

Condensed consolidated interim financial statements of

CANTEX

MINE DEVELOPMENT CORPORATION

For the six months ended January 31, 2015 and 2014

(Unaudited – Prepared by Management)

Cantex Mine Development Corp.

January 31, 2015

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed consolidated interim financial statements for the six months ended January 31, 2015

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Financial Position as at January 31, 2015 and July 31, 2014

(Unaudited - prepared by management)

(Stated in Canadian dollars)

	Note	January 31, 2015	July 31, 2014
		\$	\$
Assets			
Current assets			
Cash		394,041	753,055
Trade and other receivables	3	15,366	456,590
		409,407	1,209,645
Non-Current assets			
Reclamation bonds	4(b)	13,794	11,812
Property and equipment	5	6,801	10,535
		430,002	1,231,992
Liabilities			
Current liabilities			
Trade and other payables		66,923	276,683
Due to related parties	6	3,462,324	3,824,163
		3,529,247	4,100,846
Shareholders' deficiency			
Share capital	7	50,056,111	48,977,966
Equity reserve	7	1,357,628	1,202,628
Deficit		(54,512,984)	(53,049,448)
		(3,099,245)	(2,868,854)
		430,002	1,231,992

Nature and continuance of operations (Note 1)

Commitments (Note 8)

Contingencies (Note 9)

Approved by the Board of Directors:

(Signed) Vernon Frolick

(Signed) Chad Ulansky

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

Six month periods ended January 31, 2015 and 2014

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

Note	Three months ended		Six months ended	
	January 31, 2015	2014	January 31, 2015	2014
			\$	\$
Expenses				
Depreciation	1,867	1,867	3,734	3,734
Exploration expenditures	278,131	476,908	1,409,538	1,330,217
Office and administrative	26,661	26,430	53,704	52,589
Professional fees	10,974	11,771	11,634	12,219
Transfer agent and filing fees	14,354	10,367	22,741	21,101
	331,987	527,343	1,501,351	1,419,860
Other items				
Administration fees income	-	35,814	-	67,432
Interest income	1,293	5,776	3,231	11,819
Foreign exchange gain	18,375	36,267	34,584	37,413
	19,668	77,857	37,815	116,664
Net loss and comprehensive loss	(312,319)	(449,486)	(1,463,536)	(1,303,196)
Loss per common share, basic and diluted	(0.00)	(0.01)	(0.02)	(0.02)
Weighted average number of common shares outstanding, basic and diluted	93,648,780	68,448,780	88,571,606	68,448,780

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Equity

Six month periods ended January 31, 2015 and 2014

(Stated in Canadian dollars)

	Note	Number of common Shares	Share capital \$	Equity reserve \$	Deficit \$	Total \$
Balance, July 31, 2013		68,448,780	48,977,966	1,208,797	(50,271,786)	(85,023)
Reserves transferred on expired stock options	7(c)	-	-	(17,569)	17,569	-
Net loss and comprehensive loss for the period		-	-	-	(1,303,196)	(1,303,196)
Balance, January 31, 2014		68,448,780	48,977,966	1,191,228	(51,557,413)	(1,388,219)
Stock-based compensation adjustment for re-pricing	7(d)	-	-	11,400	-	11,400
Net loss and comprehensive loss for the period		-	-	-	(1,492,035)	(1,492,035)
Balance, July 31, 2014		68,448,780	48,977,966	1,202,628	(53,049,448)	(2,868,854)
Shares issued for cash - private placement	7(b)	25,200,000	1,110,000	150,000	-	1,260,000
Share issuance costs	7(b)	-	(31,855)	5,000	-	(26,855)
Net loss and comprehensive loss for the year		-	-	-	(1,463,536)	(1,463,536)
Balance, January 31, 2015		93,648,780	50,056,111	1,357,628	(54,512,984)	(3,099,245)

Cantex Mine Development Corp.

Consolidated Statements of Cash Flows

Six month periods ended January 31, 2015 and 2014

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

	Note	January 31,	
		2015	2014
		\$	\$
Operating activities			
Net loss and comprehensive loss		(1,463,536)	(1,303,196)
Items not involving cash			
Depreciation		3,734	3,734
Interest income		(1,293)	(11,819)
Unrealized foreign exchange gain		(1,982)	(919)
Changes in operating assets and liabilities			
Trade and other receivables		441,224	(392,305)
Trade and other payables		(571,599)	144,679
		(1,593,452)	(1,559,826)
Investing activities			
Interest received		1,293	11,819
		1,293	11,819
Financing activities			
Issuance of common shares and warrants		1,260,000	-
Share issue costs		(26,855)	-
Advances from related parties		-	-
		1,233,145	-
Effect of exchange rates on cash		(39,432)	(26,135)
Decrease in cash during the year		(359,014)	(1,548,007)
Cash, beginning of year		753,055	3,539,808
Cash, end of year		394,041	1,991,801

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Cantex Mine Development Corp. ("Cantex" or the "Company") is incorporated under the laws of the Province of Alberta and its principal business activity is the exploration and development of its mineral properties, either directly or indirectly through joint exploration and development ventures and other arrangements. The Company's common shares are listed on the TSX Venture Exchange under the symbol "CD".

The head office, principal address and registered and records office of the Company are located at 203-1634 Harvey Avenue, Kelowna, BC V1Y 6G2.

These consolidated financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties (Note 4), continued receipt of financial support (Note 6), completion of equity financings (Note 7), and generating profitable operations in the future (Note 11). It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or if the Company will attain a profitable level of operations.

As at January 31, 2015, the Company has incurred cumulative losses of \$54,512,984 (July 31, 2014 - \$53,049,448) and has a working capital deficiency of \$3,119,840 (July 31, 2014 - \$966,182). The above conditions may raise significant doubt regarding the Company's ability to continue as a going concern. Additional financing will be required for the Company to continue operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, adjustments would be necessary in the carrying values of assets and liabilities.

2. Basis of presentation

(a) *Statement of compliance*

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS"). The significant accounting policies followed are the same as those set out in Note 3 to the audited consolidated financial statements for the year ended July 31, 2014.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2014 annual consolidated financial statements.

These interim financial statements do not include all the necessary annual disclosure in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issue by the Audit Committee on March 27, 2015.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

2. Basis of presentation *(continued)*

(b) *Basis of presentation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cantex Gold Corp.

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	
		January 31, 2015	July 31, 2014
Cantex Gold Corp.	USA	100%	100%

(c) *Adoption of new and revised standards and interpretations*

These consolidated financial statements have been prepared in accordance with IFRS effective as of July 31, 2014.

Effective August 1, 2013, the Company adopted new and revised International Financial Reporting Standards that were issued by IASB. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised standards:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 19R *Employee benefits*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

Amended standards and interpretations:

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*

The following accounting standards have been issued but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IFRS 9 *Financial Instruments: Recognition and Measurement*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 21 *Levies*

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

3. Trade and other receivables

	January 31, 2015	July 31, 2014
	\$	\$
GST/HST receivables	8,213	33,934
Third party receivables	-	420,868
Prepaid expenses	7,153	1,788
	15,366	456,590

Third party receivables consist of mineral property recoveries due from partners; subsequent to July 31, 2014, 100% of the Third party receivables have been collected. No further receivables have been set up, as WCP has elected to no longer fund the Yemen project (Note 5(a)(ii)).

4. Mineral property interests

The Company has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiary, has an interest, in accordance with industry standards for the stage of exploration of such properties, those procedures do not guarantee the Company's title.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

4. Mineral property interests (continued)

	Yemen (a)	Nevada (b)	Yukon (c)	Total
	\$	\$	\$	\$
Cumulative expenditures to July 31, 2013	24,036,040	2,038,819	4,266,655	30,341,514
Additions:				
Consulting and engineering	322,899	6,395	1,230,131	1,559,425
Licenses and permits	14,900	46,049	30,060	91,009
Living costs	175,544	-	-	175,544
Travel, field and other	821,795	880	741,721	1,564,396
Wages	799,817	-	327,124	1,126,941
	2,134,955	53,324	2,329,036	4,517,315
Cost recoveries	(1,758,899)	-	-	(1,758,899)
Net expenditures during period	376,056	53,324	2,329,036	2,758,416
Cumulative expenditures to July 31, 2014	24,412,096	2,092,143	6,595,691	33,099,930
Additions:				
Consulting and engineering	144,369	1,037	110,306	255,712
Licenses and permits	-	162	4,753	4,915
Living costs	10,930	-	-	10,930
Travel, field and other	139,611	209	461,059	600,879
Wages	382,795	226	154,081	537,102
	677,705	1,634	730,199	1,409,538
Cost recoveries	-	-	-	-
Net expenditures during period	677,705	1,634	730,199	1,409,538
Cumulative expenditures to January 31, 2015	25,089,801	2,093,777	7,325,890	34,509,468

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

4. Mineral property interests (continued)

(a) *Yemen program*

(i) *Exploration license*

During 1996, the Company was granted a 52,000 square kilometer ("km²") prospecting permit in the Republic of Yemen. With continued exploration, the Company was able to focus its efforts on progressively smaller areas that demonstrated the potential for economic mineralization. The Company has held an exploration license granting exclusive exploration rights and the right to obtain an exploration contract since 1999. Under the terms of the exploration contract, the Government of the Republic of Yemen has the right to offer to acquire, on commercial terms, an undivided interest of up to 49% in this exploration license. In this event, the Company's interest (and that of any partner) would be diluted proportionately.

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

(ii) *Agreement with WCP Resources Ltd.*

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

WCP had two years from February 2012 to exercise an option to commence the earn-in to the project, after which they may earn an initial 40% interest in the project by expending US\$5,000,000 within two years. As of May 31, 2014, WCP gave notice that they had reached this 40% level. In October, 2014, WCP gave additional notice that they would no longer be funding the project. The Company is currently in discussions with WCP regarding this matter.

During the current year end, the Company placed the Yemen program in care and maintenance pending resolution of the security situation in Yemen (Note 14(a)).

(b) *Nevada program*

In 2004, the Company acquired a 100% interest in ten claim groups of gold exploration claims in the state of Nevada from Sovereign Gold Corp. ("Sovereign") for consideration of US\$125,000, 3,000,000 common shares and a promissory note to Sovereign for US\$33,000 for reimbursement of Sovereign's costs of maintaining the claims in good standing. The Company has retained six of the claim groups comprised of 140 claims over 1,171 hectares.

Reclamation bonds of \$13,794 (July 31, 2014 - \$11,812) have been posted with the State of Nevada.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

4. Mineral property interests (continued)

(c) Yukon program

In February 2011, the Company acquired, by staking, two claim blocks located approximately 100 km northeast of Mayo, Yukon, Canada. A 38 claim block has been staked adjacent to a new belt of gold mineralization recently discovered in the area. In addition, a 48 claim block has been staked over the source area of several arsenic anomalies as reported on the government stream sediment maps.

In September 2012, the Company acquired, by staking, an additional eight claim blocks totaling 1,380 claims covering 28,000 hectares.

5. Property and equipment

	Field equipment	Computer equipment	Automotive	Total
	\$	\$	\$	\$
Cost				
Balance August 1, 2013	534,973	2,514	6,978	544,465
Additions (Disposals)	-	-	-	-
Balance July 31, 2014	534,973	2,514	6,978	544,465
Additions (Disposals)	-	-	-	-
Balance January 31, 2015	534,973	2,514	6,978	544,465
Accumulated depreciation				
Balance August 1, 2013	516,969	2,514	6,978	509,494
Depreciation	7,469	-	-	9,433
Balance July 31, 2014	524,438	2,514	6,978	533,930
Depreciation	3,734	-	-	3,734
Balance January 31, 2015	528,172	2,514	6,978	537,664
Carrying amounts:				
As at July 31, 2014	10,535	-	-	10,535
As at January 31, 2015	6,801	-	-	6,801

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

6. Related party transactions and balances

During the three and six month periods ended January 31, 2015 and 2014, the Company had related party transactions with the following companies related by way of common directors or shareholders:

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

(a) Related party expenses

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

	Three months ended		Six months ended	
	January 31,		January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Laboratory and mineralogical costs	6,812	328,900	6,812	331,741
Geological consulting fees	13,166	28,550	369,700	115,893
Shared field expenditures	26,417	9,419	127,679	12,283
Shared office and administrative costs	20,341	15,855	34,206	38,494
	66,736	382,724	538,397	498,411

The Company's related party expenses relate to the following related parties:

	Three months ended		Six months ended January	
	January 31,		31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
C.F. Mineral Research Ltd.	6,812	328,900	6,812	331,741
Kel-Ex Development Ltd.	55,385	43,919	401,980	119,747
Element 29 Ventures Ltd.	3,006	7,700	120,506	41,274
Metalex Ventures Ltd.	1,533	2,205	7,262	5,649
Northern Uranium Corp.	-	-	1,837	-
	66,736	382,724	538,397	498,411

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

6. Related party transactions and balances (continued)

(b) Related party liabilities

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

	January 31, 2015	July 31, 2014
	\$	\$
C.F. Mineral Research Ltd.	560,865	815,339
Element 29 Ventures Ltd.	1,483	(2,887)
Kel-Ex Development Ltd.	2,899,716	3,007,791
Metalex Ventures Ltd.	260	11,451
Northern Uranium Corp.	-	(7,531)
	3,462,324	3,824,163

(c) Key management personnel compensation

The remuneration of directors and key management personnel is as follows:

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Wages and benefits ⁽¹⁾	14,093	14,913	132,374	54,440
Total	14,093	14,913	132,374	54,440

(1) Wages and benefits include amounts paid or accrued for geological consulting fees and payroll costs; payroll costs are the amounts paid to Kel-Ex for the services of the Chief Financial Officer and the Chief Operating Officer.

7. Share capital and reserves

(a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

(b) *Issued share capital*

On July 9, 2014, the Company announced that it intended to proceed with a private placement of its securities to raise up to \$1,750,000 in flow-through shares at \$0.05 per share. On August 18, 2014, the Company announced that it had closed the first tranche of the private placement, issuing 15,000,000 flow-through shares for total proceeds of \$750,000; proceeds are to be used for the Yukon project and were received from the Chairman of the Board.

On October 14, 2014, the Company announced the closing of the second and final tranche of the private placement. In this tranche, the Company issued 5,200,000 flow through shares at \$0.05 per share for gross proceeds of \$260,000 and 5,000,000 non-flow through units at \$0.05 per unit for gross proceeds of \$250,000. Each unit is comprised of one common share and one-half of a warrant, each whole warrant exercisable at \$0.10 for a term of two years. Finder's fees of \$4,800 were paid in conjunction with the flow-through shares issued; finder's fees of \$4,000 were paid and finder's warrants of 80,000 were issued in conjunction with sale of the units. Share issuance costs of \$18,055 were paid for the private placement.

(c) *Stock option and warrants*

The Company, in accordance with its shareholder approved stock option plan, is authorized to grant options to directors, officers, employees and consultants, to acquire up to 5% of the aggregate issued and outstanding common shares. The exercise price of the options issued under the plan is determined by the Board of Directors at the time the options are granted. The options vest immediately upon grant, unless otherwise determined by the Board of Directors or Exchange regulations, and are exercisable for a period of up to ten years from the date of grant.

In March 2013, the Company granted 6,940,000 options to certain officers, directors and employees. Each of these options vested immediately and allow the holder to purchase one common share in the Company at a price of \$0.10 until March 21, 2019. After the share consolidation, this amounts to 462,667 options at an exercise price of \$1.50. In January 2014, the Company re-priced all outstanding stock options to an exercise price of \$0.12.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

(c) *Stock option and warrants (continued)*

Stock option and share purchase warrant transactions are summarized as follows, and are shown on a post-consolidation basis:

	Stock Options		Warrants	
	Number	Weighted Average Exercise price	Number	Weighted Average Exercise price
		\$		\$
Outstanding, July 31, 2013	982,667	1.50	6,421,212	0.27
Granted	-	-	-	-
Cancelled	(46,667)	0.12	-	-
Outstanding, July 31, 2014	936,000	0.12	6,421,212	0.27
Granted	-	-	2,580,000	0.10
Outstanding, January 31, 2015	936,000	0.12	9,001,212	0.20

The following stock options and warrants were outstanding at January 31, 2015:

	Number	Exercise price	Expiry date
		\$	
Options	500,000	0.12	January 28, 2019
	436,000	0.12	March 21, 2019
	936,000		
Warrants	566,667	1.50	July 9, 2017
	5,854,545	0.15	July 31, 2018
	2,580,000	0.10	October 10, 2016
	9,001,212		

(d) *Stock option plan*

Under the Company's stock option plan, the number of common shares that may be issued on the exercise of options granted under the plan is equal to 5% of the issued and outstanding shares of the Company at the time an option is granted (less any common shares reserved for issuance under other share compensation arrangements). All options are equity-settled and have a maximum term of ten years when granted.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

8. Commitments

The Company is currently committed to two lease agreements. The Company shares lease premises with related parties and its share of the office premises is \$823 per month. The current lease expires March 2016. The Company has also committed to an equipment lease for its Yukon project. The monthly lease amounts is \$8,750 and the lease expires April 2015. Total minimum future lease payments for office premises and equipment are as follows:

	Office premises	Equipment lease	Total
Fiscal year ending July 31, 2015	\$ 9,872	\$78,750	\$ 88,872
Fiscal year ending July 31, 2016	\$ 8,227	\$ Nil	\$ 8,227

9. Contingencies

The Company is from time to time involved in various claims, legal proceedings and tax assessments arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

The Yemen branch of the Company is currently undergoing a tax audit. A notice of assessment was received in December 2014, which the Company is currently objecting to. At present, the amount of the potential liability is unknown; as such, no amount has been accrued as a liability of the Company as at January 31, 2015.

10. Segmented information

The Company manages its business as a single operating segment: mineral exploration. The Company operates in both foreign and domestic countries as follows:

	Six months ended January 31,	
	2015	2014
	\$	\$
Net loss		
Canada	780,981	1,245,856
Yemen	679,605	29,261
United States of America	1,634	28,079
	1,462,220	1,303,196
	January 31,	July 31,
	2015	2014
	\$	\$
Property and equipment		
Canada	(4,583	6,417
Yemen	\ 2,218	4,118
	6,801	10,535

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

11. Capital management

The Company includes equity (comprising of issued common shares) reserves and deficit, in its 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'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.

The Company expects its current capital resources will not be sufficient to complete its exploration and development plans through its current operating period and it 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 exploration activities 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.

12. Financial instruments and risk management

As at January 31, 2015, the Company's financial instruments are cash, trade and other receivables, trade and other payables and amounts due to related parties. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to their short-term nature. These financial instruments are classified as follows:

- Cash is comprised of balances held at major financial institutions that are readily convertible into a known amount of cash and which are only subject to an insignificant risk of change in value, and is measured on the statement of financial position at fair value;
- Trade and other receivables are classified as loans and receivables and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest method; and
- Trade and other payables and amounts due to related parties are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method.

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

Fair value is defined as the price what would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

January 31, 2015

(Expressed in Canadian dollars)

12. Financial instruments and risk management (continued)

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

The Company has no financial instruments measured at fair value hierarchy for the years presented with the exception of cash which is a Level 2 fair value measurement.

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

At January 31, 2015, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$163,366 (July 31, 2014: \$248,394). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not materially affect the operations of the Company.

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 January 31, 2015, 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 partners and GST/HST receivable due from the Federal Government of Canada. The Company is subject to the risk that its partners will default on amounts owing for their portion of exploration expenditures. The Company's maximum credit risk at January 31, 2015 is \$nil (July 31, 2014: \$420,868). Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures.

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

Trade and other payables are generally due within 30 days. No significant amounts are past due.

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

Price risk - The Company is exposed to price risk with respect to commodity prices which can impact the Company's ability to raise funding for its exploration and development programs. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.