CANTEX MINE DEVELOPMENT CORP.

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTH PERIOD ENDED JANUARY 31, 2014

The following Management Discussion and Analysis ("MD&A"), prepared as of March 27, 2014 of the results of operations and financial position of Cantex Mine Development Corp. (the "Company") for the three and six month period ended January 31, 2014 should be read together with the unaudited condensed consolidated interim financial statements for the six months ended January 31, 2014 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") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the audited consolidated financial statements for the years ended July 31, 2013 and 2012 and the MD&A for those years as well as the unaudited condensed consolidated interim financial statements for the period ended January 31, 2014 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.

Description of Business

The Company's principal business activity is the exploration and development 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 ("km^2") area. Most recently, the Company has staked 10 claim blocks covering approximately 30,000 hectares in the Yukon, Canada. The Company also has a 100% interest in 6 groups of gold exploration claims comprised of 140 claims over 1,171 hectares in Nevada, USA.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about current mineral property interests, the global economic environment, the market price and demand for gold and other minerals and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand for or price of gold and other minerals, (3) delays in the start of projects with respect to our property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in Yemen regarding mining and mineral exploration, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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 MD&A for the years ended July 31, 2013 and July 31, 2012 for details of the private placements completed during those periods.

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.

In February 2012, 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.

WCP has up to two years from February 2012 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 two 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 three 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.

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.

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 km^2 to 956 km^2. 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.

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 between 13 and 52 million tonnes of a grade between 1.0 and 1.8 g/t. This target is for the northern 1,000 metres of the 3,700 metre long Al Hariqah deposit where the majority of the drilling to date has been undertaken. For the purposes of the exploration target, the mineralized width ranges from 100 to 400 meters and the mineralized thickness for the target ranges from 50 to 100 metres. The specific gravity of the host rock (Proterozoic quartz mica schist) is assumed to average 2.6 t/m3. However the deposit is open along strike, across strike and at depth so there is potential to increase the tonnage available. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

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 underway. Two core drills are now testing the southern extension of the deposit. Most of the prior drilling has focused on the northern 1,000 meters of the deposit which has been traced by soil sampling, channel sampling, geological mapping and limited drilling an additional three kilometers to the south. Much of the current drilling is focused on the southern 3,000 meters of the deposit.

Since WCP optioned the project from Cantex in December 2011 32 holes for 4,518 meters have been drilled. Recent drilling has focused on testing the southern extension of the previously drilled mineralization to the south. These holes continue to intersect significant mineralization such as hole RDH063A which intersected 3.85 meters of 9.79 g/t Au from 70.76 meters and also 7.25 meters of 3.03 g/t Au from 80.55 meters. Hole RDH095A intersected multiple zones of mineralization including 15m of 3.67 g/t Au from 65m, 9m of 2.46 g/t Au from 87m, 20m of 1.48 g/t Au from 112m and 6m of 4.22 g/t Au from 143m. Multiple zones of mineralization were also intersected in hole RDH078A (14m of 3.15 g/t Au from 53m, 23m of 1.19 g/t Au from 95m and 6m of 7.38 g.t Au from 134m).

Significantly a series of channel samples approximately 400m north of the drilling conducted to date contained significant gold results. This demonstrates the potential for further strike extension of the deposit.

Two drill rigs are currently operating under the supervision of Mr. Mohamed Farghally who was appointed as Exploration Manager for the project by WCP. Mr. Farghally is a gold exploration geologist with over 15 years' experience and most recently was Chief Production Geologist at the Sukari Gold Mine in Egypt, which has gold reserves of over 10 million ounces.

WCP will now look to accelerate its exploration efforts at the Al Hariqah Project, which will involve an expanded drilling program and the shipment of a backlog of drill samples requiring assay, using a combination of local sample preparation and offshore assaying.

Results from the ongoing drilling program, together with extensive previous drilling, will provide a solid base for an updated geological model for the project and, if appropriate, WCP will look to prepare an initial Mineral Resource estimate in accordance with the JORC Code.

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.

In December 2011, the Company received notification that Vale decided not to pursue the Suwar option and, accordingly, elected to terminate the letter agreement.

On June 5, 2013 Cantex elected to relinquish the licenses for the Wadi Qutabah and Suwar projects.

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 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 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. 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 February 2011, the Company staked two small claim blocks. One claim block is adjacent to the eastern extremity and on strike with the recent Carlin style mineralization discovered by ATAC while the second 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.

In September 2012, the Company staked an additional eight claim blocks totaling 1,380 claims covering over 28,000 hectares. These claim blocks were staked based on the results of the previous year's regional heavy mineral sampling program. During the summer of 2013 an additional 1,275 hectares was staked adjacent to the North Rackla claim block.

In August 2011, a field program was completed which consisted of the collection of 2,315 heavy mineral samples testing an area of 30,000 km^2 underlain by un-staked 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.

In September 2012, a field program was completed which consisted of claims staking and the collection of 1,386 heavy mineral samples which were collected both within the Company's claim areas and in un-staked areas.

In May 2013, analytical results from the 1,386 samples were received. Several areas have been defined that are anomalous in all of the key Carlin-style gold pathfinder elements. Within the North Rackla and Mt. Good claim blocks watersheds upstream from highly anomalous heavy mineral samples were the focus of a detailed follow up soil/talus geochemical sampling program. Over 11,000 and 6,000 samples were collected from the North Rackla and Mt. Good claim blocks respectively.

At the time of writing results from these soil/talus samples continue to be received. Eight areas have been identified which are strongly anomalous in gold, arsenic and antimony. Though winter conditions were present on site two areas were followed up in late September / early October with a brief fill in soil/talus program. Results are awaited.

During the 2013 summer program a zone of gossan which sub-outcrops for a distance of 600 metres with an apparent width of up to 20 metres was discovered. The gossan zone is open at both ends. Grab samples of sub-outcrop and down slope talus were assayed from along the 600 metre strike length and exhibited elevated metal contents of up to 2.52% copper, 43.60% lead, 7.11% zinc and 35.60 oz/t silver. Further work is planned for this discovery.

Nevada Gold Project

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

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. On that basis, a regional geochemical survey conducted over known gold mine trends was used to acquire the claims over the anomalous areas.

Once the lands were staked, the anomalies were followed up with geological mapping, soil sampling, rock sampling, trenching and geophysics. The geophysical surveys used Controlled Source Audio-frequency Magnetotelluric (CSAMT) techniques: 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. Therefore, in August 2012, the Company elected not to renew the 127 claims that comprised Leonard Creek property.

The remaining properties contain a further seven drill ready gold targets 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, 2013 (IFRS)	Year Ended July 31, 2012 (IFRS)	Year Ended July 31, 2011 (IFRS)
	$	$	$
Total revenues	-	-	-
Net loss	2,266,235	2,176,324	2,458,769
Basic and diluted loss per share	0.08	0.01	0.01
Total assets	3,687,417	2,304,136	2,164,701
Total liabilities	3,772,440	4,712,798	4,140,542

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 three and six months ended January 31, 2014

The Company's principal source of income during the three month period ended January 31, 2014 was administration fees earned pursuant to the agreement with WCP Resources as operator of the Al Hariqah project in Yemen. Administration fees earned during the period totaled $67,432 (2013 - $40,820).

For the six month period ended January 31, 2014, the Company incurred a loss of $1,303,196 (2013 - $1,431,894). The loss decreased from the previous year due to a decrease in expenditures related to the Yukon exploration program.

Some of the significant expenses for the six month period ended January 31, 2014 are as follows:

Exploration expenses totaled $1,330,217 (2013 - $1,399,051) of which $94,792 (2013 - $86,560) were incurred in Yemen, $28,079 (2013 - $23,826) in Nevada and $1,207,346 (2013 - $1,288,705) in the Yukon. Refer to the Schedule of Exploration Expenses in Note 4 in the consolidated financial statements for additional detail.

General and administrative expenses totaled $85,909 (2013 - 73,131). Some of these significant expenses consisted of:

- Office and administrative costs of $52,590 (2013 - $35,991) increased due to additional time spent by senior management associated with corporate matters.

- Accounting, legal and audit fees of $12,219 (2013 - $15,073) decreased due to the increased audit services required for the Company’s transition to IFRS for the 2012 fiscal year.

- Transfer agent and filing fees of $21,101 (2013 - $21,316) are consistent with the prior year.

Summary of Quarterly Results

(in accordance with IFRS)	Three Months Ended January 31, 2014	Three Months Ended October 31, 2013	Three Months Ended July 31, 2013	Three Months Ended April 30, 2013
	$	$	$	$
Total assets	2,528,900	2,679,593	3,687,417	747,261
Working capital deficiency	(1,414,550)	(966,182)	(114,169)	(4,046,691)
Shareholders' deficiency	(1,388,219)	(938,733)	(85,023)	(4,015,892)
Revenues	-	-	-	-
Net loss	449,486	853,710	599,376	234,965
Loss per share	0.01	0.00	0.00	0.00

(in accordance with IFRS)	Three Months Ended January 31, 2013	Three Months Ended October 31, 2012	Three Months Ended July 31, 2012	Three Months Ended April 30, 2012
	$	$	$	$
Total assets	785,226	1,203,474	2,304,136	782,720
Working capital deficiency	(3,870,538)	(3,533,213)	(2,443,474)	(3,620,938)
Shareholders' deficiency	(3,840,556)	(3,500,820)	(2,408,662)	(3,584,072)
Revenues	-	-	-	-
Net loss	339,736	1,092,158	568,093	81,514
Loss per share	0.00	0.00	0.00	0.00

Total assets for the year ended July 31, 2013 increased due to the receipt of proceeds from the private placement financing completed in July 2013 of $3,000,000. The subsequent decrease in total assets as at October 31, 2013 and January 31, 2014 stem from the Company spending a significant portion of the funds that had been raised with the private placement. Accordingly, there was an increase in net loss due to increased exploration expenditures on the Yukon project in the three month period ended October 31, 2013. Net loss for the three month period ended January 31, 2014 decreased due to less Yukon expenditures during this period. Total assets for the three months ended October 31, 2012, January 31, 2013 and April 30, 2013 decreased significantly as proceeds from the private placement that was completed in July 2012 were expended on Yukon exploration expenditures and working capital. Accordingly, the net loss for the three months ended July 31 and October 31, 2012 and July 31, 2013 include a significant increase in exploration expenditures. The improvement in the working capital deficiency as at July 31, 2013 relates to the debt settlement totaling $1,557,995 for 14,080,518 shares. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending January 31, 2014 reflect the timing of various normal business transactions.

Results for the three months ended October 31, 2012 include a significant increase of exploration expenditures on the Yukon project incurred in correlation with the private placement equity financing completed in July 2012. The increase in total assets during the three months ended July 31, 2012 was as a result of a private placement equity financing which generated gross proceeds of $1,761,000. The subsequent decrease in total assets is the result of the spending of these funds on the Yukon project. Results for the three months ended January 31, 2012 include a significant increase of exploration expenditures on the Yukon property incurred in correlation with the private placement financing completed in June 2011. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending January 31, 2013 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.

As at January 31, 2014, the Company had cash of $1,991,801 (July 31, 2013 - $3,539,808) and a working capital deficit of $1,414,550 (July 31, 2013 - $114,169). Excluding amounts due to related parties, which have no fixed terms of repayment, the Company has sufficient funds to meet its working capital requirements through the remainder of the fiscal year. Current market conditions may impact the Company's ability to raise further capital and fund ongoing operations.

The Company has no capital expenditure commitments but is committed to minimum future lease payments for office premises through to March, 2014 as follows:

Fiscal year ending July 31, 2014	$ 3,851

The consolidated 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. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties, receive continued financial support, complete equity financings, and generate profitable operations in the future. As shown in the consolidated financial statements, the Company has suffered recurring losses, has negative working capital and has a significant deficit from operations. 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. These conditions may raise significant doubt regarding the Company's ability to continue as a going concern. 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. It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or the Company will attain profitable level of operations.

In July 2012, the Company completed a private placement for gross proceeds of $1,761,000 through the issuance of 26,720,000 flow through common shares and 8,500,000 non-flow through common shares at a price of $0.05 per share. The use of proceeds for the flow through shares was to conduct a further sampling program in the Yukon. The non-flow through funds were to be used for administrative working capital. All proceeds were expended in accordance with their original intent.

In July 2013, the Company completed a private placement for gross proceeds of $3,000,000 through the issuance of 21,418,182 flow through common shares and 5,854,545 non-flow through common shares at a price of $0.11 per share. Each non-flow through common share had a share purchase warrant exercisable for a term of five years at $0.15 per share. A value of $172,000 was attributed to the warrants, using a risk free rate of 1.1% and expected life of five years and a volatility of 40%. The use of proceeds for the flow through shares was to conduct a further sampling program in the Yukon. The non-flow through funds were to be used for administrative working capital. All proceeds are being expended in accordance with their original intent.

In June 2013, the Company settled $10,767 in debt to a third party for 215,334 shares. In July 2013, the Company settled $1,547,228 in related party debt for 14,066,162 shares.

Net cash used in operating activities during the six month period ended January 31, 2014 was $1,559,826 compared to $1,490,070 during 2013.

Net cash provided by investing activities during the three month period ended January 31, 2014 was $11,819 compared to $6,318 during 2013.

Net cash provided by financing activities during the three month periods ended January 31, 2014 and 2013 was $Nil.

Off-Balance Sheet Arrangements

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

Related Party Transactions

During the three month periods ended January 31, 2014 and 2013, the Company had related party transactions with the following companies related by way of common directors or shareholders:

- C.F. Mineral Research Ltd. ("CF Minerals") – a private company owned by Cantex Chairman, Charles Fipke. CF Minerals provides heavy mineral geochemistry services to the Company.
- Kel-Ex Development Ltd. ("Kel-Ex") - a private company owned by Cantex Chairman, Charles Fipke. Kel-Ex provides administration, payroll and office services to the Company.
- Element 29 Ventures Ltd. ("Element 29") - a private company owned by Cantex CEO, Chad Ulansky. Element 29 provides geological consulting services to the Company.
- Metalex Ventures Ltd. ("Metalex") - a publicly listed company with common directors and management. Metalex shares office space with Cantex and thus have certain shared expenditures which get re-billed on a cost-recovery basis.

The Company's related party expenses, net of expenses recovered, consist of the following amounts:

	Three months ended January 31,		**Six months ended January 31,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Laboratory and mineralogical costs	**328,900**	259,428	**331,741**	347,755
Geological consulting fees	**28,550**	23,433	**115,893**	106,712
Shared field expenditures	**9,419**	52,949	**12,283**	74,355
Shared office and administrative costs	**15,855**	7,165	**38,494**	22,556
	382,724	342,975	**498,411**	551,378

The Company's related party expenses, net of expenses recovered, relate to the following related parties:

	Three months ended January 31,		**Six months ended January 31,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
C.F. Mineral Research Ltd.	**328,900**	259,428	**331,741**	347,755
Kel-Ex Development Ltd.	**43,919**	8,272	**119,747**	115,560
Element 29 Ventures Ltd.	**7,700**	71,983	**41,274**	82,745
Metalex Ventures Ltd.	**2,205**	3,292	**5,649**	5,318
	382,724	342,975	**498,411**	551,378

The above noted transactions represent amounts incurred or accrued, but not necessarily paid, during the periods indicated. The increase in laboratory and mineralogical costs (CF Minerals) for the period ended January 31, 2014 is due to a higher level of processing lab samples for the Yukon. The increases in geological consulting fees are also related to the Yukon exploration program in 2013. Shared field expenditures represent a combination of claims staking fees, vehicle rental and travel/field expenditures paid directly by Chad Ulansky on behalf of the Company and later re-billed.

The liabilities of the Company include the following amounts due to related parties:

	January 31	July 31
	2014	2013
	$	$
C.F. Mineral Research Ltd.	**909,193**	197,796
Kel-Ex Development Ltd.	**2,924,257**	4,320,126
Element 29 Ventures Ltd.	**6,353**	12,053
Metalex Ventures Ltd.	**841**	2,269
	3,840,644	4,532,244

These amounts due to related parties have no fixed terms of repayment; however, the Company aims to keep related party accounts current when funds are available and after third-party debts have been extinguished. The exception is the balance due to Kel-Ex Development Ltd. for past cash advances received to fund working capital and exploration activities,

$2,656,960 (July 31, 2013 - $2,657,010). Given the current financial state of the Company, this debt will eventually have to be settled with shares or proceeds from a future private placement financing.

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, and trade and other payables and amounts due to related parties approximate their fair value at January 31, 2014 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 January 31, 2014, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $383,879 (July 31, 2013: $388,444). 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 GST receivable due from the Federal Government of Canada. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures. The Company's maximum credit risk at January 31, 2014 is $473,668 ($116,083 of this was subsequently received; July 31, 2013: $63,320). 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 10 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.

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:

The following Standards are effective for annual periods beginning on or after January 1, 2013 and have been adopted by the Company. There has been no impact on the financial statements in regards to the adoption of these standards:

- IFRS 7 Financial Instruments requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks from those financial instruments, both in qualitative and quantitative terms.

- 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 16 Property, Plant and Equipment outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

- 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.

- IAS 32 Financial Instruments: Presentation has been amended to clarify the treatment of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The following Standard is effective for annual periods beginning on or after January 1, 2014 and is not yet effective for the relevant periods. The Company is assessing the impact of this standard:

- Amended IAS 32 Financial Instruments: Presentation has been updated to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:
    - the meaning of ‘currently has a legally enforceable right of set-off’
    - the application of simultaneous realization and settlement
    - the offsetting of collateral amounts
    - the unit of account for applying the offsetting requirements.

The following Standard is effective for annual periods beginning on or after January 1, 2015 and is not yet effective for the relevant periods; however, the effective date has been deferred. 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.

In June 2013, the Company consolidated its common shares on a 15:1 basis; all shares are shown post-consolidation.

As at March 26, 2014, the Company had outstanding 68,488,780 common shares and 936,000 stock options with a weighted average exercise price of $0.10 per share. There are 566,667 outstanding warrants with an exercise price of $1.50 and 5,854,545 warrants with an exercise price of $0.15.