CANTEX

MINE DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian dollars

July 31, 2015

Cantex Mine Development Corp.
July 31, 2015

Table of contents

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cantex Mine Development Corp.

We have audited the accompanying consolidated financial statements of Cantex Mine Development Corp., which comprise the consolidated statement of financial position as at July 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cantex Mine Development Corp. as at July 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Cantex Mine Development Corp. to continue as a going concern.

Other Matters

The consolidated financial statements of Cantex Mine Development Corp. for the year ended July 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on November 26, 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

November 20, 2015

Cantex Mine Development Corp.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

As at	Note		**July 31, 2015**		July 31, 2014
Assets					
Current assets					
Cash		**$**	**169,627**	$	753,055
Receivables and prepaids	4		**19,578**		456,590
			189,205		1,209,645
Non-Current assets					
Reclamation bonds	5(b)		**14,188**		11,812
Equipment	6		**3,067**		10,535
		$	**206,460**	$	1,231,992
Liabilities					
Current liabilities					
Trade and other payables		**$**	**334,003**	$	276,683
Due to related parties	8		**3,926,013**		3,824,163
			4,260,016		4,100,846
Shareholders' deficiency					
Share capital	9		**50,196,584**		48,977,966
Subscriptions received in advance	9		**30,000**		-
Equity reserve	9		**1,207,628**		1,202,628
Deficit			**(55,487,768)**		(53,049,448)
			(4,053,556)		(2,868,854)
		$	**206,460**	$	1,231,992

Nature and continuance of operations (Note 1)
Commitments (Note 10)
Contingencies (Note 11)

Approved by the Board of Directors:

"Vernon Frolick"	*"Chad Ulansky"*
Vernon Frolick	Chad Ulansky

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian dollars)

	Note	Years Ended July 31, **2015**	2014
Expenses			
Depreciation	6	**$ 7,468**	$ 7,469
Exploration expenditures	5	**2,288,430**	2,758,416
Office and administrative		**96,914**	98,082
Professional fees		**47,211**	69,029
Stock-based compensation	9(c)	**-**	11,400
Transfer agent and filing fees		**32,113**	41,981
		2,472,136	2,986,377
Other items			
Administration fees income		**-**	132,864
Interest income		**3,901**	18,817
Foreign exchange gain		**29,915**	39,465
		33,816	191,146
Loss and comprehensive loss		**$ (2,438,320)**	$ (2,795,231)
Loss per common share, basic and diluted		**$ (0.03)**	$ (0.04)
Weighted average number of common shares outstanding, basic and diluted		**91,160,013**	68,448,780

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

(Stated in Canadian dollars)

	Note	Number of common Shares	Share capital	Subscriptions received in advance	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	9(c)	-	-	-	(17,569)	17,569	-
Stock-based compensation adjustment for re-pricing	9(c)	-	-	-	11,400	-	11,400
Loss and comprehensive loss for the year		-	-	-	-	(2,795,231)	(2,795,231)
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	9(b)	25,200,000	1,260,000	-	-	-	1,260,000
Subscriptions received in advance - private placement	9(b)	-	-	30,000	-	-	30,000
Share issuance costs	9(b)	-	(41,382)	-	5,000	-	(36,382)
Loss and comprehensive loss for the year		-	-	-	-	(2,438,320)	(2,438,320)
Balance, July 31, 2015		93,648,780	$ 50,196,584	$ 30,000	$ 1,207,628	$ (55,487,768)	$ (4,053,556)

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Note		Years Ended July 31, 2015		July 31, 2014
Operating activities					
Loss for the year		**$**	**(2,438,320)**	$	(2,795,231)
Items not involving cash					
Depreciation			**7,468**		7,469
Stock-based compensation			**-**		11,400
Interest income			**(3,901)**		(18,817)
Unrealized foreign exchange gain			**(2,376)**		(670)
Changes in operating assets and liabilities					
Receivables and prepaids			**437,012**		(338,127)
Trade and other payables			**149,643**		328,406
			(1,850,474)		(2,805,570)
Investing activities					
Interest received			**3,901**		18,817
			3,901		18,817
Financing activities					
Issuance of common shares and warrants			**1,260,000**		-
Deposit for shares issued subsequent to year end			**30,000**		-
Share issue costs			**(26,855)**		-
			1,263,145		-
Decrease in cash during the year			**(583,428)**		(2,786,753)
Cash, beginning of year			**753,055**		3,539,808
Cash, end of year		**$**	**169,627**	$	753,055
Supplemental disclosure:					
Taxes paid		**$**	**-**	$	-
Interest paid		**$**	**-**	$	-
Non-cash financing and investing activities:					
Warrants issued as finders fees		**$**	**5,000**	$	-
Share issuance costs accrued through trade and other payables		**$**	**9,527**	$	-

See accompanying notes to the consolidated financial statements.

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 is considered to be in the exploration stage with respect to its mineral properties. To date, the Company has not generated significant revenues from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. 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 is 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 5), continued receipt of financial support (Note 8), completion of equity financings (Note 9), and generating profitable operations in the future (Note 13). 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 July 31, 2015, the Company has incurred cumulative losses of $55,487,768 (July 31, 2014 - $53,049,448) and has a working capital deficiency of $4,070,811 (July 31, 2014 - $2,891,201). 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The policies applied in these consolidated financial statements are based on IFRS in effect as of July 31, 2015.

These consolidated financial statements were approved for issue by the Board of Directors on November 20, 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.

		Proportion of Ownership Interest	
Name of Subsidiary	Country of Incorporation	July 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, 2015.

Certain new standards, interpretations and amendments to existing standards are in effect as of January 31, 2014 and have been applied in preparing these financial statements. The following new standards were effective for the Company for the fiscal year commencing August 1, 2014. The adoption of these policies had no impact on these financial statements.

- *IAS 32, "Financial Instruments – Presentation":* IAS 32, "Financial Instruments – Presentation" outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset.

New Standards Not Yet Adopted

- *IFRS 9 "Financial Instruments"* – This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and will be applicable fiscal years beginning January 1, 2018. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company does not expect any impact to the financial statements from the adoption of this standard.

3. Significant accounting policies

(a) *Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive loss from the effective date of control or up to the effective date of loss of control, as appropriate.

3. Significant accounting policies (continued)

(a) *Basis of consolidation (continued)*

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

(b) *Income*

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Administration fees income is earned pursuant to mineral property agreements with third-party partners. Administration fees are accrued at a prescribed rate based upon certain exploration expenditures.

(c) *Foreign currencies*

The functional currency is the currency of the primary economic environment in which the entity operates. The Company's reporting currency and the functional currency of the Company and its subsidiary's operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates and is the principal currency in which the funds from financing activities are generated. The Company's Yemen and Nevada operations are denominated in USD dollar funds and then translated to the Company's functional currency.

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing at the date of the transaction. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the statement of financial position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The results and financial position of operations which have a functional currency different from that of the Company are translated into Canadian dollars as follows:

- assets and liabilities are translated at the closing exchange rate at that date;
- income and expenses are translated at average exchange rates for the period; and
- the resulting exchange differences are included in the foreign currency exchange gain (loss) on the statement of loss.

(d) *Equipment*

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized using the straight-line method at the following rates:

Field equipment	60 months

3. Significant accounting policies (continued)

(d) *Equipment (continued)*

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment and are applied by the Company prospectively.

(e) *Exploration expense*

Mineral property acquisition costs and exploration and development expenditures incurred prior to determination of the feasibility of mining operations, periodic option payments and administrative expenditures are expensed as incurred. Such expenses incurred subsequent to the determination of the feasibility of mining operations are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment in value has occurred. Proceeds from property option payments received are netted against exploration expenses of the related mineral rights, with any excess being included in operations as administration fees earned.

(f) *Share-based payments*

The Company has a stock option plan that is described in Note 9(c). Share-based compensation to employees or those that provide similar services as employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The costs of equity-settled transactions are recognized over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

(g) *Taxation*

Income tax expense represents the sum of tax currently payable and deferred tax. If the current and deferred tax relates to items recognized directly in equity or in other comprehensive income, the related taxes are recognized in equity or other comprehensive income.

3. Significant accounting policies (continued)

(g) *Taxation*

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred income taxes

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(h) *Loss per share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The calculation assumes that proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the years ended July 31, 2015 and 2014, all outstanding stock options and warrants were anti-dilutive.

(i) *Financial instruments*

<u>Non-derivative financial assets:</u>

The Company has only loans and receivables as non-derivative financial assets. Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss. Loans and receivables was comprised of amounts receivable from WCP Resources Ltd. (Note 5(a)), the Company's partner in its Yemen operations.

Cash consists of amounts held at major financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value and are measured at amortized cost. The Company's cash is invested in business accounts.

<u>Non-derivative financial liabilities:</u>

The Company's non-derivative financial liabilities comprise of trade and other payables and due to related parties.

3. Significant accounting policies (continued)

(i) *Financial instruments (continued)*

All financial liabilities fall within the classification of other financial liabilities versus financial liabilities through profit and loss and are initially recorded at fair value net of any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Derivative financial assets and liabilities

The Company has no derivative financial assets or liabilities.

(j) *Impairment of non-financial assets*

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. Significant accounting policies (continued)

(k) *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

(l) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence; related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(m) *Asset retirement obligations*

The Company accounts for the recognition and measurement of liabilities for statutory, contractual or legal obligations associated with the retirement of equipment, and mineral properties when those obligations result from the acquisition, construction, development or normal operations of the assets. When determinable, a liability for future site reclamation costs, or other obligations, would be recorded at net present value and the corresponding increase in the assets carrying value would then be amortized over the remaining useful life of the asset.

Management has reviewed the Company's likely retirement costs of its equipment, and mineral properties for known obligations under contract, common practices or laws and regulations in effect or anticipated. The Company has determined that there are no known or quantifiable significant assets retirement obligations and accordingly, these financial statements do not include any provision related to future asset retirement.

(n) *Significant accounting judgments and estimates*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially and adversely from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. Significant accounting policies (continued)

(n) *Significant accounting judgments and estimates (continued)*

i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

ii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

iv) The accrual of unresolved tax assessment. The Company has recorded an estimate of the amount payable as a result of a tax audit by the Government of Yemen. In the event that the circumstances surrounding this matter change, the effects will be recognized.

(o) *Flow-through shares*

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company has adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred. The allocation of the proceeds is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

(Expressed in Canadian dollars)

4. Receivables and prepaids

		July 31, 2015		July 31, 2014
GST/HST receivables	$	**15,752**	$	33,934
Third party receivables		**-**		420,868
Prepaid expenses		**3,826**		1,788
	$	**19,578**	$	456,590

Third party receivables consist of mineral property recoveries due from partners; during the year ended July 31, 2015, 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)).

5. 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.

(Expressed in Canadian dollars)

5. 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 the year	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	189,347	2,545	566,722	758,614
Licenses and permits	-	162	4,753	4,915
Living costs	10,930	-	-	10,930
Travel, field and other	167,938	723	623,844	792,505
Wages	546,946	226	174,294	721,466
	915,161	3,656	1,369,613	2,288,430
Cost recoveries	-	-	-	-
Net expenditures during the year	915,161	3,656	1,369,613	2,288,430
Cumulative expenditures to July 31, 2015	$ 25,327,257	$ 2,095,799	$ 7,965,304	$ 35,388,360

5. Mineral property interests (continued)

(a) *Yemen program*

(i) Exploration license

During 1996, the Company was granted a 52,000 square kilometer ("km^2") 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 km^2 to 956 km^2. 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 felt they had reached this 40% level; the Company does not agree with this statement. 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.

In October 2014, the Company, in conjunction with WCP, declared a state of force majeure in regards to the Al Hariqah project. Due to the current political climate, notice was given to the Chairman of the Geological and Mineral Resource Board of Yemen that the Company no longer felt that the project area was secure. Operations at the Al Hariqah site have since ceased.

(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 $14,188 (July 31, 2014 - $11,812) have been posted with the State of Nevada.

(Expressed in Canadian dollars)

5. 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.

6. Equipment

	Field equipment	Accumulated depreciation	Balance
	$	$	$
Cost			
Balance August 1, 2013	534,973	(516,969)	18,004
Additions (Depreciation)	-	(7,469)	(7,469)
Balance July 31, 2014	534,973	(524,438)	10,535
Additions (Depreciation)	-	(7,468)	(7,468)
Balance July 31, 2015	534,973	(531,906)	3,067
Carrying amounts:			
As at July 31, 2014			10,535
As at July 31, 2015			3,067

(Expressed in Canadian dollars)

7. Income taxes

(a) *Corporate income tax expense*

Income tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the income (loss) before the tax provision due to the following:

	2015	2014
Loss before income taxes	**$ 2,438,321**	$ 2,795,231
Expected income tax recovery	**(634,000)**	(726,760)
Change in statutory, foreign tax, foreign exchange rates and other	**291,000**	(62,829)
Permanent differences	**(4,000)**	1,328
Impact of flow through shares	**263,000**	612,560
Share issue cost	**(7,000)**	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**-**	161,301
Changes in unrecognized deductible temporary differences	**91,000**	14,400
	$ -	$ -

(b) *Temporary differences*

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2015	2014
Temporary differences		
Exploration and evaluation assets	**$ 28,301,000**	$ 27,178,182
Property and equipment	**698,000**	733,179
Canadian eligible capital (CEC)	**109,000**	-
Share issue costs	**44,000**	27,698
Allowable capital losses	**636,000**	635,719
Non-capital losses available for future period	**3,122,000**	2,614,244

(i) The Company has income tax loss carry-forwards of approximately $1,410,635 (2014 - $1,247,946) for Canadian tax purposes. These un-recognized tax losses will expire between 2016 to 2034.

(ii) The Company has net-capital loss carry-forwards of approximately $635,719 (2014 - $635,719) for Canadian tax purposes. These un-recognized tax losses are carried forward indefinitely.

(iii) The Company has income tax loss carry-forwards of approximately $1,711,804 (2014 - $1,366,298) for United States tax purposes. These un-recognized tax losses will expire between 2025 and 2034.

(Expressed in Canadian dollars)

8. Related party transactions and balances

During the years ended July 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 the Cantex Chairman. CF Minerals provides heavy mineral geochemistry services to the Company.
- Kel-Ex Development Ltd. ("Kel-Ex") - a private company owned by the Cantex Chairman. Kel-Ex provides administration, payroll and office services to the Company.
- Element 29 Ventures Ltd. ("Element 29") - a private company owned by the Cantex CEO. 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:

	Years ended July 31, **2015**	2014
Laboratory and mineralogical costs	**$ 154,693**	$ 614,819
Geological consulting fees	**451,730**	145,730
Shared field expenditures	**185,733**	187,689
Shared office and administrative costs	**66,931**	72,962
	$ 859,087	$ 1,021,200

The Company's related party expenses (net of recoveries) relate to the following related parties:

	Years ended July 31, **2015**	2014
C.F. Mineral Research Ltd.	**$ 154,693**	$ 614,819
Element 29 Ventures Ltd.	**160,516**	62,381
Kel-Ex Development Ltd.	**530,487**	329,322
Metalex Ventures Ltd.	**12,689**	21,850
Northern Uranium Corp.	**702**	(7,172)
	$ 859,087	$ 1,021,200

(Expressed in Canadian dollars)

8. Related party transactions and balances (continued)

(b) Related party liabilities

The liabilities of the Company include the following amounts due to (from) related parties, which are due on demand, unsecured and non-interest bearing:

		July 31, 2015		July 31, 2014
C.F. Mineral Research Ltd.	**$**	**716,139**	$	815,339
Element 29 Ventures Ltd.		**39,933**		(2,887)
Kel-Ex Development Ltd.		**3,165,598**		3,007,791
Metalex Ventures Ltd.		**3,669**		11,451
Northern Uranium Corp.		**674**		(7,531)
	$	**3,926,013**	$	3,824,163

(c) Key management personnel compensation

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

	Years ended July 31,			
		2015		2014
Share-based compensation[(1)]	**$**	**-**	$	11,281
Wages and benefits[(2)]		**182,876**		92,120
Total	**$**	**182,876**	$	103,401

(1) Share-based compensation is the fair value of options granted and expensed to directors and management personnel during the year. While no share-based compensation was issued to directors or key management during the years ended July 31, 2015 and 2014, an adjustment had been made in the prior year due to option re-pricing in January 2014.
(2) 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.

9. 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.

9. Share capital and reserves (continued)

(b) *Issued share capital*

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 valued at $5,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 170%, a risk free rate of 1.05% and dividend rate of 0% were issued in conjunction with sale of the units. Share issuance costs of $27,582 were paid for the private placements. There was $nil value associated with the flow through premium.

On July 8, 2015, the Company announced that it intended to proceed with a private placement on its securities to issue up to 600,000 non-flow through units at $0.05 per unit (each unit is comprised of one common share and one warrant, each warrant exercisable at $0.10 for a term of three years) and 7,400,000 flow through shares at $0.05 per share. The private placement was fully subscribed and a $30,000 deposit was received prior to the year ended July 31, 2015; the remainder of the funds were received and the shares were issued subsequent to the year ended July 31, 2015.

(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 462,667 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 $1.50 until March 21, 2019. In January 2014, the Company re-priced all outstanding stock options to an exercise price of $0.12; the Company recognized $11,400 in stock-based compensation as a result of this re-price.

(Expressed in Canadian dollars)

9. Share capital and reserves (continued)

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

Stock option and share purchase warrant transactions are summarized as follows:

	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
Exercisable and outstanding, July 31, 2015	**936,000**	**$**	**0.12**	**9,001,212**	**$**	**0.22**

The following stock options and warrants were outstanding at July 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			

10. 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 May 2016. Total minimum future lease payments for office premises is $8,227.

11. 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.

As at July 31, 2015, the Company has accrued $98,948 ($75,648USD) relating to a tax audit in the Yemen branch. A notice of assessment was received from the Government of Yemen in December 2014 of $432,845USD, which the Company objected to on the basis that incorrect bases were being used in the calculations. The Company provided further evidence to the Government of Yemen regarding the bases used to calculate the assessment. The Company is currently in the process of finalizing payment terms of the assessment.

(Expressed in Canadian dollars)

12. 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:

	Years ended July 31, 2015	2014
Loss		
Canada	**$ 1,515,701**	$ 2,494,913
Yemen	**918,963**	246,994
United States of America	**3,656**	53,324
	$ 2,438,320	$ 2,795,231

	July 31, 2015	July 31, 2014
Reclamation bonds		
United States of America	**$ 14,188**	$ 11,812
Equipment		
Canada	**2,750**	6,417
Yemen	**317**	4,118
	$ 17,255	$ 22,347

13. 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 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 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.

14. Financial instruments and risk management

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

14. Financial instruments and risk management (continued)

- 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;

- 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.

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 1 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 July 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 $51,501 (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 July 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 July 31, 2015 is $nil (July 31, 2014: $420,868), which relates to WCP.

14. Financial instruments and risk management (continued)

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 13 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.