



MINE DEVELOPMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited - prepared by management

Expressed in Canadian dollars

Three month period ended
October 31, 2015

Cantex Mine Development Corp.

October 31, 2015

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NOTICE TO READER

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the three months ended October 31, 2015 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - prepared by management)

(Stated in Canadian dollars)

As at	Note	October 31, 2015	July 31, 2015
Assets			
Current assets			
Cash		\$ 136,774	\$ 169,627
Receivables and prepaids	3	23,033	19,578
		159,807	189,205
Non-Current assets			
Reclamation bonds	4(b)	14,182	14,188
Equipment	5	1,833	3,067
		\$ 175,822	\$ 206,460
Liabilities			
Current liabilities			
Trade and other payables		\$ 202,831	\$ 334,003
Due to related parties	6	3,923,984	3,926,013
		4,126,815	4,260,016
Shareholders' deficiency			
Share capital	7	50,593,372	50,196,584
Subscriptions received in advance	7	-	30,000
Equity reserve	7	1,207,628	1,207,628
Deficit		(55,751,993)	(55,487,768)
		(3,950,993)	(4,053,556)
		\$ 175,822	\$ 206,460

Nature and continuance of operations (Note 1)

Commitments (Note 8)

Contingencies (Note 9)

Approved by the Board of Directors:

"Vernon Frolick"

Vernon Frolick

"Chad Ulansky"

Chad Ulansky

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

		Three Month Period Ended	
		October 31,	
	Note	2015	2014
Expenses			
Depreciation	6	\$ 1,233	\$ 1,867
Exploration expenditures	5	236,301	1,131,407
Office and administrative		22,416	27,043
Professional fees		518	660
Stock-based compensation	9(c)	-	-
Transfer agent and filing fees		5,945	8,387
		266,413	1,169,364
Other items			
Administration fees income		-	-
Interest income		395	1,938
Foreign exchange gain		1,793	16,209
		2,188	18,147
Loss and comprehensive loss		\$ (264,225)	\$ (1,151,217)
Loss per common share, basic and diluted		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted		101,133,563	83,494,433

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

	<i>Note</i>	Number of common Shares	Share capital	Subscriptions received in advance	Equity reserve	Deficit	Total
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	1,260,000	-	-	-	1,260,000
Share issuance costs	7(b)	-	(21,724)	-	5,000	-	(16,724)
Loss and comprehensive loss for the period		-	-	-	-	(1,151,217)	(1,151,217)
Balance, October 31, 2014		93,648,780	50,216,242	-	1,207,628	(54,200,665)	(2,776,795)
advance - private placement	7(b)	-	-	30,000	-	-	30,000
Share issuance costs	7(b)	-	(19,658)	-	-	-	(19,658)
Loss and comprehensive loss for the period		-	-	-	-	(1,287,103)	(1,287,103)
Balance, July 31, 2015		93,648,780	50,196,584	30,000	1,207,628	(55,487,768)	(4,053,556)
Shares issued for cash - private placement	7(b)	8,000,000	400,000	(30,000)	-	-	370,000
Share issuance costs	7(b)	-	(3,212)	-	-	-	(3,212)
Loss and comprehensive loss for the period		-	-	-	-	(264,225)	(264,225)
Balance, October 31, 2015		101,648,780	\$ 50,593,372	\$ -	\$ 1,207,628	\$ (55,751,993)	\$ (3,950,993)

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Stated in Canadian dollars)

	Note	Three Month Period Ended	
		October 31, 2015	October 31, 2014
Operating activities			
Loss for the year	\$	(264,225)	\$ (1,151,217)
Items not involving cash			
Depreciation		1,234	1,867
Stock-based compensation		-	-
Interest income		(395)	(1,938)
Unrealized foreign exchange gain		6	(414)
Changes in operating assets and liabilities			
Receivables and prepaids		(3,455)	205,562
Trade and other payables		(133,201)	(521,187)
		(400,036)	(1,467,327)
Investing activities			
Interest received		395	1,938
		395	1,938
Financing activities			
Issuance of common shares and warrants		370,000	1,260,000
Share issue costs		(3,212)	(16,724)
		366,788	1,243,276
Decrease in cash during the year		(32,853)	(222,113)
Cash, beginning of year		169,627	753,055
Cash, end of year	\$	136,774	\$ 530,942
Supplemental disclosure:			
Taxes paid	\$	-	\$ -
Interest paid	\$	-	\$ -
Non-cash financing and investing activities:			
Warrants issued as finders fees	\$	-	\$ 5,000

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 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 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 condensed consolidated interim 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 7), completion of equity financings (Note 8), 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 October 31, 2015, the Company has incurred cumulative losses of \$55,751,993 (July 31, 2015 – \$55,487,768) and has a working capital deficiency of \$3,967,008 (July 31, 2015 – \$4,070,811). 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 have 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 policies are the same as those set out in Note 3 to the audited consolidated financial statements for the year ended July 31, 2015.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2015 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 December 23, 2015.

(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	
		October 31, 2015	July 31, 2015
Cantex Gold Corp.	USA	100%	100%

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

2. Basis of presentation (continued)

(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. Receivables and prepaids

	October 31, 2015		July 31, 2015
GST/HST receivables	\$ 13,197	\$	15,752
Prepaid expenses	9,836		3,826
	\$ 23,033	\$	19,578

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 condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

4. Mineral property interests (continued)

	Yemen (a)	Nevada (b)	Yukon (c)	Total
Cumulative expenditures to July 31, 2014	\$ 24,412,096	\$ 2,092,143	\$ 6,595,691	\$ 33,099,930
Additions:				
Consulting and engineering	87,354	316	87,154	174,824
Licenses and permits	-	-	4,753	4,753
Living costs	9,375	-	-	9,375
Travel, field and other	112,239	209	433,996	546,444
Wages	251,311	226	144,474	396,011
Net expenditures during the period	460,279	751	670,377	1,131,407
Cumulative expenditures to October 31, 2014	24,872,375	2,092,894	7,266,068	34,231,337
Net expenditures to year end	454,882	2,905	699,236	1,157,023
Cumulative expenditures to July 31, 2015	25,327,257	2,095,799	7,965,304	35,388,360
Additions:				
Consulting and engineering	-	467	78,919	79,386
Licenses and permits	414	30,340	-	30,754
Travel, field and other	3,189	1,002	83,711	87,902
Wages	20,304	-	17,955	38,259
Net expenditures during the period	23,907	31,809	180,585	236,301
Cumulative expenditures to October 31, 2015	\$ 25,351,164	\$ 2,127,608	\$ 8,145,889	\$ 35,624,661

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 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 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 \$14,182 (July 31, 2015 - \$14,188) have been posted with the State of Nevada.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 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. Equipment

	Field equipment	Accumulated depreciation	Balance
	\$	\$	\$
Cost			
Balance August 1, 2014	534,973	(524,438)	10,535
Additions (Depreciation)	-	(7,468)	(7,468)
Balance July 31, 2015	534,973	(531,906)	3,067
Additions (Depreciation)	-	(1,234)	(1,234)
Balance October 31, 2015	534,973	(533,140)	1,833
Carrying amounts:			
As at July 31, 2015			\$ 3,067
As at October 31, 2015			\$ 1,833

6. Related party transactions and balances

During the three month periods ended October 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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

6. Related party transactions and balances (continued)

(a) Related party expenses

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

	Three months ended October 31,	
	2015	2014
Laboratory and mineralogical costs	\$ 11,190	\$ -
Geological consulting fees	42,228	356,534
Shared field expenditures	33,430	103,526
Shared office and administrative costs	12,745	14,537
	\$ 99,593	\$ 474,597

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

	Three months ended October 31,	
	2015	2014
C.F. Mineral Research Ltd.	\$ 11,190	\$ -
Element 29 Ventures Ltd.	24,921	117,500
Kel-Ex Development Ltd.	56,867	347,500
Metalex Ventures Ltd.	6,615	5,781
Northern Uranium Corp.	-	3,816
	\$ 99,593	\$ 474,597

(b) Related party liabilities

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

	October 31, 2015	July 31, 2015
C.F. Mineral Research Ltd.	\$ 727,889	\$ 716,139
Element 29 Ventures Ltd.	7,416	39,933
Kel-Ex Development Ltd.	3,187,312	3,165,598
Metalex Ventures Ltd.	1,367	3,669
Northern Uranium Corp.	-	674
	\$ 3,923,984	\$ 3,926,013

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

6. Related party transactions and balances (continued)

(c) *Key management personnel compensation*

The remuneration of directors and key management personnel for the three months ended October 31, 2015 is comprised of Wages and benefits of \$29,040 (October 31, 2014 – \$118,281). 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.

(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 in August 2015. Share issuance costs of \$3,212 were paid for the private placements. There was \$nil value associated with the flow through premium.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

7. Share capital and reserves (continued)

(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.

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, 2014	936,000	0.12	6,421,212	0.27
Granted	-	-	2,580,000	0.10
Exercisable and outstanding, July 31, and October 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			

8. Commitments

The Company is currently committed to one lease agreement. The Company shares lease premises with related parties and its share of the office premises is \$658 per month. The current lease expires May 2016. Total minimum future lease payments for office premises is \$4,606.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

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.

As at October 31, 2015, the Company has accrued \$98,910 (\$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.

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:

	Three Months Ended October 31,	
	2015	2014
Loss		
Canada	\$ 208,192	\$ 689,237
Yemen	24,224	461,229
United States of America	31,809	751
	\$ 264,225	\$ 1,151,217
	October 31,	July 31,
	2015	2015
Reclamation bonds		
United States of America	\$ 14,182	\$ 14,188
Equipment		
Canada	1,833	2,750
Yemen	-	317
	\$ 16,015	\$ 17,255

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 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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

11. Capital management (continued)

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.

12. Financial instruments and risk management

As at October 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:

- 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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

July 31, 2015

(Expressed in Canadian dollars)

12. Financial instruments and risk management (continued)

At October 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 \$13,001 (July 31, 2015: \$51,501). 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 October 31 31, 2015 is \$nil (July 31, 2014: \$nil).

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.