

**MICREX DEVELOPMENT CORP.**  
**REVISED Management Discussion and Analysis**

The following discussion prepared January 17, 2008, of the financial condition, changes in financial condition and results of operations of the Corporation for the year ended August 31, 2007 should be read in conjunction with the financial statements of the Corporation and related notes included therein.

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Micrex Development Corp. ("Micrex" or the "Corporation") that are based on the beliefs of management as well as assumptions made by and information currently available to the Corporation. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Corporation's exploration properties. Such statements reflect the current views of the Corporation with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Corporation to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**Overall Performance**

Over the past 8 years, the Corporation has continued its focus as a natural resource corporation with interest in precious metal, industrial minerals and gemstone properties located in Alberta, BC and New Mexico. The Corporation focuses the majority of its attention on the "proving up" of prospective properties as exploration dollars can be focused in a direct manner. Active exploration for undiscovered resources is, at present, not a priority. The Corporation is interested in properties which have a demonstrated resource, usually through historical production or testing by credible authorities such as Government Geological Survey personnel. The Corporation gives high priority to those properties which can be brought to production with relatively low cost and in a timely manner.

Two gold exploration properties are located in British Columbia and have excellent potential for future development. Three properties are located in Alberta. The Burmis Magnetite property is at the permitting stage and the Clear Hills and Buffalo Hills properties, which have diamond and poly metallic mining potential, are in the first stages of examination. The Corporation has three gold properties in New Mexico, one of which is being actively explored. The Corporation's Quebec Magnetite property has been leased to a third party who has commenced early stage operations.

The Corporation is in the middle of the permitting process for its Alberta magnetite property, with a view of putting it in production in 2008. A recent exploration program on the

Corporation's Big Horn gold property yielded encouraging results, resulting in the staking of additional ground around existing claims. The Corporation has entered into an agreement with a third party that will develop its Deadwood gold property in New Mexico.

### **Year Ended August 31, 2007**

#### **Results of Operation**

During the year ended August 31, 2007, the Corporation incurred a loss of \$323,308. The Corporation had no revenue except for a gain of \$187,613 on the sale of a mining interest. General and administrative expenses amounted to approximately \$375,968, including wages in the form of consulting fees. Amortization was \$5,815. The Corporation recorded a charge for stock based compensation of \$225,790, and a future tax recovery of (\$96,652).

#### **Liquidity and Capital Resources**

As at August 31, 2007 the Corporation had 32,518,858 common shares outstanding. During the year a total of 1,723,384 shares were issued for net cash of 374,495, which was used for property development and working capital. 152,542 shares were issued as an option payment on the Corporation's Quebec magnetite property. 317,087 shares (\$118,743) and 207,542 shares (\$78,866) were issued on the exercise of warrants and options.

### **Year Ended August 31, 2006**

#### **Results of Operation**

During the year ended August 31, 2006, the Corporation incurred a loss from operations of \$557,459 and recorded a charge for impairment of long-term assets of \$270,023 when certain of its properties not currently being explored were written down for accounting purposes, for a total loss before taxes of \$827,482. A future tax recovery of \$115,228 resulted in a net loss for the period of \$712,254. The Corporation had no revenue. General and administrative expenses amounted to approximately \$360,482, including wages in the form of consulting fees. Amortization was \$8,304, and stock based compensation was expensed at \$188,673.

#### **Liquidity and Capital Resources**

As at August 31, 2006 the Corporation had 30,118,303 common shares outstanding. During the year a total of 3,186,804 shares were issued. 245,555 shares were issued as option payments on the Burmis and Quebec magnetite properties for proceeds of \$115,000. 2,455,749 were issued (75% flow through) as part of a \$0.30 unit. Each unit consisted of one share and one \$0.35 warrant. 425,000 shares were issued for \$97,049 on the exercise of outstanding stock options. 60,000 shares were issued on the exercise of warrants for proceeds of \$22,800. Proceeds were used for working capital and property development.

## **Quarter Ended August 31, 2007**

### **Results of Operation**

During the quarter ended August 31, 2007, the Corporation incurred a loss of approximately \$118,664. The Corporation had no revenue. General and administrative expenses amounted to approximately \$97,233, including wages in the form of consulting fees. Amortization was \$1,453 and stock based compensation was recorded as \$116,360.

### **Liquidity and Capital Resources**

During the quarter 152,542 shares were issued as payments on the Quebec magnetite property. 100,000 shares were issued on the exercise of stock options.

The Corporation's ability to continue to fund its operations depends upon its ability to sell shares to raise equity both on a flow-through and non flow-through basis as it has no source of revenue. The Corporation plans to put the Burmis Magnetite property into production and to receive royalty income from the Quebec Magnetite deposit in 2008, so the Corporation anticipates being able to generate some cash flow by the end of 2008.

The Corporation has no long term debt or leases. It plans to raise the funds necessary to put the Burmis property into production with a combination of debt and equity. The total funds required to be raised in this respect is approximately \$500,000. This project requires the necessary permits from the Alberta government. The permitting process is currently underway. The Corporation is currently resubmitting an updated application.

In Quebec, the Corporation has leased the property to an arms-length third party, who has undertaken preliminary operations on the property. All costs are for the leasee's account, and Micrex will receive a royalty on production.

Additional capital will need to be raised for additional exploration programs on the Corporation's other properties. The amount and timing of such will depend upon the results of current exploration programs and market conditions at the time.

### **Outlook**

For 2008, the Corporation plans to continue to focus its efforts on its Burmis Magnetite property. Progress has been made towards getting this deposit into production, and the Corporation anticipates receiving production revenue during the 2008 calendar year.

With a continuing strong gold price and investor interest in gold exploration, the Corporation is planning to conduct further exploration on its Big Horn gold property.

## **Risk Factors**

### **(a) Operating History**

The business of the Corporation should be considered highly speculative due to its present stage of development. The Corporation has limited cash and other assets and a limited business history.

### **(b) Mining Operations**

Exploration for minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Further, most of the properties of the Corporation (the "Properties") have no known commercial reserves. There is no assurance that further commercial quantities of ore will be discovered by the Corporation. Except for the magnetite properties, none of the Properties contain a known body of commercial ore and any exploration programs thereon are exploratory searches for commercial ore, which increases the degree of risk substantially as compared to properties in the development stage. In addition, each of the Properties may be difficult or impossible to access during periods of inclement weather, which are risks normally encountered by most industry participants.

Mineral exploration and development involve significant risks and few properties which are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of minerals will be discovered on the Properties nor is there any guarantee that the exploration programs thereon will yield positive results. The discovery of mineral deposits depends upon a number of factors, not the least of which is the technical skill for the exploration personnel involved. The exploration and development of mineral properties and the marketability of any minerals contained in such properties will also be affected by numerous factors beyond the control of the Corporation. These factors include government regulation, high levels of volatility in market prices, availability of adequate transportation and refining facilities and the imposition of new, or amendments to existing, taxes and royalties. The effect of these factors cannot be accurately predicted.

Whether a mineral deposit once discovered will be commercially viable also depends on a number of factors some of which include the particular attributes of the deposit, such as size, grade and proximity of infrastructure, as well as metal prices, which are highly cyclical. Most of the above factors are beyond the control of the Corporation. The Corporation must also compete with a number of companies that have greater technical or financial resources. The Corporation is unable to predict the amount of time which may elapse between the date when any new mineral reserve may be discovered and the date when production will commence from any such discovery.

### **(c) Government Regulations and Market**

Mining operations are subject to government regulation. Operations may be affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which minerals may be marketed. Should the Corporation be unable to obtain the necessary regulatory approvals, or should obtaining or complying with the terms of the

necessary approvals require funds in excess of the resources of the Corporation, the Corporation may be forced to relinquish its interest in the Properties.

An excess supply of certain minerals may exist from time to time due to lack of markets and restrictions on exports. The marketability of both base and precious metals will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations and government regulations relating to prices, taxes, royalties, allowable production and importing and exporting minerals. The effect of these factors cannot be accurately determined.

**(d) Conflicts**

The directors of the Corporation are engaged and will continue to be engaged in the search for mining interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

**(e) Need for Additional Funds**

The Corporation has limited financial resources and has no assurance that additional funding will be available to it for further exploration and development of its projects. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. If financing is raised through the issuance of shares from the Corporation's treasury, control of the Corporation may change and investors may be subject to further dilution.

**(f) Operating Hazards and Environmental Liabilities**

The operations to be conducted by the Corporation will be subject to all of the operating risks normally attendant upon mineral exploration and development. The Corporation carries basic liability insurance with other insurance needs met on a project by project basis.

The Corporation may become subject to liability for destruction of mineral properties or facilities, personal injury, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment for such liabilities would reduce the funds available for exploration and mining activities, and may have a material adverse effect on the Corporation's financial position.

(g) **Industry Conditions**

The mining industry is highly competitive and the Corporation must compete with many companies with greater financial strength and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for minerals produced are subject to market fluctuations and will directly affect the profitability of producing any mineral reserves which may be developed by the Corporation. Mining operations, including exploration, are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and environmental developments, such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls and changes in conditions under which certain minerals may be exported.

(h) **Foreign Jurisdiction**

Certain of the Properties are located in foreign jurisdiction. The enforceability, certainty and permanence of laws in foreign countries are not always like that in Canada. The Corporation's title to its foreign Properties, the right to work the same and to expatriate profits, if any, may be adversely affected. The Corporation is also at risk to adverse foreign exchange movements.

Mining operations in Canada, United States and elsewhere are subject to extensive regulation by local, provincial and federal governments. Future changes in governments and regulation could adversely affect mining in Canada and the United States. The development of mines and related facilities is contingent upon government approval which must be obtained through statutory review processes.

No current title opinion or report has been obtained regarding the Properties. The Properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects.

**Selected Financial Information**

**Annual Financial Data for the Three Fiscal Years ended August 31, 2007**

	<b>August 31, 2007</b>	<b>August 31, 2006</b>	<b>August 31, 2005</b>
1. Net sales or total revenues	Nil	Nil	Nil
2. Income (loss) from continuing operations in total	(\$607,573)	(\$557,459)	(\$364,985)
Income (loss) per share	(\$0.01)	(\$0.02)	(\$0.02)
3. Net Income (loss) in total	(\$323,308)	(\$712,254)	(\$254,654)
Net loss per share on a fully diluted basis	(\$0.01)	(\$0.02)	(\$0.01)
4. Total assets	\$3,497,905	\$2,918,106	\$2,864,617
5. Total long-term financial liabilities	Nil	Nil	Nil
6. Cash dividends declared	Nil	Nil	Nil

As the Corporation is a mineral exploration company which has never recorded any mining production operations or revenue, the above annual figures are not particularly significant, other than to indicate the amount of the expenditures by the Corporation on exploration work in each of the years. The figures represent variances in the Corporation's levels of activity which, in turn, has been largely dictated by the amount of funding which the Corporation has had available from time to time to expend on exploration.

### Summary of Quarterly Results

#### Two Year Quarterly Financial Data

<b>2006</b>	<b>Nov 30/05</b>	<b>Feb 28/06</b>	<b>May 31/06</b>	<b>Aug 31/06</b>
Total Revenue (\$)	Nil	Nil	Nil	Nil
Total Income (loss) (\$)	(76,609)	(155,273)	(228,014)	(367,586)
Income (loss) per share (\$)	(0.003)	(0.005)	(0.008)	(0.012)
<b>2007</b>	<b>Nov. 30/06</b>	<b>Feb 28/07</b>	<b>May 31/07</b>	<b>Aug 31/07</b>
Total Revenue (\$)	Nil	Nil	Nil	Nil
Total Income (loss) (\$)	(86,248)	(111,699)	(6,698)	(215,315)
Income (loss) per share (\$)	(0.003)	(0.004)	(Nil)	(0.003)

### Transactions with Related Parties

During the year Micrex paid \$150,000 (2006 - \$147,862) to a director for consulting and management services provided, and paid nil (2006 - \$5,760) to another director for consulting services.

Of the amount owing to shareholders, the balance owing to directors as at August 31, 2006 was \$20,959 (2006 - \$28,140).

During the year the Corporation paid \$130,500 (2005 - \$115,925) to certain shareholders for subcontract services, and also paid legal fees to a law firm of which the corporate secretary is a partner.

### Outstanding Share Data

As at August 31, 2007 the following shares, warrants and options are outstanding:

32,518,858 common voting shares.

**Management and Directors' Options Outstanding at August 31, 2007:**

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
218,416	0.30	February 19, 2008
230,000	0.35	December 9, 2008
165,000	0.32	January 4, 2009
225,000	0.31	February 5, 2009
200,000	0.23	June 9, 2009
85,000	0.22	November 26, 2009
384,000	0.16	April 27, 2010
75,000	0.23	September 29, 2010
375,521	0.30	December 28, 2010
520,000	0.50	March 23, 2011
140,000	0.29	February 13, 2012
673,000	0.27	May 30, 2012
80,000	0.25	July 4, 2012

The following warrants were outstanding as at August 31, 2007:

- i. 958,689 warrants with an exercise price of \$0.23 per share are attached to shares that have been deposited in performance escrow. These warrant expire 6 months after the release of the performance shares from escrow.
- ii. 665,000 warrants expiring October 25, 2007 at \$0.45 per share.
- iii. 1,003,032 warrants expiring October 26, 2007;
- iv. 114,000 warrants expiring November 15, 2007; and
- v. 720,352 warrants expiring April 9, 2008.

**Critical Accounting Policies**

**Stock-based Compensation**

The Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 "Stock-based Compensation and Other Stockbased Payments", which requires fair value accounting for all stock options issued during the year. A formula is used, relying on factors such as interest rates, volatility and length of time an option will be held. When determining the volatility factor and length of options for its stock-based compensation assumptions, management of the Corporation is required to make estimates for the future volatility of its shares and the length of time stock options will remain unexercised. These assumptions may not necessarily be an accurate indicator of future volatility. The model used

was developed for securities whose market is liquid. The application of this model to the value of the Corporation's options is unlikely to be an accurate indicator of fair value.

**Multilateral Instrument 52-109 Disclosure Evaluation**  
**Evaluation of Disclosure Controls and Procedures**

Micrex has evaluated the effectiveness of its disclosure controls and procedures and have concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Corporation is made known to management and disclosed in accordance with applicable securities regulations.

**Internal controls over financial reporting**

The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's GAAP as of August 31, 2007, have not identified any factors of the Corporation's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect the Corporation's internal control over financial reporting, other than the fact that financial reporting is largely controlled by the CEO. Given the size and nature of the Corporations assets and small management team, this is not likely to change in the near future.

**Additional Disclosure**

	<b>August 31 2007</b>	<b>August 31, 2006</b>
Consulting fees and sub-contracting fees	\$280,500	\$269,548
Stock based compensation	\$225,790	\$188,673
Professional fees	\$62,424	\$52,414
Total general and administrative costs	\$375,968	\$370,482

<b>Deferred Exploration costs, by property:</b>	<b>August 31, 2007</b>	<b>August 31, 2006</b>
Big Horn Mine	\$437,038	\$285,844
Deadwood and Sunburst Mines	\$23,024	\$14,016
Burmis Magnetite Deposit	\$1,008,434	\$606,320
Quebec Deposit	\$89,318	\$80,033
Accumulated deferred exploration total	\$1,557,814	\$986,213

Further information with respect to the Corporation can be found on its website at [www.mixcorp.com](http://www.mixcorp.com) and on the SEDAR website.