do not reflect sulphide mineralization.

In the summer of 2010, a 1,624 line kilometer helicopter-borne geophysical survey commenced over the Suwar and Wadi Qutabah project areas. The survey, which collected electromagnetic, magnetic and radiometric data, was designed to test for nickel – copper – cobalt bearing massive sulphide mineralization similar to what has been previously discovered at Suwar Hill. The survey identified three electromagnetic anomalies at the Suwar project area.

Wadi Qutabah Nickel, Copper, Cobalt, Platinum Project

The Wadi Qutabah nickel, copper, cobalt, platinum project is located in the northern part of the same-layered mafic complex that hosts the Suwar nickel deposit (described above). It lies some 23 km north of Suwar and 60 km northwest of Sana'a.

At Wadi Qutabah, five iron sulphide horizons have been found within layered gabbroic rocks. These iron sulphide horizons are conformable with the primary layering of the gabbroic rocks and occur over an area of 23 km². The best exposed horizon is the middle horizon and this can be traced in outcrop for more than 19 km. It is likely that the two lower horizons are of similar dimensions but these are largely concealed. The two upper horizons are significantly eroded and are of limited lateral extent.

Based on assay results for composite chip samples taken from the exposed horizon, only traces of platinum group elements were found in these samples but as strongly anomalous platinum occurs within drainage concentrates, there is a possibility that the platinum rich part of the deposit has yet to be discovered. As platinum group metals and nickel can partition during the intrusion of layered mafic complexes a drill program testing the vertically layered mafic complex to locate possible platinum horizons was undertaken.

To test the continuity of the flat lying sulphide horizons five vertical holes totaling 686 meters were drilled. These five holes intersected a total of 323.80 meters of weak (<10%) disseminated sulphides, 20.08 meters of moderate (10-50%) sulphide mineralization and 6.80 meters of semi massive to massive sulphide mineralization. These mineralized sections will be analyzed for nickel-copper-cobalt and platinum group elements.

Six additional holes were drilled to identify the source of the high platinum group element values found in three heavy mineral stream samples. The highly anomalous samples were from three adjacent streams draining a restricted portion of the Wadi Qutabah area. The six holes were designed to test the stratigraphy of the watershed of the anomalous streams. Several sulphide rich zones were intersected and these will be analyzed to identify anomalous platinum group element horizons.

The helicopter-borne electromagnetic geophysical survey conducted in 2010 over the Suwar area also covered the Wadi Qutabah area. Four electromagnetic targets were generated from this survey.

Al Masna Nickel, Copper, Cobalt Project

The Al Masna'a nickel, copper, cobalt project is located in the Saadah region some 205 km north-northwest of the capital city, Sana'a, and 25 km south of the border with Saudi Arabia.

Anomalous nickel and copper values have been found in heavy mineral concentrates in a number of heavy mineral samples collected in the region while variably anomalous results for cobalt and platinum occur in follow up drainage, soil and rock samples. Most of the anomalous values occur in an area underlain by layered gabbroic rocks. Soil surveying around a mineralized drill hole at Al Masna'a identified several anomalous zones of copper, nickel, cobalt, platinum, palladium and rhodium.

The evidence to date strongly suggests that the high nickel values discovered in the Al Masna drill hole are not an isolated occurrence and that there is good probability of discovering extensions to this mineralized zone, as well as new zones of nickel mineralization. The results of the sampling to date identify one or more zones of mineralization with a strike length of at least 4.5 km. The zone is open to the north.

Drilling is planned to test the IP, TEM and nickel soil geochemical anomalous zones in the Al Masna'a area with the objective of determining the grade and distribution of nickel and copper in the iron sulphide horizons.

At present the Company can not be certain of the safety of its workers at the Al Masna'a project. This is due to infrequent disputes in the area. As such the project area is currently under force majeure. When the situation stabilizes the Company intends to resume work on the project.

Yukon Gold Project

A new belt of gold mineralization has been discovered by ATAC Resources Ltd (“ATAC”) in the Yukon, Canada. The gold mineralization appears geologically similar to Carlin style mineralization in Nevada, which is the second largest gold district in the world.

In February 2011, the Company staked a 38 claim block adjacent to the eastern extremity and on strike with the recent Carlin style mineralization discovered by ATAC. In addition, a 48 claim block was staked over the source area of several arsenic anomalies as reported on the government stream sediment maps 15 km southeast of ATAC’s Rau gold deposit which is located towards the western end of their staked zone. The Company has access to heavy mineral technology developed by the CF Mineral laboratory that has, to date, detected four Carlin style heap leach gold deposits in Nevada that were undetected by analysis of arsenic in stream sediments. These four deposits are now active gold mines.

In August 2011, a field program was completed which consisted of the collection of samples testing both the Company’s claim blocks as well as 2,315 heavy mineral samples testing an area of 30,000 km² underlain by unstaked geology favorable for hosting gold mineralization. Of these, 150 samples were anomalous in both parts per billion (“ppb”) and micrograms of gold; 87 samples are anomalous in both ppb and micrograms of key pathfinder elements for Carlin-style gold mineralization. Forty eight samples are anomalous in both parts per million and micrograms in all key pathfinders indicative of detecting Carlin-style mineralization both in Nevada and the Yukon.

Detailed geochemical sampling was also undertaken on the Company’s claim block which is adjacent to, and along strike from, ATAC’s Osiris discovery. From this claim block, 92 talus samples were collected along with 6 heavy mineral samples. Forty nine of the bulk samples were analyzed after screening, crushing and pulverizing whilst the remaining 43 were analyzed using the heavy mineral analysis procedures of CF Mineral Research Ltd. in Kelowna, BC for Carlin-style gold sampling. Nineteen of the 49 pulverized talus samples were anomalous in key pathfinder elements for Yukon and Nevada Carlin-style gold mineralization such as arsenic, antimony, thallium, etc. Thirty seven of the 43 talus samples processed using heavy mineral methods were found to be anomalous in key pathfinder elements. Three of the 37 samples anomalous in key pathfinder elements were also found to be weakly to strongly anomalous in gold. The Company’s other claim group, which covers an arsenic anomaly 15km southeast of ATAC’s Rau gold discovery, was tested with 4 heavy mineral samples. Three of the four samples contained anomalous (microgram) amounts of key pathfinder elements. Of the three samples anomalous in key pathfinder elements one sample’s concentrate was moderately anomalous (4,720 ppb) in gold.

Nevada Gold Project

Cantex has a 100% interest in seven mineral properties in Nevada.

The Company has identified a number of drill ready gold targets which are the end result of an extensive exploration program. Initially, sampling surveys were conducted over known gold mines in Nevada to assess their geochemical signatures. A distinctive suite of pathfinder elements was found to accompany many of the mines. Specifically, anomalous gold, bismuth, antimony, mercury and/or arsenic were found to be associated with significant gold mineralization. With this knowledge a regional geochemical survey was conducted over known gold mine trends in Nevada. Numerous similar geochemical signatures were found and claims were then acquired over these areas.

Once the lands were staked focused exploration was undertaken; the anomalies were followed up with geological mapping, soil sampling, rock sampling, trenching and geophysics. The geophysical surveys typically used Controlled Source Audio-frequency Magnetotelluric (CSAMT) techniques. CSAMT is a deep-looking geophysical technique that measures lateral and vertical resistivity contrasts which are important for evaluating the presence of geologic units which are favourable to host large tonnage gold deposits similar to those found elsewhere in Nevada.

In late 2010, an 11 hole, 2,449 meter reverse circulation drilling program was undertaken on the Leonard Creek property. Drilling on some holes intersected unusually deep overburden which was up to 320 meters thick. It is possible that the CSAMT geophysical anomalies may have been a result of the overburden rather than the underlying bedrock. As a consequence no significant gold mineralization was intersected.

A further seven drill ready gold targets have been identified and one target which can be tested by surface trenching. The Company is currently seeking a partner to option these claims to fund the drill program.

Selected Annual Information

The following table provides a brief summary of the Company's financial data for the three most recent fiscal years. For more detailed information, refer to the Financial Statements.

	Year Ended July 31, 2011 (IFRS) \$	Year Ended July 31, 2010 (GAAP) \$	Year Ended July 31, 2009 (GAAP) \$
Total revenues	-	-	-
Net loss	2,458,769	924,146	1,796,386
Basic and diluted loss per share	0.01	-	0.01
Total assets	2,164,701	410,031	1,270,475
Total liabilities	4,140,542	2,306,867	3,260,393

Annual and quarterly information for all periods since August 1, 2010 have been restated in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Please refer to the accompanying condensed interim consolidated financial statements for more information on the Company's transition to International Financial Reporting Standards ("IFRS").

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

See "Results of Operations" and the "Summary of Quarterly Results" for a discussion of the variations above.

Results of Operations

For the nine months ended April 30, 2012

The Company's principal source of income during the nine months ended April 30, 2012 was administration fees earned pursuant to the agreements with Vale International SA and WCP Resources as operator of the Suwar and Al Hariqah projects in Yemen. Administration fees earned during the period totaled \$73,776 (2011 - \$97,413).

For the nine months ended April 30, 2012, the Company incurred a loss of \$1,608,231 (2011 - \$1,180,764). The loss increased from the previous year largely due to expenditures related to the Yukon sampling program completed during the year.

Some of the significant expenses for the nine months ended April 30, 2012 are as follows:

Exploration expenses totaled \$1,564,303 (2011 - \$1,109,852) of which \$528,556 (2011 - \$742,484) were incurred in Yemen, \$41,034 (2011 - \$321,119) in Nevada and \$994,713 (2011 - \$46,249) in the Yukon. Exploration expenditures on the Yukon project increased in correlation with the flow-through private placement financing completed in June 2011. Refer to the Schedule of Exploration Expenses in the consolidated financial statements for additional detail.

General and administrative expenses totaled \$135,433 (2011 - \$167,389). Some of these significant expenses consisted of:

Office and administrative costs of \$66,314 (2011 - \$78,074) decreased slightly due to less time spent by senior management associated with corporate matters.

Accounting, legal and audit fees of \$24,586 (2011 - \$26,006) did not change significantly. An increase in tax filing services in the current period associated with the private placement financing was offset by a decrease in legal services.

Transfer agent and filing fees of \$33,719 (2011 - \$35,743) did not change significantly from the previous period.

Travel and promotion expenses of \$10,814 (2011 - \$12,666) decreased due to conferences attended by senior management in the prior year.

Summary of Quarterly Results

	Three Months Ended April 30, 2012 (IFRS) \$	Three Months Ended January 31, 2012 (IFRS) \$	Three Months Ended October 31, 2011 (IFRS) \$	Three Months Ended July 31, 2011 (IFRS) \$
Total assets	782,720	1,384,712	1,294,603	2,164,701
Working capital (deficiency)	(3,620,938)	(3,549,308)	(2,452,835)	(2,026,010)
Shareholders' (deficiency)	(3,584,072)	(3,502,558)	(2,403,895)	(1,975,841)
Revenues	-	-	-	-
Net loss	81,514	1,098,663	428,054	1,803,104
Loss per share	0.00	0.00	0.00	0.01

	Three Months Ended April 30, 2011 (IFRS) \$	Three Months Ended January 31, 2011 (IFRS) \$	Three Months Ended October 31, 2010 (GAAP) \$	Three Months Ended July 31, 2010 (GAAP) \$
Total assets	317,939	224,611	253,183	410,031
Working capital (deficiency)	(3,129,878)	(2,826,224)	(2,480,878)	(1,958,601)
Shareholders' (deficiency)	(3,077,600)	(2,770,394)	(2,421,935)	(1,896,836)
Revenues	-	-	-	-
Net loss	307,206	348,459	525,099	250,087
Loss per share	0.00	0.00	0.00	0.00

The net loss for the three months ended April 30, 2012 decreased significantly due a recovery of exploration expenditures pursuant to the agreement with WCP Resources. The net losses for the three months ended January 31, 2012 and July 31, 2011 included significant increases in exploration expenditures on the Company's Yukon property incurred in correlation with the private placement financing completed in June 2011. The decrease in total assets during the three months ended October 31, 2011 was a result of the aforementioned Yukon exploration expenditures incurred in the previous period. The increase in total assets during the three months ended July 31, 2011 was as a result of a private placement equity financing which generated gross proceeds of \$2,400,000. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending April 30, 2012 reflect the timing of various normal business transactions.

Total assets increased during the three months ended April 30, 2011 as a result of exploration advances received from a related party. The net loss for the three months ended October 31, 2010 includes exploration expenditures on the Company's Nevada property which had been idle for several years. Total assets increased during the three months ended July 31, 2010 as a result of exploration advances received from a related party. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending April 30, 2011 reflect the timing of various normal business transactions.

Liquidity and Capital Resources

The Company has financed its operations to date primarily through the issuance of common shares and advances from related parties. The Company continues to seek capital through various means including joint venture partnerships and the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. As shown in the consolidated financial statements, the Company has suffered recurring losses, has negative working capital and has a significant deficit from operations. The application of the going concern concept is dependent on the Company's ability to explore and develop mineral properties with profitable reserves and to receive continued financial support from its creditors and shareholders. Management plans to obtain additional financing through future private placements for common shares or from the issuance of common shares on the exercise of outstanding options. The consolidated financial statements do not give effect to any adjustment should the

Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the consolidated financial statements. There can be no assurance that sufficient working capital can be generated from operations and external financing to meet the Company's liabilities and commitments as they become due. Failure to generate sufficient working capital from operations or obtain external financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

In June 2011, the Company completed a non-brokered private placement for gross proceeds of \$2,400,000 through the issuance of 36,923,077 flow-through common shares at a price of \$0.065 per share. There were no agents' commissions or other compensation paid in connection with the financing.

Net cash used in operating activities during the nine months ended April 30, 2012 was \$2,273,737 compared to \$838,557 during the same period in 2011.

Net cash provided by investing activities during the nine months ended April 30, 2012 was \$21,021, compared to \$1,148 during the same period in 2011.

Net cash provided by financing activities during the nine months ended April 30, 2012 was \$604,450 compared to \$826,965 during the same period in 2011.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Related Party Transactions

The Company entered into the following transactions with other related parties during the nine months ended April 30, 2012:

- a) Paid or accrued laboratory and mineralogical costs of \$779,452 (2011 - \$132,744), geological consulting fees of \$35,373 (2011 - \$22,950), shared field expenditures of \$339 (2011 - \$8,924), and shared office and administrative costs of \$46,819 (2011 - \$57,977) to companies controlled by Charles Fipke, a director of the Company..
- b) Paid or accrued geological consulting fees of \$57,750 (2011 - \$51,425) and travel and field expenses of \$1,440 (2011 - \$7,337), to a company controlled by Chad Ulansky, an officer of the Company.
- c) Paid or accrued shared field expenditures of \$9,404 (2011 - \$932), and shared office and administrative costs of \$8,144 (2011 - \$9,490) to a company with common directors and management ("Related Company").
- d) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of \$23,110 (2011 - \$2,246) from a company controlled by Charles Fipke and \$6,073 (2011 - \$163) from a Related Company.

Included in amounts due to related parties is \$457,808 (July 31, 2011 - \$434,628; August 1, 2010 - \$257,622) for laboratory and mineralogical costs, \$52,165 (July 31, 2011 - \$244,193; August 1, 2010 - \$158,124) for shared office and administrative costs, \$379 (July 31, 2011 - \$32,912; August 1, 2010 - \$24,392) for shared field expenditures, \$32,912 (July 31, 2011 - \$324,989; August 1, 2010 - \$212,779) for geological consulting fees and \$3,644,238 (July 31, 2011 - \$2,509,155; August 1, 2010 - \$1,547,278) for exploration expenditure advances owing to companies controlled by Charles Fipke.

Included in amounts due to related parties is \$110,390 (July 31, 2011 - \$67,452; August 1, 2010 - \$20,793) for geological consulting fees and \$1,328 (July 31, 2011 - \$11,606; August 1, 2010 - \$Nil) for travel and field expenses owing to a company controlled by Chad Ulansky.

Included in amounts due to related parties is \$Nil (July 31, 2011 - \$16,433; August 1, 2010 - \$516) for shared field expenditures and \$1,543 (July 31, 2011 - \$2,473; August 1, 2010 - \$1,679) for shared office and administrative costs owing to a Related Company.

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.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

The Company currently carries out exploration on mineral concessions that it holds directly from governments. Although the Company makes all reasonable effort to ensure secure title, there is no guarantee that title to properties in which the Company has will not be challenged or impugned. These properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. There is also no guarantee that any of the prospecting license or exploration permits granted in connection with the properties will be renewed upon their normal expiry. Notwithstanding the foregoing, the Company has not experienced any difficulties with renewals to date.

Additional future funds may be required to maintain and advance exploration properties. Historically, the only sources of such funds have been the sale of equity capital and limited debt. Given the current volatile state of financial markets, there are no assurances that sources of financing will be available on acceptable terms, or at all. To date, the Company has relied on advances from a related party to fund its operations and expects continued support. The Company's equity financings are sourced in Canadian Dollars but, for the most part, the Company incurs its expenditures in local currencies or in US dollars. At this time, there are no currency hedges in place.

The Company operates in the Middle Eastern country of Yemen that has a varied political past and, at times, conflicts with neighboring countries and civil war. Changing political situations may affect the manner in which the Company operates.

Financial Instruments

The carrying values of cash, trade and other receivables, prepaid expenses, and trade and other payables and amounts due to related parties approximate their fair value at April 30, 2012 due to their short-term nature. No reclassifications or de-recognition of financial instruments occurred in the period.

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and price risk.

Currency risk - The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Yemen and as such, a portion of its expenses are incurred in the local currency and US dollars. A significant change in the currency exchange rates could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At April 30, 2012, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$120,108 (July 31, 2011: \$19,232). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not be material.

Credit risk - Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held through a large Canadian financial institution with a high investment grade rating.

The Company has no financial assets that are past due or impaired due to credit risk defaults. The Company's receivables consist mainly of mineral property recoveries due from joint venture partners and HST 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. The Company's maximum credit risk at April 30, 2012 is \$372,532 (subsequently received; July 31, 2011: \$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.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 11 to the consolidated financial statements.

Trade and other payables are generally due within 30 days. No significant amounts are past due. Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing.

Price risk - The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital Management

The Company includes cash and equity, comprising of issued common shares, reserves and deficit, in the definition of capital.

The Company's objectives 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.

The Company expects its current capital resources will not be sufficient to complete its exploration and development plans and operations through its current operating period and will be required to raise additional funds through future equity issuances or secure other financing. To date, the Company has relied on advances from related parties to fund its operations and expects continued financial support through the next twelve months. 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 additional capital to pursue these plans, the Company may attempt to raise funds through the issuance of debt and or equity.

First-time Adoption of IFRS

The Company has adopted IFRS on August 1, 2011 with a transition date of August 1, 2010 ("Transition Date"). For periods on or after August 1, 2011, the Company's financial statements are prepared in accordance with IAS 34. This note explains the adjustments made by the Company in restating its Canadian GAAP statement of financial position at August 1, 2010 and July 31, 2011. Under IFRS 1, First Time Adoption of International Financial Reporting Standards, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to accumulated deficit unless certain exemptions are applied.

The Company has elected to apply the following IFRS 1 optional exemptions at the Transition Date:

(a) *Business combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 'Business Combinations' ("IFRS 3") retrospectively to business combinations that occurred before the transition date. The Company has taken this election and will apply IFRS 3 prospectively to business combinations that occur on or after the transition date.

(b) *Share-based payments*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 'Share-based Payments' ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the transition date and January 1, 2005. The Company has elected to not apply IFRS 2 to awards that vested prior to the transition date.

In preparing the opening IFRS statement of financial position and the financial statements for the periods beginning on or after August 1, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is outlined in Note 15 to the consolidated financial statements.

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Recent Accounting Pronouncements

The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

The following Standards are effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of these standards:

- IFRS 10 Consolidated Financial Statements will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities.
- IFRS 11 Joint Arrangements will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.
- IFRS 12 Disclosure of Interests in Other Entities is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- IFRS 13 Fair Value Measurement was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs.
- IAS 27 Separate Financial Statements has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.
- IAS 28 Investments in Associates and Joint Ventures has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee.

The following Standard is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of this standard:

- IFRS 9 Financial Instruments (“IFRS 9”) was issued to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification and measurement of financial assets. IFRS 9 was subsequently reissued in October 2010, incorporating new requirements on accounting for financial liabilities.

Outstanding Share Data

The authorized share capital of the Company is an unlimited number of common shares without par value.

As at June 28, 2012, the Company had outstanding 371,213,022 common shares and 11,700,000 stock options with a weighted average exercise price of \$0.13 per share.

Subsequent Event

Subsequent to April 30, 2012 the Company announced that it intends to proceed with a non-brokered private placement to raise proceeds of up to \$1,600,000. The Company intends to issue up to 24,000,000 “flow through” shares at \$0.05 per share and up to 8,000,000 non-flow through units at \$0.05 per unit. Each unit is to be comprised of one common share and one warrant, with each warrant entitling the holder to acquire a further common share at a price of \$0.10 for a term of five years, subject to an earlier expiry in circumstances where, at any time following six months from closing, the closing price of the common shares of the Company is \$0.25 or greater for a period of 20 consecutive trading days.