

# **CANTEX MINE DEVELOPMENT CORP.**

## **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED JULY 31, 2007**

The following discussion and analysis, prepared as of November 28, 2007, should be read together with the audited consolidated financial statements for the years ended July 31, 2007 and 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://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 an exclusive Exploration License over a 698 km<sup>2</sup> aerial extent and a prospecting permit for Uranium covering an area of 3,876 km<sup>2</sup>. The second project is in Nevada, USA where the Company has a 100% interest in 10 gold exploration claim groups secured with 485 claims. In southwestern Greenland, the Company has an option to acquire a 25 percent interest in exploration licenses totaling 982 km<sup>2</sup> on which a diamond exploration program is currently being undertaken.

## Performance Summary

The following is a summary of significant events and transactions:

### Northwest Yemen

#### *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.

Previous drilling, in 1982, of an outcropping gossan intersected a metre thickness of massive sulphides, from which a 0.39 metre section assayed 7.6% nickel, 1.2% copper and 0.5% zinc. The same drill hole intersected a 20 metre section averaging about 0.2 - 0.3% nickel further down the hole. The mineralization occurs within a N - S striking sequence of quartz rich altered tuffs. This mineralized intersection was not further investigated at that time.

Cantex has followed up the 1982 discovery by prospecting, geological mapping, ground magnetic and electromagnetic surveys, rock sampling and composite grid soil sampling. The first tranche of prospecting located 15 gossans, one of which contains malachite and gold mineralization, whilst the ground magnetic survey has located 5 anomalies. Additional prospecting and mapping has located a second mineralized (malachite) zone some 4 km north-northeast of the positive drill site.

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 about the mineralized drill hole at Al Masna'a identified several anomalous zones of copper, nickel, cobalt, platinum, palladium and rhodium.

In fiscal 2002 ground geophysical surveys, consisting of Induced Polarization, Resistivity and Transient Electromagnetics were carried out over all or part of the prospect area. Geological mapping, soil sampling and rock chip sampling were then carried out in key areas. The work has indicated two, possibly three, continuous to intermittent zones of disseminated to massive sulfide mineralization, some 4 to 5 kilometers long. Coincident anomalous rock and soil geochemistry with the geophysical anomalies, as well as previous drilling at Al Masna'a Hill, demonstrate that parts of the sulphide zones contain significant nickel – copper mineralization.

In fiscal 2003 and 2004 sampling programs were conducted to assist in locating targets for an upcoming drill program. Samples were found to be anomalous in nickel, copper, 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 kilometers. The zone(s) is (are) 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.

#### *Suwar Nickel, Copper, Cobalt, Platinum Project*

The Suwar nickel, copper, cobalt, platinum project is located in the southern part of a layered basic igneous complex some 32 km in length and 8 km in width. The complex is dominated by gabbroic rocks and is thought to be of mid Proterozoic age. The city of Sana'a lies some 50 km to the east-southeast.

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.

The mineralized zone was drilled in 1999 and 2000 at Suwar Hill (13 holes), in the central part of the zone, and near Nashir Village (2 holes) located at its southern end. These 15 diamond drill holes totalled 3,095 metres. Eleven of the holes intersected significant nickel-copper-cobalt mineralization of which the best results, all at Suwar Hill, are summarized below:

Hole No.	Thickness (m)	Ni%	Cu%	Start depth (m)
DDH Y99-1	10.00	1.20	0.52	51.5
DDH Y99-2	22.65	1.39	0.89	78.9
DDH Y00-5	43.21	0.86	0.46	7.62
DDH Y00-7	6.10	1.40	0.48	102.4
DDH Y00-8	6.10	1.17	0.51	65.52
DDH Y00-11	6.55	1.23	0.32	67.35

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. There is insufficient drilling to calculate a resource but, based on the drill results and geology, the 2.7 km long discontinuously mineralized zone is up to 140 metres wide and up to 30 metres thick. There is adequate room within this zone to contain a world-class ore body. The mineralized zone is open in all directions.

The Suwar mineralization is considered magmatic in origin and typical of that found in other layered mafic/ultramafic complexes such as Sudbury, Jinchuan etc. Later shearing has remobilized and concentrated some of the mineralization in shear and/or fault zones.

A second drill program commenced in April 2005. 15 holes totalling 1,467 meters were drilled. Significant massive sulphides were intersected in three holes as detailed in the following table:

Drill Hole	From (meters)	To (meters)	Drill Width (meters)	Nickel %	Copper %	Cobalt %	Sulphides
Y005-3	35.00	36.58	1.58	0.329	0.10	0.03	Disseminated
Y005-3	36.58	36.95	0.37	0.36	0.17	0.03	Disseminated
Y005-3	36.95	38.07	1.12	1.225	0.30	0.10	Massive
Y005-6	76.20	77.40	1.20	0.374	0.26	0.03	Disseminated
Y005-6	77.40	78.60	1.20	0.406	0.23	0.04	Disseminated
Y005-6	78.60	79.96	1.36	1.85	0.35	0.15	Massive
Y005-6	79.96	82.00	2.04	0.347	0.17	0.03	Disseminated
Y005-7	122.47	133.80	11.33	1.14	0.52	0.08	Massive

A third drilling program commenced August 14, 2007. 17 holes totalling 1920 meters are planned. The drilling will provide additional detail at Suwar Hill and will also test for mineralization along the previously untested extension of the Suwar massive sulphides. This drilling is currently underway and is part of the work being conducted towards completing a pre-feasibility study on Suwar by July 31, 2010.

### ***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 km<sup>2</sup>. 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.

The sulphide horizons outcrop mainly as disseminated and massive gossan but fresh sulphides are exposed in steep narrow gullies where the gossans have been eroded. The sulphide mineralization is mainly pyrrhotite. This occurs both as massive bands up to 3 metres thick (typically 0.6 metres) and as bands of disseminated grains within the gabbro host rock up to 20 metres thick (typically 1 - 3 metres).

At surface the sulphide horizons crop out as gossans. These gossans have been sampled at 500 metre intervals along exposed outcrop but the sulphide mineralization has been sampled only where it is exposed (eg. in the steep narrow gullies). The gossans are depleted in metal, especially nickel, due to weathering and cannot be used to predict the metal values of the parent sulphide.

The best metal grades occur in the southern half of the Wadi Qutabah intrusion. Assay results for six composite chip samples of fresh massive sulphides, collected at six locations over a strike length of 4 km, are as follows:

<b>Sample</b>	<b>Horizon</b>	<b>Cu%</b>	<b>Ni%</b>	<b>Co%</b>
YRX5543	3	0.066	0.693	0.163
YRX5709	3	0.104	0.403	0.149
YRX5710	3	0.258	0.261	0.077
YRX5718	3	0.108	0.342	0.088
YRX5668	3	0.185	0.353	0.101
YRX5670	3	0.272	0.368	0.121

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 685.84 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. Cantex geologists are pleased with the extent and continuity of the sulphide mineralization.

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.

### ***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 metres wide.

The mineralization is hosted by metamorphosed Proterozoic or Archaean volcanic, volcanoclastic and sedimentary rocks, which are now epi-granites and quartz albite mica schists. The mineralization is characterized by high grade pods within a low grade envelope. Gold is predominately associated with arsenopyrite but is also occasionally associated with other sulphide minerals and their secondary products. In the zone of oxidation, which comprises the upper 30 or so metres of the deposit, free gold is common. Quartz vein stock works are locally common but are barren of mineralization.

Twenty eight reverse circulation drill holes, totalling 4,053 meters, were drilled in 1999 and 2000 into the northern 1,100 metres length of the deposit. These holes show that the mineralization extends to at least 150 metres 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 metres depth. Extrapolation of these 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.

In late 2004, 418 infill soil samples and 17 rock samples were collected to assist in defining the anomalous gold mineralization. The processing of these samples was completed during the first half of 2005. These results were used to guide later drilling at Al Hariqah.

A drill program of 45 holes using the Company's specialized core / percussion drill was commenced in July 2005.

On December 14, 2005 cyanide extraction results were reported for grab samples taken from a high grade gold zone at Al Hariqah in a news release. The analyses were carried out by Vison Scitec of Vancouver, BC. A portion of each sample was crushed to approximately 5 mm and another portion was milled to less than 75 micrometers. Gold was then extracted from a 300 gram sub sample of each of the crushed and milled material using 600 grams of 1 g/l sodium cyanide. The results of these tests are presented below:

<b>Sample</b>	<b>Gold Recovery of Crushed Material (5 mm) After</b>			<b>Gold Recovery of Milled Material (75 <math>\mu</math> m) After</b>		
	<b>Grade</b>	<b>24 hours</b>	<b>48 hours</b>	<b>Grade</b>	<b>24 hours</b>	<b>48 hours</b>
MET 01	64.1 g/t	50.1%	74.4%	64.7 g/t	33.4%	40.9%
MET 03	202.1 g/t	65.9%	64.7%	195.5 g/t	77.6%	98.0%

These tests suggest that the gold at Al Hariqah is best recovered firstly using a gravity method followed by cyanide leach extraction of the gravity tails.

A drill program of 45 holes using the Company's specialized core / percussion drill was commenced in July 2005. Significant results for these holes, as determined by fire assay at ALS Chemex, an ISO 9001:2000 accredited laboratory in Vancouver, are summarized in the following tables:

Drill hole	Grade	Intersection	From	To
	g/t	meters	meters	meters
PDH03	2.02	4.5	64.5	69
PDH04	2.6	13.5	39	52.5
PDH09A	2.53	33	3	36
PDH10A	1.71	4.5	9.0	13.5
	1.32	6.0	27.0	33.0
PDH18	1.84	57	0	57
PDH21	1.50	33.0	79.5	112.5
PDH22	12.15	7.5	3	10.5
	2.18	19.5	28.5	48
PDH41A	11.15	6.0	1.5	7.5
	2.53	10.5	61.5	72.0
PDH43A	1.83	3.0	3.0	6.0
	1.94	3.0	19.5	22.5
	2.44	4.5	42.0	46.5
	1.53	4.5	51.0	55.5
	0.99	3.0	78.0	81.0
PDH44	2.65	30.0	7.5	37.5
	5.78	7.5	54.0	61.5
PDH45	6.21	6.0	10.5	16.5
	2.10	3.0	57.0	60.0
PDH46	4.56	12.0	6.0	18.0
	1.05	9.0	69.0	78.0
PDH47A	1.22	6.0	6.0	12.0
	3.67	18.0	24.0	42.0
	1.26	12.0	57.0	69.0
YPH10	1.41	4.5	12.0	16.5
	0.87	4.5	39.0	43.5
YPH14A	0.98	3.0	43.5	46.5

Drill hole	Grade g/t	Intersection meters	From meters	To meters
YPH 04	2.09	21.0	4.5	25.5
	0.86	18.0	43.5	61.5*
YPH 07	2.45	1.5	18.0	19.5
	0.99	10.5	42.0	52.5
	2.13	1.5	63.0	64.5
YPH 09	1.53	36.0	6.0	42.0*
YPH 14	1.17	19.5	6.0	25.5
	1.25	42.0	45.0	87.0
YPH 16	0.95	1.5	28.5	30.0
	0.93	1.5	37.5	39.0
	0.98	3.0	43.5	46.5
YPH 17	1.46	1.5	78.0	79.5
YPH 18	1.23	1.5	54.0	55.5
YPH 20	0.85	27.0	3.0	30.0
	1.74	1.5	37.5	39.0
	1.04	3.0	81.0	84.0
	1.19	6.0	102.0	108.0
YPH 21	1.84	7.5	0.0	7.5
	1.94	10.5	22.5	33.0
	1.23	4.5	91.5	96.0
YPH 22	2.00	15.0	0.0	15.0
	1.04	3.0	25.5	28.5
YPH 23	1.01	1.5	0.0	1.5
	0.94	4.5	21.0	25.5
	2.11	30.0	43.5	73.5
YPH 29	1.17	13.5	36.0	49.5
YPH 30	2.10	6.0	67.5	73.5*
YPH 31	1.56	51.0	1.5	52.5
	1.31	9.0	84.0	93.0
YPH 33	2.08	45.0	0.0	45.0
YPH 34	1.07	1.5	6.0	7.5
	1.14	1.5	34.5	36.0
YPH 38	1.04	1.5	66.0	67.5*
YPH 39	1.84	1.5	34.5	36.0
	0.96	4.5	49.5	54.0
YPH 41	1.03	9.0	28.5	37.5
*The hole ended in mineralization				

The Company is most encouraged with the above results as they are consistent with previously reported gold values at Al Hariqah and demonstrate continuity of values within the deposit as well as gold grades typical of those found in open pit mines.

The Company is committed to completing a pre-feasibility study at Al Hariqah prior to July 31, 2010.

### **Naqub West Uranium Project**

On February 28, 2007, the Company reported that it has acquired a new prospecting permit in Yemen containing numerous indications of uranium. The new permit covers 3,876 km<sup>2</sup> (1,514 square miles) in the Naqub West region, 195 km south southeast of the capital, Sana'a. The area is well accessed by paved road.

The area was covered by an airborne radiometric survey flown by Geo-survey in 1985. This survey found a total of 133 uranium anomalies within the permit area. A uranium anomaly was defined as being greater than 6 standard deviations above the background. Many of these anomalies have coincident thorium and/or potassium anomalies.

The Company intends to conduct an exploration program to test these uranium anomalies.

### **Nevada Project**

Cantex has an interest in ten mineral properties in Nevada. These properties were subject to a joint venture between Cantex and Sovereign Gold Corp and were identified after a review of a database owned by Cantex. In fiscal 2003, the Company purchased Sovereign's interest by payment to Sovereign of US \$125,000 and 3,000,000 shares of the Company with a payment of US \$33,000 payable upon the close of Cantex's private placement. This transaction was completed when TSX Venture Exchange approval was received on July 16, 2004. Thus Cantex now owns 100% interest in the Nevada gold properties.

A summary of the ten Nevada properties follows:

#### ***Baxter Springs***

The Baxter Springs property comprises 16 claims covering 128 hectares. The property was once staked by the Dia Met – Goldtex JV after the area was initially identified by a regional stream sediment sampling program. In 2004, two geochemically anomalous zones in soils and rocks were defined. A gold-antimony-bismuth anomaly overlies a CSAMT fault bounded resistivity high. As well, underlying a stratigraphically or structurally controlled arsenic-antimony-mercury soil and rock anomaly, are two vertical, moderately resistive zones at depth. The target deposit type is structurally or stratigraphically controlled gold, similar to the Midway deposit to the south. Permitting has been approved to drill four RC holes [June 5, 2005].

#### ***Bruner***

The Bruner property consists of 57 claims covering 477 hectares. The property was once staked by the Dia Met – Goldtex JV to cover an area initially identified by a regional stream sediment sampling program. In 2004, a gold-mercury anomaly in soils and rocks was delineated. The targeted deposit type is Tertiary volcanic hosted gold similar to that found in the district.

#### ***Carico Lake***

The Carico Lake property comprises 71 claims covering 594 hectares. The claims were originally staked by the Dia Met – Goldtex JV to cover an area anomalous in gold. The JV conducted a stream sediment sampling, soil and rock sampling, and geological mapping program over the claim area. In 2004, the extent of a large arsenic anomaly in rocks and soils was delineated. The target is a sediment-hosted gold deposit similar to that found in the Cortez Mining District to the east.

#### ***Ellsworth***

The Ellsworth property comprises 72 claims covering 559 hectares. The area was initially identified by a regional stream sediment sampling program. Targeted deposit types are sediment hosted gold veins or disseminated gold within either sedimentary or volcanic rocks.

### ***First Creek***

The First Creek property comprises 46 claims covering 385 hectares. The claims are situated to cover the structural intersection of the northwest trending Carlin Trend and the northeast trending Getchell Trend. These trends control the gold mineralization in the vicinity and host several major gold mines. The target deposit type is high grade gold veins in Tertiary volcanic rocks, similar to the Midas deposit.

### ***Gold Basin***

The Gold Basin property comprises 42 claims covering 342 hectares. The claims were staked to cover an area anomalous in gold in soils and rocks initially identified by a regional stream sediment sampling program. The Dia Met – Goldtex JV had conducted stream sediment sampling, soil and rock sampling, and geological mapping within the present claim area. The claims cover a felsic volcanic breccia which hosts the mineralization. The targeted deposit type is volcanic hosted disseminated gold.

### ***Leonard Creek***

The Leonard Creek property comprises 99 claims covering 828 hectares. The property was once staked by the Dia Met – Goldtex JV after the area was initially identified by a regional stream sediment sampling program. A subsequent program of rock sampling, soil sampling and geological mapping identified a structural setting favourable for the deposition of gold. In 2004, a CSAMT survey identified several targets, including buried structurally controlled resistivity highs and vertical structurally controlled conductive zones. On other areas of the property, mapping has identified additional drill targets, including areas of siliceous sinter and alteration. Permitting has been approved for 12 RC holes. [May 20, 2005] The targeted deposit is gold in Tertiary volcanic rocks, similar to the Crowfoot deposit to the south.

### ***North Fork***

The North Fork property comprises 12 claims covering 100 hectares. The property was once staked by the Dia Met – Goldtex JV. The area was initially identified by a regional stream sediment sampling program. Subsequent work included rock and soil sampling, trenching, road construction, geological mapping and reverse circulation drilling. In 2004, a gold-arsenic-antimony-silver-mercury anomaly in rocks and soils, at least 200 meters long, was discovered. The target deposit is a structurally and/or stratigraphically controlled gold deposit.

### ***Picket Corral***

The Picket Corral property comprises 16 claims covering 134 hectares. The claims area was previously explored by Frontier Pacific Gold Mining Corp, which discovered a silicified fault with anomalous arsenic, antimony and gold. The claims cover this mineralization. There are two gold targets, quartz veins containing gold-silver and a volcanic hosted large tonnage gold deposit, associated with the range front fault, containing high grade veins at depth.

### ***Weepah South***

The Weepah South property comprises 54 claims covering 452 hectares. The property was once staked by the Dia Met – Goldtex JV when the area was initially identified by a regional stream sediment sampling program. An induced polarization geophysical survey carried out by the JV shows an anomaly which may reflect mineralization in Paleozoic rocks at depth. The targeted deposit is a vein-like gold deposit up to 25 meters in width occupying a north to northeast trending shear zone, similar to the Weepah Mine three kilometers to the north. Permitting and bonding are in place to drill four RC holes [Permitting – October 26, 2004, Bonding – January 19, 2005].

Work completed by Cantex since acquiring the Nevada project is summarized below:

During the fiscal year ending July 31, 2004 a sampling program was conducted to trace the sources of mineralization within the ten claim groups. Eighty heavy mineral and 78 BLEG samples were collected and the results of these samples were announced as contained in the following excerpt of the news release dated July 19, 2004:

“Of the 80 heavy mineral samples, 44 were anomalous in gold with values ranging from 108 to 607,500 ppb [in stream concentrates], 31 were anomalous in arsenic with values ranging from 42 to 2,048 ppm and 14 were anomalous in

antimony with values ranging from 23 to 188 ppm. Thirty-two BLEG samples were anomalous in gold ranging to 1,395 ppb.”

For the quarter ended October 31, 2004, the progress on the work conducted on the Nevada properties is illustrated in the following excerpts from the Company’s news releases:

September 28, 2004

The following work had been completed on eight claim groups for heap leach gold in Nevada:

- 79 new claims staked;
- 80 heavy mineral and BLEG samples collected;
- 655 composite soils collected;
- 25 days of geologic mapping and prospecting completed;
- 113 rock samples collected for gold analysis and
- 32 kilometres of geophysical grid established.

October 25, 2004

Cantex is pleased to report that very encouraging results have been received from the geochemical and geophysical surveys conducted on five of the Company’s ten claimed, and 100%, owned gold properties in Nevada. To date the Company has received the results of 66 BLEG samples and 645 composite soil samples, as well as the preliminary findings from the Leonard Creek geophysical survey.

During the quarter ending January 31, 2005, work continued on the Nevada properties. The following news release summarizes the work completed:

December 20, 2004

The CSAMT geophysical surveys conducted on the Leonard Creek and Baxter Springs claims have been completed and the report on these surveys is anticipated shortly. The results of this survey should assist in defining drill site locations and then the permitting and bonding process can be initiated so that drilling can be carried out.

Geochemical surveys undertaken in and about the First Creek, Bruner, Carico Lake and North Fork properties have delineated gold anomalous areas for detailed study to define drill targets as well as extending anomalous zones in some areas. Sixty-three new claims were staked to cover newly identified areas of gold anomalous heavy mineral and BLEG stream sediment samples. A total of 954 composite soils and 86 rock samples were collected over these areas and submitted for gold and pathfinder element analysis.

It was reported on August 26, 2005 that on the Company’s Carico Lake property a 600 x 400 meter arsenic anomaly (arsenic is a pathfinder for gold) was being prospected and a CSAMT geophysical survey was commencing immediately. On the Bruner claim block a prospecting, hand trenching, rock sampling, and geological mapping program was underway. Additional work was about to start on the Company’s North Fork claim group where a 200+ meter gold anomaly with coincident pathfinder metal anomalies (silver, antimony, arsenic and mercury) was being prospected, hand trenched, rock sampled and geologically mapped.

In a December 13, 2005 news release, the Company announced that it now has 17 priority drill targets. These 17 targets are described below.

A report of the CSAMT geophysical survey conducted on the Carico Lake claim group has been received. This survey, conducted over a one-km<sup>2</sup> arsenic anomaly, has defined at least three drill targets. The geophysical results suggest that the area of the arsenic anomaly is underlain at depth by Lower Plate carbonaceous limestone. Cantex is most encouraged by these results as Lower Plate rocks host many of the gold deposits presently being mined in Nevada.

At the Company’s Bruner claim group, the results of the summer’s work program have been made available. A 750 m by 600 m soil/rock gold anomaly occurs within the southern portion of a broader 1,000 m by 600 m mercury anomaly. An air photo interpretation shows the area crosscut by conjugate sets of faults and fractures. Much of this anomalous area has no outcrop. Fifteen drill holes are proposed to evaluate the gold anomaly.

Three drill targets are on the Baxter Springs claim group. These targets were defined by geochemical sampling and a CSAMT geophysical survey. The first target is a resistivity high underlying a gold anomaly with coincident bismuth and antimony pathfinder metal anomalies. The second and third targets are zones of possibly altered metasediments below a gold anomaly with coincident arsenic, antimony and mercury pathfinder metal anomalies.

The Gold Basin claim group contains one drill target, which is a gold anomaly with coincident silver and arsenic anomalies.

At the Weepah South claim group, a blind IP anomaly is located in structurally complex Paleozoic sedimentary rocks underlying Tertiary rhyolites. This geophysical anomaly is on strike from the Weepah Gold Mine, which is located three kilometers to the north.

At Leonard Creek, four drill targets were defined by the CSAMT geophysical survey and four drill targets were identified from surface mapping. The CSAMT survey detected two buried resistivity highs that appear to be structurally controlled that may represent silicification. The survey also delineated a target where a low resistive zone that is interpreted as a rhyolite dyke is intersected by a southwest-northeast structure. The fourth geophysical drill target is a buried, vertical, conductive zone that appears to be structurally controlled. Four drill targets were identified from surface geological mapping. They include areas of siliceous sinter, sulphur mineralization and altered rocks.

## **Greenland**

In Greenland, the past exploration license lapsed when BHP-Billiton withdrew from the project. Cantex then applied for and was granted a 151 square kilometer exploration license for diamonds.

In late 2004, three areas of large kimberlite boulders were discovered while prospecting in the vicinity of the Company's 151 km<sup>2</sup> license. As the area containing the boulders was unclaimed an exploration license of 2,518 km<sup>2</sup> was acquired bringing the Company's 100% owned claims area to 2,669 km<sup>2</sup> in southwestern Greenland. Twenty samples of the kimberlite boulders totaling 468 kilograms were collected and submitted to the CF Mineral Research Ltd. laboratory for diamond and diamond indicator mineral analysis.

An agreement was reached on January 19, 2005 with Metalex Ventures Ltd. ("Metalex") whereby the Company's Greenland properties were transferred to Metalex. Under the terms of the agreement, Metalex will fund exploration through to January 20, 2008. Cantex has the option to acquire a 25% interest in, not only the 2,669 km<sup>2</sup> transferred to Metalex, but also Metalex's 100% owned 751 km<sup>2</sup> license adjacent to the former Cantex licenses. This option is exercisable between January 1<sup>st</sup> and 20<sup>th</sup> 2008 for a payment of \$120,000. In late 2006, Cantex and Metalex evaluated the exploration results on the licenses and elected to relinquish certain areas deemed to have minimal potential for hosting economic diamond deposits. The remaining 982 square kilometers comprising four sub areas were amalgamated in a single exploration license. If Cantex elects to exercise its option then it will be a contributing partner, from January 21, 2008 forward.

A news release was distributed by Metalex in March 2005 updating the progress on the Greenland project. Excerpts from the release follow:

### March 14, 2005

"[Metalex] is pleased to report it has two samples, collected 430 metres apart, that contain exceptional concentrations of fresh diamond indicator minerals in glacial till at its West Greenland Project.

"Geologist Charles Fipke observes that no previous exploration sample seen by him, including more than nine thousand from the Ekati claim block, has produced as many high quality (Cr<sub>2</sub>O<sub>3</sub>/CaO ratio) G10 garnets as either of the two Greenland samples."

"The near source surface textures and distribution of anomalous kimberlite indicator count samples, along with low indicator samples up ice, suggest that the source of the diamond indicator minerals lies within, or at the edge, of a large ice covered lake on a Metalex claim."

In a Metalex news release dated June 24, 2005 it was reported that: "A field program of basal till drilling, ground geophysics and heavy mineral sampling was carried out during March to May, 2005. Sixteen shallow holes were drilled in a traverse across the lake to collect samples of the basal till with the objective of determining whether the source of the indicator minerals lies within the lake. Thin sills and dykes of a rock, provisionally identified in the field as kimberlite, was intersected in four holes. No pyrope garnets were seen visually in these rocks by the onsite

geologist and he concluded that it is most unlikely that they are the source of the exceptional indicators found on the lakeshore.”

On November 29, 2005 it was confirmed by laboratory analysis that these sills and dykes were not the source of the exceptional indicator minerals.

It was also announced that the interpretation of the ground geophysical data collected during the spring program has resulted in 14 magnetic targets in the immediate vicinity of the two highly anomalous geochemical samples. These anomalies range in size from 50 to 250 metres in diameter and two of them are coincident with ground gravity anomalies.

## 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, 2007	Year Ended July 31, 2006	Year Ended July 31, 2005
Total revenues	\$ -	\$ -	\$ 70,959
Net loss	(1,069,121)	(1,315,311)	(1,447,018)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)
Total assets	307,187	399,037	969,042
Total liabilities	884,376	1,133,300	387,994
Cash dividends	-	-	-

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 year ended July 31, 2007, the Company incurred a loss of \$1,069,121 (2006 - \$1,315,311). The loss was less than the previous year due to decreases in exploration expenses.

Some of the significant expenses for the year ended July 31, 2007 are as follows:

Exploration expenses total \$706,575 (2006 - \$1,040,567): of which \$553,616 (2006 - \$853,692) was incurred in Yemen; \$83,792 (2006 - \$186,875) in Nevada; and \$69,167 (2006 - \$Nil) in Greenland. Overall, exploration work was down from the corresponding period in the previous year. Refer to the Schedule of Exploration Expenses in the financial statements for additional detail.

General and administrative expenses total \$286,824 (2006 - \$210,474). Some of these significant expenses consisted of:

- Consulting and management fees of \$43,129 (2006 - \$34,633) increased mainly due to recognition of past services by a director.
- Office and administrative costs of \$78,467 (2006 - \$52,573) increased primarily due to revisions in the allocation of certain expenses.
- Accounting, legal and audit fees of \$65,411 (2006 - \$75,331) decreased due to legal fees associated with Yemen agreements in the previous year.
- Transfer agent and filing fees of \$42,297 (2006 - \$39,748) did not increase significantly from the prior year.
- Travel costs of \$57,520 (2006 - \$8,189) increased significantly as a result of joint venture and fund raising meetings and conferences in Dubai.

Amortization \$98,827 (2006 - \$99,428) did not change significantly from the prior year.

## Summary of Quarterly Results

	Three Months Ended July 31, 2007	Three Months Ended April 30, 2007	Three Months Ended January 31, 2007	Three Months Ended October 31, 2006
Total assets	\$ 307,187	\$ 354,392	\$ 383,031	\$ 370,172
Working capital (deficiency)	(814,137)	(641,912)	(392,797)	(1,277,545)
Shareholders' equity (deficiency)	(577,189)	(380,280)	(106,451)	(966,485)
Revenues	-	-	-	-
Net loss	(196,909)	(300,555)	(321,435)	(250,222)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three Months Ended July 31, 2006	Three Months Ended April 30, 2006	Three Months Ended January 31, 2006	Three Months Ended October 31, 2005
Total assets	\$ 399,037	\$ 531,167	\$ 605,094	\$ 653,116
Working capital (deficiency)	(1,070,037)	(922,599)	(610,527)	(393,721)
Shareholders' equity (deficiency)	(734,263)	(562,112)	(219,843)	8,590
Revenues	-	-	-	-
Net loss	(172,151)	(342,269)	(228,433)	(572,458)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

During fiscal 2007 and 2006, total assets have decreased consistently from quarter to quarter as the Company has utilized cash reserves and working capital to fund exploration programs. The increase in total assets for the three month period ended January 31, 2007 was due to exploration advances received. Also during this period, the working capital deficiency was significantly reduced as a result of an issuance of shares for debt settlement.

Similarly, the net losses and decreases in shareholders' equity correlate with the expenditures on planned exploration programs. The amount of the net losses have decreased since the three months ended October 31, 2006 as exploration activity has ceased in Greenland as expenditure commitments have been met.

The quarterly results for the three months ended July 31, 2007 are a consequence of the Company further utilizing cash reserves and working capital to fund exploration programs in Yemen and maintain its claims in Nevada.

### Liquidity and Capital Resources

The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and loans from related parties. The Company continues to seek capital through various means including 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.

The Company is actively seeking a joint venture partner on its principal mineral properties in Yemen and Nevada.

No private placements were completed during the year.

Net cash used in operating activities during the year ended July 31, 2007 was \$945,872 compared to \$1,255,081 during the year ended July 31, 2006. The cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Financing activities provided cash of \$968,931 during the year ended July 31, 2007; compared to \$923,536 during the year ended July 31, 2006. Cash provided during the period consisted of advances from related parties.

There were no investing activities during the year ended July 31, 2007; compared to net cash proceeds of \$48,222 during the year ended July 31, 2006. Cash proceeds during this period resulted from the disposition of equipment.

### Off-Balance Sheet Arrangements

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

### Related Party Transactions

	July 31, 2007	July 31, 2006
	\$	\$
Due to related parties		
To a director and shareholder for geological fees	185	-
To a director and shareholder for advances to the Company	86,494	567,929
To a company controlled by a director for shared administrative charges	22,180	-
To a company controlled by a director for exploration expenditures advances to the Company	383,863	112,739
To a company controlled by a director for geological fees	54,808	-
To a company with common directors and management for shared administrative charges	11,606	2,759
To a company with common directors and management for shared field expenditures	74,688	-
To a company controlled by a director for laboratory and mineralogical costs	-	196,202
To a company controlled by a director for advances to the Company	-	258
	<u>633,824</u>	<u>879,887</u>

Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing.

The following amounts were not subject to a written agreement but were approved by the Board of Directors, incurred in the normal course of operations and have been recorded at the exchange amount, which is the amount established and agreed to by the related parties:

	Year ended July 31,	
	2007	2006
	\$	\$
Amounts paid or accrued		
To a director for management and geological consulting fees	16,838	28,228
To a company controlled by a director for exploration expenditure advances to the Company	-	79,755
To a company controlled by a director for office and administrative costs	49,577	17,677
To a company controlled by a director for shared field expenditures	26,533	24,610
To a company controlled by a director for geological consulting fees	69,168	6,140
To a company with common directors and management for office and administrative costs	10,645	10,618
To a company with common directors and management for shared field expenditures	85,031	-
To a company controlled by a director for laboratory and mineralogical costs	11,885	160,653
To a company controlled by a director for management and administrative expenses	16,726	-
	<u>286,403</u>	<u>327,681</u>

	Year ended July 31,	
	2007	2006
	\$	\$
Recoveries recorded		
From a company controlled by a director for office and administrative costs	12,291	-
From a company with common directors and management for office and administrative costs	514	-
From a company with common directors and management for shared field expenditures	4,309	-
	<u>17,114</u>	<u>-</u>

### Risks

The business of mineral 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. Certain of the Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights and title to the properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.

## Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, reclamation bonds, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## Critical Accounting Estimates

A detailed summary of the Company's significant accounting policies is included in Note 3 to the financial statements for the year ended July 31, 2007.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company accounts for stock options granted using the fair value method of accounting. Accordingly, the fair value of the options at the date of grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods.

## Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of preferred shares without par value (issuable in series) and an unlimited number of common shares without par value.

As at November 28, 2007, the Company had outstanding 302,034,291 common shares and 7,500,000 stock options with a weighted average exercise price of \$0.10 per share.

## Change in accounting policy

There is no change in accounting policy including initial adoption during the year ended July 31, 2007.

### *New accounting pronouncement*

#### (a) Comprehensive Income

The Canadian Institute of Chartered Accountants (CICA) issued Section 1530 of the CICA Handbook, "*Comprehensive Income*" which is effective for fiscal years beginning on or after October 1, 2006. It describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings such as:

- Changes in the currency translation adjustment relating to self-sustaining foreign operations;
- Unrealized gains or losses on available for-sale investments

The CICA also made changes to Section 3250 of the CICA Handbook, "*Surplus*", and reissued it as Section 3251, "*Equity*". The section is also effective for fiscal years beginning on or after October 1, 2006. The changes in how to report, and disclose equity and changes in equity are consistent with the new requirements of Section 1530, "*Comprehensive Income*".

Management does not believe the adoption of this section will have a material impact on the financial statements.

(b) Financial instruments

The CICA issued Section 3855 of the CICA Handbook, "*Financial Instruments – Recognition and Measurement*" and Section 3861 "*Financial Instruments – Disclosure and Presentation*". These sections are effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These sections require that:

- all financial assets be measured at fair value, with some exceptions like loans and investments that are classified as held-to-maturity;
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial instruments be measured at fair value;
- all derivative financial instruments be measured at fair value, even when they are a part of a hedging relationship; and
- establish presentation and disclosure standards for financial instruments and non-financial derivatives.

Management does not believe the adoption of this section will have a material impact on the financial statements.

(c) Hedges

The CICA recently issued Section 3865 of the CICA Handbook, "*Hedges*". The section is effective for fiscal years beginning on or after October 1, 2006. It describes when and how hedge accounting can be used. Hedging is an activity which may be used by a company to change an exposure to one or more risks by creating an offset between:

- changes in cash flows attributable to a hedged item and a hedging item, or
- changes resulting from risk exposure relating to a hedged item and a hedging item.

Hedge accounting makes sure that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

Management does not believe the adoption of this section will have a material impact on the financial statements.

(d) Accounting changes

The Accounting Standard Board has replaced section 1506, "*Accounting Changes*", with a new section based on International Accounting Standards 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*". The main features of the new sections are as follows:

- voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information.
- changes in accounting policies are applied retrospectively unless doing so is impractical.
- prior period errors are corrected retrospectively.
- new disclosures are required in respect of changes of accounting policies, changes in accounting estimates and correction of errors.
- the standard is effective for fiscal years beginning on or after January 1, 2007.

Management does not believe the adoption of this section will have a material impact on the financial statements.

### **Disclosure controls and procedures**

The Company has disclosure controls and procedures in place that are designed to provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management has reviewed the Company's disclosure controls and concluded that they were effective during fiscal 2007.

The Company has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During fiscal 2007, there were no changes to internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting.