

# **CANTEX MINE DEVELOPMENT CORP.**

## **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS THREE AND NINE MONTH PERIODS ENDED APRIL 30, 2010**

The following Management Discussion and Analysis (“MD&A”), prepared as of June 21, 2010, of the results of operations and financial position of Cantex Mine Development Corp. (the “Company”) for the three and nine month periods ended April 30, 2010 should be read together with the unaudited interim consolidated financial statements for the three and nine months period ended April 30, 2010 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited consolidated financial statements for the years ended July 31, 2009 and 2008 and the MD&A for those years as well as the unaudited interim consolidated financial statements for the three and nine month periods ended April 30, 2009, along with the MD&A for those periods.

Additional information related to the Company is available on [www.cantex.ca](http://www.cantex.ca) or 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 square kilometer (“km<sup>2</sup>”) area 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 7 groups of gold exploration claims comprised of 267 claims over 2,233 hectares.

## Performance Summary

The following is a summary of significant events and transactions:

### Northwest Yemen

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 can acquire up to a 60% interest in each of the mineral exploration licenses for the three properties through a series of progressive expenditure and activity thresholds.

The focus of exploration work completed to date has been on the Suwar project where Vale may earn a 40% participating interest if US\$3 million is spent on the Suwar project (US\$2 million to have been spent prior to October 31, 2009 and a further US \$1 million in 2010), a pre-feasibility study is completed on or before July 31, 2012 (notification deadline October 31, 2011) and a US\$1 million option payment is made to Cantex. An additional 11% can be earned by completing a feasibility study and a further 9% interest can be earned by financing mine development and achieving commercial production. If Cantex’s share of mine development costs are carried through to production by Vale, they are recovered by Vale as a development loan from 80% of Cantex’s share of profits.

In November 2009, the Company announced that Vale had met their US \$2 million exploration expenditure commitment to the Suwar project by October 31, 2009 and had committed to spending an additional US \$1 million in 2010.

The agreement also allows Vale to enter into a joint venture with Cantex on any other nickel, copper or cobalt bearing property, including the Company’s Wadi Qutabah and Al Masna’a deposit, in Yemen. The obligations are similar for each individual property.

### *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.

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

A seventeen hole drill program was started in August 2007 to provide additional detail at Suwar Hill and also to define mineralization along the previously untested extension of the Suwar massive sulphides.

In November 2008, Vale optioned the Suwar project from Cantex. In the first year, work conducted on the project included the collection of 1,894 soil samples, detailed geological mapping and acquisition of a satellite image. Ground geophysical surveys included 32 line kilometers of ground magnetics, 15 kilometers of ground gravity and a ground induced polarization (IP) survey covering a 2.5 km by 2.5 km area.

Interpretation of the northern portion of the IP survey discovered two significant IP anomalies. The eastern anomaly, which extends from the known mineralization at Suwar Hill, is 800 meters long and 130 to 250 meters wide. The western anomaly is 600 meters long and 150 to 300 meters wide. Drilling commenced June 22, 2009 with the first hole designed to provide a platform for a down hole electro-magnetic geophysical survey below Suwar Hill. Subsequent holes were planned to test the eastern IP anomaly. Five holes were drilled totalling 2,125 meters. Only one hole intersected significant mineralization and it appears that the IP anomalies do not reflect sulphide mineralization. However, drilling with Cantex’s man-portable core rig is currently still ongoing.

In 2010, an airborne electromagnetic survey is planned and targets resulting from this survey will be drill tested.

### ***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.

Twenty eight reverse circulation drill holes, totalling 4,053 meters, were drilled into the northern 1,100 metres length of the deposit in 1999 and 2000. 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 this data to the area covered by the mapping suggests potential for a resource of 40 million tonnes at similar grades. However the deposit is open along strike, across strike and at depth so there is potential to increase the tonnage available.

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

A third round of drilling is now underway, with 83 holes totalling approximately 11,000 meters planned. At the end of January 2010, 69 holes had been drilled with percussion drilling to approximately 90 meters with 21 of these having been deepened with core drilling.

Notable intersections from this most recent round of drilling include hole RDH 34 which intersected 39 meters of 3.01 g/t gold. Hole RDH 07 intersected 4.5 meters of 2.34 g/t, 7.5 meters of 2.28 g/t, 27 meters of 1.04 g/t, and 21 meters of 1.13 g/t gold all above a depth of 75 meters. Hole RDH 23 intersected 73.5 meters of 2.09 g/t gold and was still in mineralization at the end of percussion drilling. Above a depth of 79.5 meters hole RDH 44 intersected 3 meters of 1.14 g/t, 16.5 meters of 1.17 g/t, 31.5 meters of 1.76 g/t, 12 meters of 1.06 g/t, 36 meters of 1.29g/t and 4.5 meters of 1.30 g/t gold. These results are consistent with those obtained from previous drilling.

The results to date, along with those from the drilling yet to be completed, will form the foundation of a prefeasibility study.

### ***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.

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

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

analyzed for nickel-copper-cobalt and platinum group elements. 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 Masna Nickel, Copper, Cobalt Project***

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

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

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

### **Naqub West Uranium Project**

In February 2007, the Company 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.

### **Nevada Project**

Cantex has a 100% interest in seven mineral properties in Nevada where the Company has identified 13 drill ready gold targets. Cantex intends to commence drilling of these properties this year.

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

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

A summary of the properties and the targets to be tested are presented below:

### ***Baxter Springs***

The Baxter Springs property is located 30km south of the Round Mountain Mine and comprises 16 claims covering 134 hectares. A 307 sample composite soil survey identified two zones of anomalous pathfinder elements. The first is a 150 by 800 meter zone anomalous in arsenic, antimony and mercury, accompanied by areas of anomalous gold. The second is a 120 by 240 meter area of anomalous gold accompanied by bismuth. A CSAMT geophysical survey identified a resistivity high under the gold-bismuth anomaly. The target deposit type is structurally or stratigraphically controlled gold, similar to the Midway deposit to the south.

### ***Bruner***

The Bruner property is located 40km northeast of the Paradise Peak Mine and consists of 25 claims covering 209 hectares. Soil sampling identified a 750 x 600 meter gold anomaly at the southern end of a larger mercury anomaly. The targeted deposit type is Tertiary volcanic hosted gold similar to that found in the district.

### ***Carico Lake***

The Carico Lake property comprises 42 claims covering 351 hectares located along the prolific Battle Mountain – Eureka trend 25km southwest of the Cortez Mining District. A 292 soil sample survey outlined a 700 by 800 meter area anomalous in arsenic with coincident antimony anomalies along the eastern margin. A CSAMT survey was conducted over the anomalous area and outlined structures conducive to hosting gold mineralization as well as a resistivity low at depth which could potentially reflect lower plate rocks which commonly host significant gold deposits in Nevada such as Cortez Hills.

### ***Gold Basin***

The Gold Basin property is located 13km east of the Gold Ledge Mine and comprises 20 claims covering 167 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. Anomalous gold, silver and arsenic has been discovered in soil samples overlying a felsic breccia pipe.

### ***Leonard Creek***

The Leonard Creek property is located 80km north of the Crofoot-Lewis Mine and comprises 127 claims covering 1,062 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. The alluviums covering the claims area have historically been extensively placer mined for gold. Leonard Creek is one of the few major placer areas in Nevada where a hard rock gold mine has yet to be found as the source of the placer gold.

As alluvium covers most of the bedrock in the area, geophysics was used to identify potential gold mineralization. A CSAMT survey identified several targets, including buried structurally controlled resistivity highs and vertical structurally controlled conductive zones potentially reflecting areas suitable for gold mineralization. Twelve holes are planned to test four geophysical anomalies, two areas of outcropping sulphur mineralization, two areas of siliceous sinter and one area of alteration. It is possible that one or more of these anomalies may be the source to the abundant placer gold.

### ***North Fork***

The North Fork property is located six kilometers southwest of the Buckskin-National Mine and comprises 6 claims covering 50 hectares. A 442 composite soil sample program discovered a gold-arsenic-antimony-silver-mercury anomaly at least 200 meters long. The target deposit is a structurally and/or stratigraphically controlled gold deposit.

### ***Weepah South***

The Weepah South property is located three kilometers south of the Weepah Mine and comprises 31 claims covering 260 hectares. The claims are located over a 300 by 400 meter Induced Polarization geophysical anomaly which may reflect mineralization in underlying Paleozoic rocks. 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.

## 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, 2009	Year Ended July 31, 2008	Year Ended July 31, 2007
Total revenues	\$ -	\$ -	\$ -
Net loss	(1,796,386)	(1,494,961)	(1,069,121)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)
Total assets	1,270,475	240,972	307,187
Total liabilities	3,260,393	851,230	884,379

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

The Company's principal source of income during the nine month period ended April 30, 2010 was administration fees earned pursuant to the agreement with Vale International SA as operator of the Suwar project in Yemen. Administration fees earned during the current period totaled \$92,319 (2009 - \$87,210).

For the nine month period ended April 30, 2010, the Company incurred a loss of \$674,059 (2009 - \$1,438,001). The loss was reduced from the previous year largely due to decreases in foreign exchange loss, stock-based compensation recognized and exploration expenses.

Some of the significant expenses for the nine month period ended April 30, 2010 are as follows:

Exploration expenses totaled \$625,482 (2009 - \$949,515) of which \$572,938 (2009 - \$905,430) were incurred in Yemen and \$52,544 (2009 - \$44,085) in Nevada. Although the level of exploration activity in Yemen during the current period remained constant from that of the prior year, there was a decrease in exploration expenses in the current period. This is largely due to travel expenses and consulting fees incurred in the previous year associated with commissioning Vale's work program at Suwar. In the Nevada, there was an increase in claims maintenance fees during the current period. Refer to the Schedule of Exploration Expenses in the financial statements for additional detail.

General and administrative expenses totaled \$126,817 (2009 - \$202,956). Some of these significant expenses consisted of:

- Office and administrative costs of \$56,670 (2009 - \$77,675) decreased from the previous year as less time was required by management for corporate matters such as option agreement negotiations.
- Accounting, legal and audit fees of \$32,817 (2009 - \$67,033) decreased primarily due to legal services required in the previous year associated with completing the Vale option agreement.
- Transfer agent and filing fees of \$33,848 (2009 - \$32,238) did not change significantly from the previous year.
- Travel and promotion expenses of \$3,482 (2009 - \$26,010) decreased due to mining and investor conferences attended by senior management in the previous year.

## Summary of Quarterly Results

	Three Months Ended April 30, 2010	Three Months Ended January 31, 2010	Three Months Ended October 31, 2009	Three Months Ended July 31, 2009
Total assets	\$ 251,785	\$ 523,921	\$ 743,808	\$ 1,270,475
Working capital (deficiency)	(1,691,761)	(1,465,389)	(2,277,668)	(2,078,587)
Shareholders' equity (deficiency)	(1,646,749)	(1,417,042)	(2,215,347)	(1,989,918)
Revenues	-	-	-	-
Net loss	(229,707)	(218,923)	(225,429)	(358,385)
Loss per share	0.00	0.00	0.00	0.00

  

	Three Months Ended April 30, 2009	Three Months Ended January 31, 2009	Three Months Ended October 31, 2008	Three Months Ended July 31, 2008
Total assets	\$ 1,048,048	\$ 356,966	\$ 278,968	\$ 240,972
Working capital (deficiency)	(1,909,473)	(1,709,212)	(1,106,844)	(801,209)
Shareholders' equity (deficiency)	(1,792,240)	(1,565,155)	(937,270)	(610,258)
Revenues	-	-	-	-
Net loss	(227,085)	(883,904)	(327,012)	(140,890)
Loss per share	0.00	0.00	0.00	0.00

Working capital and shareholders' deficiencies were reduced during the three month period ended January 31, 2010 as a result of the issuance of shares for debt. Exploration cost recoveries received during the three month period ending October 31, 2009 resulted in a decrease in total assets as those funds were used to pay down accounts payable and accrued liabilities. During the three month period ended July 31, 2009, working capital and shareholders' deficiencies were reduced as a result of the issuance of shares for debt. The significant increase in total assets for the quarter ended April 30, 2009 was due to exploration advances received from a related party as well as exploration cost recoveries from a joint venture partner. A valuation adjustment on stock options granted during the three month period ended January 31, 2009 was made during the three month period ended July 31, 2009 resulting in additional stock-based compensation being recognized in the amount of \$121,468. With the exception of the items noted above, other fluctuations in operating results for the four quarters ending April 30, 2010 reflect the timing of various normal business transactions.

The net loss for the three month period ended January 31, 2009 includes stock-based compensation of \$256,019 recognized as a result of incentive stock options granted and vested during the period. The net loss for the three months ended July 31, 2008 was partially offset by a recovery of prior period expenses of \$102,429 which represents unsettled invoice accruals relating to predecessor entities of Cantex. The net loss for the three months ended April 30, 2008 includes stock based compensation of \$480,085 recognized as a result of incentive stock options granted and vested during the period. Also during this period, working capital and shareholders' deficiencies were significantly reduced as a result of the issuance of shares for debt. With the exception of the item noted above, other fluctuations in operating results for the four quarters ending April 30, 2009 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, exercise of stock options and advances 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.

No private placements were completed during the period.

Net cash used in operating activities during the nine month period ended April 30, 2010 was \$148,830 compared to \$1,056,144 during the same period in 2009.

Net cash used in investing activities during the nine month period ended April 30, 2010 was \$4,206 compared to \$Nil during the same period in 2009.

Net cash used in financing activities during the nine month period ended April 30, 2010 was \$5,614 compared to cash proceeds of \$1,364,628 during the same period in 2009. All cash proceeds during that period consisted of advances from related parties.

#### **Off-Balance Sheet Arrangements**

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

#### **Related Party Transactions**

The Company had the following liabilities to related parties as of the periods ended:

	<b>April 30, 2010</b>	July 31, 2009
	\$	\$
Due to related parties		
To a company controlled by a director for laboratory and mineralogical costs	<b>257,622</b>	252,879
To a director and shareholder for geological fees	<b>6,011</b>	21,665
To a company controlled by a director for exploration expenditure advances to the Company	<b>1,124,278</b>	2,171,060
To a company controlled by a director for shared office and administrative charges	<b>141,984</b>	99,899
To a company controlled by a director for shared field expenditures	<b>24,392</b>	11,792
To a company controlled by a director for geological fees	<b>211,122</b>	196,297
To a company with common directors and management for shared administrative charges	<b>1,422</b>	3,776
	<b>1,766,831</b>	<b>2,757,368</b>

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

The following transactions were in the normal course of operations and measured at the exchange value which represented the amount of consideration established and agreed to by the related parties:

	Nine month period ended April 30,	
	2010	2009
	\$	\$
Amounts paid or accrued		
To a company controlled by a director for laboratory and mineralogical costs	4,517	206,849
To a director for management and geological consulting fees	22,064	72,546
To a company controlled by a director for office and administrative costs	40,081	51,680
To a company controlled by a director for shared field expenditures	12,000	11,799
To a company controlled by a director for geological consulting fees	13,834	45,522
To a company with common directors and management for office and administrative costs	7,998	11,273
To a company with common directors and management for shared field expenditures	1,190	-
	<b>101,684</b>	<b>399,669</b>
Recoveries recorded		
From a company controlled by a director for shared office and administrative costs	-	549
From a company controlled by a director for shared field expenditures	-	299
From a company with common directors and management for shared field expenditures	-	1,754
	-	2,602

### 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 is operating 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, amounts receivable, prepaid expenses, and accounts payable approximate their fair value at April 30, 2010 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.

a) Currency risk

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

At April 30, 2010, the Company is exposed to currency risk relating to funds held in Canadian dollars of \$77,172.

b) 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.

At April 30, 2010, 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 (April 30, 2010 - \$100,811, subsequently received). 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.

c) Liquidity risk

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

Accounts payable and accrued liabilities are due within the current operating period.

d) 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, contributed surplus 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 the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity.

### **Recent accounting pronouncements**

#### *Goodwill and intangible assets*

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and intangible assets", replacing Section 3062, "Goodwill and other intangible assets and Section 3450, "Research and development costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section became effective for the Company on August 1, 2009 and its adoption did not have a material impact on the financial statements.

#### *Business combinations*

In January 2009, the CICA issued the new Handbook Section 1582 "Business Combinations", effective for fiscal years beginning on or after January 1, 2011. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. This standard is not expected to have any effect on the Company's financial statements unless and until one or more business combination transactions occur.

#### *International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **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 June 21, 2010, the Company had outstanding 334,289,945 common shares and 11,710,000 stock options with a weighted average exercise price of \$0.13 per share.