Condensed interim consolidated financial statements of

Cantex Mine Development Corp.

For the six months ended January 31, 2012

(Unaudited – Prepared by Management)

Cantex Mine Development Corp.

January 31, 2012

Table of contents

Condensed interim consolidated statements of comprehensive loss 1

Condensed interim consolidated statements of financial position 2

Condensed interim consolidated statements of changes in equity 3

Condensed interim consolidated statements of cash flows 4

Notes to the condensed interim consolidated financial statements 5-25

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 interim consolidated financial statements for the six months ended January 31, 2012.

Cantex Mine Development Corp.

Consensed interim consolidated statements of comprehensive loss

(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

		Three months ended January 31,		Six months ended January 31,	
	Note	**2012**	2011	**2012**	2011
		$	$	**$**	$
			(Note 15)		(Note 15)
Expenses					
Exploration	5	**1,056,171**	317,774	**1,480,836**	837,626
General and administrative		**64,678**	69,818	**98,538**	113,104
Depreciation		**2,358**	2,600	**4,716**	5,200
		1,123,207	390,192	**1,584,090**	955,930
Other (income)/expense					
Administration fees income		**(16,793)**	(41,268)	**(36,747)**	(74,417)
Interest income		**(3,563)**	(346)	**(8,935)**	(891)
Foreign exchange gain		**(4,188)**	(119)	**(11,691)**	(7,064)
		(24,544)	(41,733)	**(57,373)**	(82,372)
Net loss and comprehensive loss		**1,098,663**	348,459	**1,526,717**	873,558
Loss per common share, basic and diluted		**0.00**	0.00	**0.00**	0.00
Weighted average number of common shares outstanding, basic and diluted		**371,213,022**	334,289,945	**371,213,022**	334,289,945

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Condensed interim consolidated statements of financial position

(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Note	January 31, 2012	July 31, 2011	August 1, 2010
		$	$	$
			(Note 15)	(Note 15)
Assets				
Current assets				
Cash		**1,199,282**	2,002,456	252,609
Trade and other receivables	4	**131,527**	79,814	68,466
Prepaid expenses		**7,153**	32,262	27,191
		1,337,962	2,114,532	348,266
Non-Current assets				
Reclamation bonds	5	**27,495**	26,198	28,194
Property and equipment	6	**19,255**	23,971	33,571
		1,384,712	2,164,701	410,031
Liabilities				
Current liabilities				
Trade and other payables		**163,860**	496,701	83,684
Due to related parties	7	**4,723,410**	3,643,841	2,223,183
		4,887,270	4,140,542	2,306,867
Shareholders' deficiency				
Share capital	9	**42,876,218**	42,876,218	40,496,454
Reserves	9	**1,433,572**	1,433,572	1,433,572
Deficit		**(47,812,348)**	(46,285,631)	(43,826,862)
		(3,502,558)	(1,975,841)	(1,896,836)
		1,384,712	2,164,701	410,031

Nature and continuance of operations (Note 1)
Commitments (Note 8)
Contingencies (Note 13)
Subsequent event (Note 14)

Approved by the Board of Directors:

"Vernon Frolick" — Vernon Frolick

"Chad Ulansky" — Chad Ulansky

Cantex Mine Development Corp.

Consensed interim consolidated statements of changes in equity

(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Note	Number of common Shares	Share capital	Share compensation reserve	Deficit	Total
			$	$	$	$
Balance, August 1, 2010		334,289,945	40,496,454	1,433,572	(43,826,862)	(1,896,836)
Shares issued for cash - private placement	9(b)(ii)	36,923,077	2,400,000	-	-	2,400,000
Share issuance costs	9(b)(ii)	-	(20,236)	-	-	(20,236)
Net loss and comprehensive loss for the year		-	-	-	(2,458,769)	(2,458,769)
Balance, July 31, 2011		371,213,022	42,876,218	1,433,572	(46,285,631)	(1,975,841)
Net loss and comprehensive loss for the period		-	-	-	(1,526,717)	(1,526,717)
Balance, January 31, 2012		371,213,022	42,876,218	1,433,572	(47,812,348)	(3,502,558)
Balance, August 1, 2010		334,289,945	40,496,454	1,433,572	(43,826,862)	(1,896,836)
Net loss and comprehensive loss for the period		-	-	-	(873,558)	(873,558)
Balance, January 31, 2011		334,289,945	40,496,454	1,433,572	(44,700,420)	(2,770,394)

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Condensed interim consolidated statements of cash flows

(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Note	Six months ended January 31, 2012	2011
		$	$
			(Note 15)
Operating activities			
Net loss		**(1,526,717)**	(873,558)
Items not involving cash			
Depreciation		**4,716**	5,200
Unrealized foreign exchange gain		**(1,297)**	6,977
Interest income		**(8,935)**	(891)
Changes in operating assets and liabilities			
Trade and other receivables		**(51,713)**	1,741
Prepaid expenses		**25,109**	19,591
Trade and other payables		**522,278**	229,721
		(1,036,559)	(611,219)
Investing activities			
Interest received		**8,935**	891
		8,935	891
Financing activities			
Advances from related parties		**224,450**	452,175
		224,450	452,175
Decrease in cash during the period		**(803,174)**	(158,153)
Cash, beginning of period		**2,002,456**	252,609
Cash, end of period		**1,199,282**	94,456

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 has not yet determined whether its properties contain mineral 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.

The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable which raises substantial doubt as to the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used. The recoverability of the amounts comprised in mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiaries, 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. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These condensed consolidated interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Continued operations of the Company are dependent on its ability to develop its mineral properties, receive continued financial support, complete equity financings, or generate profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. As at January 31, 2012, the Company has incurred cumulative losses of $47,812,348 (July 31, 2011 - $46,285,631) and has a working capital deficiency of $3,549,308 (July 31, 2011 - $2,026,010). Additional financing will be required for the Company to continue operations. The ability of the Company to continue operations is dependent upon continued financial support of its shareholders, other investors and lenders, and the successful development of the Company's mineral property interests.

2. Basis of presentation

(a) *Statement of compliance*

These condensed interim consolidated 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"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed interim consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending July 31, 2012 and the accounting policies used reflect those policies the company expect to adopt in its financial statement for the year ending July 31, 2012. These financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statement under Canadian generally accepted accounting principles ("Canadian GAAP"). Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

These interim financial statements do not include all the necessary annual disclosure in accordance with IFRS. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP (Note 15). As of Q1 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issue by the Audit Committee on April 2, 2012.

(b) *Basis of presentation*

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

2. Basis of presentation (continued)

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

The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

(i) In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

(ii) The following Standards are effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of these standards.

IFRS 10 Consolidated Financial Statements will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities.

IFRS 11 Joint Arrangements will replace IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

IFRS 12 Disclosure of Interests in Other Entities is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 Fair Value Measurement was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs.

IAS 27 Separate Financial Statements has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

IAS 28 Investments in Associates and Joint Ventures has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee.

(iii) The following Standard is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of this standard.

IFRS 9 Financial Instruments (''IFRS 9'') was issued to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification and measurement of financial assets. IFRS 9 was subsequently reissued in October 2010, incorporating new requirements on accounting for financial liabilities.

3. Significant accounting policies

(a) *Basis of consolidation*

These condensed interim 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.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

(b) *Interest 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.

(c) *Foreign currencies*

The Company's reporting currency and the functional currency of all of its 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.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. 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.

Cantex Mine Development Corp.

Notes to the condensed interim consolidated financial statements

January 31, 2012

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(d) *Property and 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
Computer equipment	36 months
Computer software	36 months
Automotive	60 months

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. 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 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.

3. Significant accounting policies (continued)

(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.

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 subsidiaries 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 enacted or substantively enacted at the balance sheet 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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

(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 six months ended January 31, 2012 and 2011, all the outstanding stock options and warrants were anti-dilutive.

3. Significant accounting policies (continued)

(i) *Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(j) *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

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.

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.

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.

3. Significant accounting policies (continued)

(k) *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 income, 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.

(l) *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.

(m) *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.

3. Significant accounting policies (continued)

(n) *Significant accounting judgments and estimates*

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to depreciation of equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment of mineral interests, calculation of share-based payments and the determination of environmental obligations.

The most significant judgments relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, the determination of functional currency, the determination of the economic viability of a project and going concern

(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.

4. Trade and other receivables

	January 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
HST receivables	**119,917**	79,814	15,539
Third party receivables	**11,610**	-	52,927
	131,527	79,814	68,466

5. Mineral property interests

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.

(a) *Yemen program*

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 showing 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.

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 will have up to 2 years 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 2 years. A further expenditure of US$10,000,000 within the following 2 years would increase its interest in the project to 50% and a further US$15,000,000 within the following 3 years would increase its interest in the Project to 70%. In circumstances where WCP earn a 70% interest in the project and a decision to mine the project is reached, WCP will carry Cantex's portion of mine construction costs to initial production via a loan at an agreed/market interest rate. The loan would be repaid from the first 80% of profits earned by Cantex.

In November 2008, Vale International SA ("Vale"), a wholly-owned subsidiary of Companhia Vale do Rio Doce, signed a letter agreement for the Company's Suwar, Wadi Qutabah and Al Masna nickel, copper, cobalt and platinum group element projects in Yemen.

In December 2011, the Company received notification that Vale decided not to pursue the Suwar option and, accordingly, elected to terminate the letter agreement.

5. Mineral property interests (continued)

(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 seven of the claim groups comprised of 267 claims over 2,233 hectares.

Reclamation bonds of $27,495 (USD$27,418 – October 31, 2011; July 31, 2011; August 1, 2010) have been posted with the State of Nevada.

(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.

	Yemen	Nevada	Yukon	Total
	$	$	$	$
Cumulative expenditures to August 1, 2010	22,160,446	1,672,552	-	23,832,998
Additions:				
Consulting and engineering	363,967	73,453	75,363	512,783
Licenses and permits	-	66,168	1,183	67,351
Living costs	51,629	-	-	51,629
Travel, field and other	1,101,297	67,012	895,111	2,063,420
Wages	609,199	115,059	114,931	839,189
	2,126,092	321,692	1,086,588	3,534,372
Cost recoveries	(1,181,657)	-	-	(1,181,657)
Net expenditures during year	944,435	321,692	1,086,588	2,352,715
Cumulative expenditures to July 31, 2011	23,104,881	1,994,244	1,086,588	26,185,713
Additions:				
Consulting and engineering	154,374	584	765,553	920,511
Licenses and permits	15,194	39,800	-	54,994
Living costs	17,429	-	-	17,429
Travel, field and other	261,408	190	188,048	449,646
Wages	287,493	-	19,838	307,331
	735,898	40,574	973,439	1,749,911
Cost recoveries	(269,075)	-	-	(269,075)
Net expenditures during period	**466,823**	**40,574**	**973,439**	**1,480,836**
Cumulative expenditures to January 31, 2012	23,571,704	2,034,818	2,060,027	27,666,549

6. Property and equipment

	Field equipment	Computer equipment	Automotive	Total
	$	$	$	$
Cost				
Balance August 1, 2010	523,973	7,737	6,978	538,688
Additions	-	-	-	-
Disposals	-	(5,223)	-	(5,223)
Balance July 31, 2011	523,973	2,514	6,978	533,465
Additions	-	-	-	-
Disposals	-	-	-	-
Balance January 31, 2012	523,973	2,514	6,978	533,465
Accumulated depreciation				
Balance August 1, 2010	491,519	7,318	6,280	505,117
Depreciation	8,483	419	698	9,600
Disposals	-	(5,223)	-	(5,223)
Balance July 31, 2011	500,002	2,514	6,978	509,494
Depreciation	4,716	-	-	4,716
Disposals	-	-	-	-
Balance January 31, 2012	504,718	2,514	6,978	514,210
Carrying amounts:				
As at August 1, 2010	32,454	419	698	33,571
As at July 31, 2011	23,971	-	-	23,971
As at January 31, 2012	19,255	-	-	19,255

7. Related party transactions and balances

The condensed consolidated interim financial statements include the financial statements of Cantex Mine Development Ltd. and its subsidiary listed in the following table:

		Proportion of Ownership Interest		
Name of Subsidiary	Country of Incorporation	January 31, 2012	July 31, 2011	August 1, 2010
Cantex Gold Corp.	USA	100%	100%	100%

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

Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing. The fair value of the amounts due to related parties is not determinable due to the nature of the accounts.

7. Related party transactions and balances (continued)

The Company entered into the following transactions with other related parties during the six months ended January 31, 2012:

a) Paid or accrued laboratory and mineralogical costs of $779,452 (2011 - $117,122), geological consulting fees of $30,335 (2011 - $8,734), shared field expenditures of $339 (2011 - $Nil), and shared office and administrative costs of $23,147 (2011 - $38,598) to companies controlled by Charles Fipke, a director of the Company.

b) Paid or accrued geological consulting fees of $49,540 (2011 - $23,650) and travel and field expenses of $1,786 (2011 - $9,352), to a company controlled by Chad Ulansky, an officer of the Company.

c) Paid or accrued shared field expenditures of $7,575 (2011 - $932), and shared office and administrative costs of $6,185 (2011 - $7,366) to a company with common directors and management.

d) Recorded recoveries, which were netted against various expenses, for shared office and administrative costs of $22,866 (2011 - $Nil) from a company controlled by Charles Fipke and $6,073 (2011 - $163) from a company with common directors and management.

Included in amounts due to related parties is $1,293,781 (July 31, 2011 - $434,628; August 1, 2010 - $257,622) for laboratory and mineralogical costs, $25,051 (July 31, 2011 - $244,193; August 1, 2010 - $158,124) for shared office and administrative costs, $379 (July 31, 2011 - $32,912; August 1, 2010 - $24,392) for shared field expenditures, $33,967 (July 31, 2011 - $324,989; August 1, 2010 - $212,779) for geological consulting fees and $3,264,238 (July 31, 2011 - $2,509,155; August 1, 2010 - $1,547,278) for exploration expenditure advances owing to companies controlled by Charles Fipke.

Included in amounts due to related parties is $95,172 (July 31, 2011 - $67,452; August 1, 2010 - $20,793) for geological consulting fees and $7,737 (July 31, 2011 - $11,606; August 1, 2010 - $Nil) for shared field expenditures owing to a company controlled by Chad Ulansky.

Included in amounts due to related parties is $73 (July 31, 2011 - $16,433; August 1, 2010 - $516) for shared field expenditures and $3,012 (July 31, 2011 - $2,473; August 1, 2010 - $1,679) for shared office and administrative costs owing to a company with common directors and management.

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

	Three months ended January 31,		Six months ended January 31,	
	2012	2011	2012	2011
	$	$	**$**	$
Share-based compensation(1)	**-**	-	**-**	-
Wages and benefits(2)	**35,911**	28,149	**71,456**	49,465
Total	**35,911**	28,149	**71,456**	49,465

(1) Share-based compensation is the fair value of options granted to directors and management personnel.

(2) Wages and benefits includes amounts paid or accrued for geological consulting fees and payroll costs due to related parties.

8. Commitments

The Company is committed to minimum future lease payments for office premises through to March, 2014 as follows:

Fiscal year ending July 31, 2012	$ 7,702
Fiscal year ending July 31, 2013	$ 11,554
Fiscal year ending July 31, 2014	$ 7,702

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.

(b) *Issued share capital*

(i) In January 2010, the Company settled indebtedness totaling $1,022,842 owing to a company owned by Dr. Charles Fipke, the Chairman of the Company, by the issuance of 17,047,367 shares with a deemed value of $0.06 per share. The indebtedness included monies advanced to the Company for mineral exploration and operating expenditures

(ii) In June 2011, the Company completed a non-brokered private placement for gross proceeds of $2,400,000 through the issuance of 36,923,077 flow-through common shares at a price of $0.065 per share. There were no agents' commissions or other compensation paid in connection with the financing.

(c) *Stock option plan*

The Company, in accordance with its shareholder approved stock option plan as amended, 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.

Details are as follows:

	Number	Weighted Average Exercise price
		$
Outstanding, August 1, 2010	11,700,000	0.13
Granted	-	
Outstanding, July 31, 2011	11,700,000	0.13
Granted	-	
Outstanding, January 31, 2012	**11,700,000**	**0.13**

9. Share capital and reserves (continued)

(c) *Stock option plan (continued)*

The following stock options were outstanding and exercisable at January 31, 2012:

Number	Exercise price	Expiry date
	$	
100,000	0.10	November 26, 2012
3,800,000	0.20	March 19, 2013
7,800,000	0.10	January 28, 2019
11,700,000		

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,	
	2012	2011
	$	$
Loss		
Canada	**1,051,351**	123,508
Yemen	**434,792**	452,532
United States of America	**40,574**	297,518
	1,526,717	873,558

	January 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Property and equipment			
Yemen	**19,255**	23,971	33,571
	19,255	23,971	33,571

11. Capital management

The Company includes equity, comprising of issued common shares, reserves and deficit, in the definition of capital.

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

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

11. Capital management (continued)

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.

12. Financial instruments and risk management

As at January 31, 2012, 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 classified as loans and receivables and is measured on the balance sheet 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.

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).

A summary of the Company's financial assets that are measured at fair value on a recurring basis by the level within the fair value hierarchy is presented below. As at January 31, 2012, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

		January 31, 2012	July 31, 2011	August 1, 2010
		$	$	$
Financial Assets				
Cash	Level 1	1,199,282	2,002,456	252,609

12. Financial instruments and risk management (continued)

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, 2012, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $23,488 (July 31, 2011: $19,232). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not be material.

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, 2012, 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 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, 2012 is $11,610 (July 31, 2011: $Nil). 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. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

13. 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.

14. Subsequent event

Subsequent to January 31, 2012 the Company announced that WCP Resources Ltd ("WCP") completed its due diligence process with respect to the Al Hariqah gold project. No materially adverse issues were identified and WCP has formally notified the Company that it will proceed with its two year option period in accordance with the terms of the option agreement as announced on December 16, 2011.

WCP now has up to two years to exercise its option to farm-in to the project. Upon exercise, and by meeting a series of expenditure commitments, WCP will be able to progressively earn up to a 70% interest in the project.

15. First time adoption of IFRS

The Company has adopted IFRS on August 1, 2011 with a transition date of August 1, 2010 ("Transition Date"). These financial statements have been prepared in accordance with IAS 34. This note explains the adjustments made by the Company in restating its Canadian GAAP statement of financial position at August 1, 2010 and July 31, 2011. Under IFRS 1, First Time Adoption of International Financial Reporting Standards, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to accumulated deficit unless certain exemptions are applied.

The Company has elected to apply the following IFRS 1 optional exemptions at the Transition Date:

(a) *Business combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 'Business Combinations' ("IFRS 3") retrospectively to business combinations that occurred before the transition date. The Company has taken this election and will apply IFRS 3 prospectively to business combinations that occur on or after the transition date.

(b) *Share-based payments*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 'Share-based Payments' ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the transition date and January 1, 2005. The Company has elected to not apply IFRS 2 to awards that vested prior to the transition date.

In preparing the opening IFRS statement of financial position and the financial statements for the periods beginning on or after August 1, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

15. First time adoption of IFRS (continued)

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the period ended January 31, 2011 or the year ended July 31, 2011.

The reconciliation between Canadian GAAP and IFRS consolidated statement of financial position as at August 1, 2010 (date of transition to IFRS) is provided below:

	August 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Assets			
Current assets			
Cash	252,609	-	252,609
Trade and other receivables	68,466	-	68,466
Prepaid expenses	27,191	-	27,191
	348,266	-	348,266
Non-current assets			
Reclamation bonds	28,194	-	28,194
Property and equipment	33,571	-	33,571
	410,031	-	410,031
Liabilities			
Current liabilities			
Trade and other payables	83,684	-	83,684
Due to related parties	2,223,183	-	2,223,183
	2,306,867	-	2,306,867
Shareholders' deficiency			
Share capital	40,496,454	-	40,496,454
Reserves	1,433,572	-	1,433,572
Deficit	(43,826,862)	-	(43,826,862)
	(1,896,836	-	(1,896,836
	410,031	-	410,031

15. First time adoption of IFRS (continued)

The reconciliation between Canadian GAAP and IFRS consolidated statement of financial position as at January 31, 2011 is provided below:

	January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Assets			
Current assets			
Cash	94,456	-	94,456
Trade and other receivables	66,725	-	66,725
Prepaid expenses	7,600	-	7,600
	168,781	-	168,781
Non-current assets			
Reclamation bonds	27,459	-	27,459
Property and equipment	28,371	-	28,371
	224,611	-	224,611
Liabilities			
Current liabilities			
Trade and other payables	92,668	-	92,668
Due to related parties	2,902,337	-	2,902,337
	2,995,005	-	2,995,005
Shareholders' deficiency			
Share capital	40,496,454	-	40,496,454
Reserves	1,433,572	-	1,433,572
Deficit	(44,700,420)	-	(44,700,420)
	(2,770,394)	-	(2,770,394)
	224,611	-	224,611

The reconciliation between Canadian GAAP and IFRS consolidated statement of comprehensive loss for the six months ended January 31, 2011 is provided below:

	January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Exploration	837,626	-	837,626
General and administrative	113,104	-	113,104
Depreciation	5,200	-	5,200
	955,930	-	955,930
Other (income)/expense			
Administration fees income	(74,417)	-	(74,417)
Interest income	(891)	-	(891)
Foreign exchange gain	(7,064)	-	(7,064)
	(82,372)	-	(82,372)
Net loss and comprehensive loss	873,558	-	873,558

15. First time adoption of IFRS (continued)

The reconciliation between Canadian GAAP and IFRS consolidated statement of financial position as at July 31, 2011 is provided below:

	July 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Assets			
Current assets			
Cash	2,002,456	-	2,002,456
Trade and other receivables	79,814	-	79,814
Prepaid expenses	32,262	-	32,262
	2,114,532	-	2,114,532
Non-current assets			
Reclamation bonds	26,198	-	26,198
Property and equipment	23,971	-	23,971
	2,164,701	-	2,164,701
Liabilities			
Current liabilities			
Trade and other payables	496,701	-	496,701
Due to related parties	3,643,841	-	3,643,841
	4,140,542	-	4,140,542
Shareholders' deficiency			
Share capital	42,876,218	-	42,876,218
Reserves	1,433,572	-	1,433,572
Deficit	(46,285,631)	-	(46,285,631)
	(1,975,841)	-	(1,975,841)
	2,164,701	-	2,164,701

The reconciliation between Canadian GAAP and IFRS consolidated statement of comprehensive loss for the year ended July 31, 2011 is provided below:

	July 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	$	$	$
Expenses			
Exploration	2,352,715	-	2,352,715
General and administrative	225,970	-	225,970
Depreciation	9,600	-	9,600
	2,588,285	-	2,588,285
Other (income)/expense			
Administration fees income	(117,507)	-	(117,507)
Interest income	(1,925)	-	(1,925)
Foreign exchange gain	(10,084)	-	(10,084)
	(129,516)	-	(129,516)
Net loss and comprehensive loss	2,458,769	-	2,458,769