Consolidated financial statements of

Cantex Mine Development Corp.

July 31, 2012 and 2011

Cantex Mine Development Corp.
July 31, 2012

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Independent Auditor's 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 statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2012 and July 31, 2011, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 auditor considers 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cantex Mine Development Corp. as at July 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and its cash flows for the years ended July 31, 2012 and July 31, 2011 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 indicates that the Company has incurred cumulative losses since inception of $48,453,371 and has a working capital deficiency at July 31, 2012 of $2,443,474. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) Deloitte & Touche LLP

Chartered Accountants
November 26, 2012
Vancouver, British Columbia

Cantex Mine Development Corp.

Consolidated statements of financial position
as at July 31, 2012, July 31, 2011 and August 1, 2010

(Stated in Canadian dollars)

	Note	**July 31, 2012**	July 31, 2011	August 1, 2010
		$	$	$
			(Note 15)	(Note 15)
Assets				
Current assets				
Cash		**2,086,403**	2,002,456	252,609
Trade and other receivables	4	**181,133**	79,814	68,466
Prepaid expenses		**1,788**	32,262	27,191
		2,269,324	2,114,532	348,266
Non-Current assets				
Reclamation bonds	5(b)	**20,274**	26,198	28,194
Property and equipment	6	**14,538**	23,971	33,571
		2,304,136	2,164,701	410,031
Liabilities				
Current liabilities				
Trade and other payables		**181,742**	496,701	83,684
Due to related parties	7	**4,531,056**	3,643,841	2,223,183
		4,712,798	4,140,542	2,306,867
Shareholders' deficiency				
Share capital	9	**44,619,721**	42,876,218	40,496,454
Reserves	9	**1,424,988**	1,433,572	1,433,572
Deficit		**(48,453,371)**	(46,285,631)	(43,826,862)
		(2,408,662)	(1,975,841)	(1,896,836)
		2,304,136	2,164,701	410,031

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

Approved by the Board of Directors:

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

Cantex Mine Development Corp.

Consolidated statements of net loss and comprehensive loss
years ended July 31, 2012 and 2011

(Stated in Canadian dollars)

	Note	2012	2011
		$	$
			(Note 15)
Expenses			
Exploration	5	**2,071,342**	2,352,715
General and administrative		**206,027**	225,970
Depreciation		**9,433**	9,600
		2,286,802	2,588,285
Other items			
Administration fees income		**94,143**	117,507
Interest income		**13,066**	1,925
Foreign exchange gain		**3,269**	10,084
		110,478	129,516
Net loss and comprehensive loss		**(2,176,324)**	(2,458,769)
Loss per common share, basic and diluted		**(0.01)**	(0.01)
Weighted average number of common shares outstanding, basic and diluted		**373,335,871**	337,425,878

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated statements of changes in equity
years ended July 31, 2012 and 2011
(Stated in Canadian dollars)

	Note	Number of common Shares	Share capital	Share-based compensation reserve	Deficit	Total
			$	$	$	$
Balance, August 1, 2010	15	334,289,945	40,496,454	1,433,572	(43,826,862)	(1,896,836)
Shares issued for cash - private placement	9(b)(i)	36,923,077	2,400,000	-	-	2,400,000
Share issuance costs	9(b)(i)	-	(20,236)	-	-	(20,236)
Net loss and comprehensive loss for the year		-	-	-	(2,458,769)	(2,458,769)
Balance, July 31, 2011	15	371,213,022	42,876,218	1,433,572	(46,285,631)	(1,975,841)
Shares issued for cash - private placement	9(b)(ii)	35,220,000	1,761,000	-	-	1,761,000
Share issuance costs	9(b)(ii)	-	(17,497)	-	-	(17,497)
Reserves transferred on expired stock options	9(c)	-	-	(8,584)	8,584	-
Net loss and comprehensive loss for the year		-	-	-	(2,176,324)	(2,176,324)
Balance, July 31, 2012		406,433,022	44,619,721	1,424,988	(48,453,371)	(2,408,662)

Cantex Mine Development Corp.

Consolidated statements of cash flows
years ended July 31, 2012 and 2011

(Stated in Canadian dollars)

	Note	2012	2011
		$	$
			(Note 15)
Operating activities			
Net loss		**(2,176,324)**	(2,458,769)
Items not involving cash			
Depreciation		**9,433**	9,600
Interest income		**(13,066)**	(1,925)
Unrealized foreign exchange gain		**(2,661)**	3,406
Changes in operating assets and liabilities			
Trade and other receivables		**(101,319)**	(11,348)
Prepaid expenses		**30,474**	(5,071)
Trade and other payables		**(432,194)**	876,422
		(2,685,657)	(1,587,685)
Investing activities			
Refund of reclamation bonds		**8,585**	-
Interest received		**13,066**	1,925
		21,651	1,925
Financing activities			
Issuance of common shares		**1,761,000**	2,400,000
Share issue costs		**(17,497)**	(20,236)
Advances from related parties		**1,004,450**	955,843
		2,747,953	3,335,607
Effect of exchange rates on cash		**13,225**	1,295
Increase in cash during the year		**83,947**	1,749,847
Cash, beginning of year		**2,002,456**	252,609
Cash, end of year		**2,086,403**	2,002,456

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’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 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. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

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, receive continued financial support, complete equity financings, and generate profitable operations in the future. It is not possible to predict whether economically recoverable reserves exist, the Company’s financing efforts will be successful, or the Company will attain profitable level of operations.

As at July 31, 2012, the Company has incurred cumulative losses of $48,453,371 (July 31, 2011 - $46,285,631) and has a working capital deficiency of $2,443,474 (July 31, 2011 - $2,026,010). These 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 realized its assets and discharge its liabilities in the normal course of business, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

(Expressed in Canadian dollars)

2. Basis of presentation

(a) *Statement of compliance*

These consolidated financial statements represent the Company's first annual consolidated financial statements that have been prepared in accordance 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").

The Company adopted IFRS in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards" ("IFRS 1") with a transition date of August 1, 2010, as discussed in Note 15. Prior to the adoption of IFRS, the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's accounting policies under IFRS have been consistently applied to these consolidated financial statements for the year end July 31, 2012, the comparative information for the year ended July 31, 2011 and the transition date opening balance sheet as at August 1, 2010. The disclosures of the elected transition exemptions, reconciliations and explanations of accounting policies compared to Canadian GAAP have been provided in Note 15 to these financial statements.

These consolidated financial statements were approved for issue by the Audit Committee on November 20, 2012.

(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, 2012	July 31, 2011	August 1, 2010
Cantex Gold Corp.	USA	100%	100%	100%

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, 2012.

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) 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.

(ii) 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 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.

(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 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.

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
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 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 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 year ended July 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.

(Expressed in Canadian dollars)

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, 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

	July 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
HST receivables	**44,140**	79,814	15,539
Third party receivables	**136,993**	-	52,927
	181,133	79,814	68,466

Third party receivables consist mainly of mineral property recoveries due from partners.

(Expressed in Canadian dollars)

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.

	Yemen (a)	Nevada (b)	Yukon (c)	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	367,760	1,124	997,985	1,366,869
Licenses and permits	15,700	39,232	11,811	66,743
Living costs	90,245	-	-	90,245
Travel, field and other	481,534	1,113	291,448	774,095
Wages	601,433	-	48,096	649,529
	1,556,672	41,469	1,349,340	2,947,481
Cost recoveries	(876,139)	-	-	(876,139)
Net expenditures during year	680,533	41,469	1,349,340	2,071,342
Cumulative expenditures to July 31, 2012	23,785,414	2,035,713	2,435,928	28,257,055

5. Mineral property interests (continued)

(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 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.

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 two 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 two years. A further expenditure of US$10,000,000 within the following two years would increase its interest in the project to 50% and a further US$15,000,000 within the following three 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.

(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 $20,274 (July 31, 2011 - $26,198; August 1, 2010 - $28,194) 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.

6. Property and equipment

	Field equipment	Computer equipment	Automotive	Total
	$	$	$	$
Cost				
Balance August 1, 2010	523,973	7,737	6,978	538,688
Disposals	-	(5,223)	-	(5,223)
Balance July 31, 2012 and 2011	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	9,433	-	-	9,433
Balance July 31, 2012	509,435	2,514	6,978	518,927
Carrying amounts:				
As at August 1, 2010	32,454	419	698	33,571
As at July 31, 2011	23,971	-	-	23,971
As at July 31, 2012	14,538	-	-	14,538

7. Related party transactions and balances

For the years ended July 31, 2012 and 2011, the Company had related party transactions with the following companies related by way of common directors or shareholders:

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

(Expressed in Canadian dollars)

7. Related party transactions and balances (continued)

(a) Related party expenses

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

	Year ended July 31, 2012	2011
	$	$
Laboratory and mineralogical costs	**985,663**	161,076
Geological consulting fees	**159,409**	221,074
Shared field expenditures	**19,528**	73,160
Shared office and administrative costs	**74,049**	85,670
	1,238,649	540,980

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

	Year ended July 31, 2012	2011
	$	$
C.F. Mineral Research Ltd.	**985,663**	161,076
Kel-Ex Development Ltd.	**140,261**	230,293
Element 29 Ventures Ltd.	**91,840**	120,228
Metalex Ventures Ltd.	**20,885**	29,383
	1,238,649	540,980

(b) Related party recoveries

The Company's expenses recovered from related parties consist of the following amounts:

	Year ended July 31, 2012	2011
	$	$
Shared field expenditures	**7,105**	-
Shared office and administrative costs	**23,110**	2,684
	30,215	2,684

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

	Year ended July 31, 2012	2011
	$	$
Kel-Ex Development Ltd.	**23,110**	2,521
Metalex Ventures Ltd.	**7,105**	163
	30,215	2,684

(Expressed in Canadian dollars)

7. Related party transactions and balances (continued)

(c) Related party liabilities

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

	Year ended July 31,	
	2012	2011
	$	$
C.F. Mineral Research Ltd.	**299,966**	434,628
Kel-Ex Development Ltd.	**4,201,321**	3,111,250
Element 29 Ventures Ltd.	**27,188**	79,058
Metalex Ventures Ltd.	**2,581**	18,905
	4,531,056	3,643,841

(d) Key management personnel compensation

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

	Year ended July 31,	
	2012	2011
	$	$
Share-based compensation(1)	**-**	-
Wages and benefits(2)	**132,646**	138,930
Total	**132,646**	138,930

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

(2) Wages and benefits include amounts paid or accrued for geological consulting fees and payroll costs.

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

(Expressed in Canadian dollars)

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 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.

(ii) In July 2012, the Company completed a non-brokered private placement for gross proceeds of $1,761,000 through the issuance of 26,720,000 flow through common shares and 8,500,000 non-flow through common shares at a price of $0.05 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 and July 31, 2011	11,700,000	0.13
Cancelled	(72,500)	0.20
Outstanding, July 31, 2012	**(72,500)**	**0.13**

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

Number	Exercise price	Expiry date
	$	
100,000	0.10	November 25, 2012
3,727,500	0.20	March 18, 2013
7,800,000	0.10	January 28, 2019
11,627,500		

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10. Income taxes

(a) 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:

	2012	2011
	$	$
Loss before income taxes	**2,176,324**	2,458,769
	25.6%	27.3%
Expected income tax recovery	**(557,683)**	(672,064)
Changes attributable to:		
Non-deductible (taxable) expenditures	**152**	270
Losses expired	**-**	12,964
Changes in unrecognized deferred tax assets	**(14,727)**	654,400
True up to prior year tax return	**(42,054)**	-
Effect of different statutory tax rates on earnings of subsidiaries	**(3,473)**	(22,508)
Flow Through share renouncement	**600,000**	-
Differences between current and deferred income tax rates	**12,786**	22,002
Foreign exchange rate flucuation and other	**4,999**	4,936
	-	-
Income tax expense (recovery)	**-**	-

(b) Unrecognized deductible temporary differences, unused tax losses and unused tax credits of the Company are attributable to the following:

	2012	2011
	$	$
Non-capital loss carry forwards	**4,646,298**	4,233,962
Net-capital loss carry forwards	**635,719**	635,719
Excess tax value of property plant and equipment over book value	**609,278**	599,845
Share issue costs	**17,337**	20,703
Excess tax value of mineral property over book value	**25,798,382**	26,401,025
Unrecognized deductible temporary differences	**31,707,014**	31,891,254

(i) The Company has income tax loss carry-forwards of approximately $3,482,771 (2011 - $3,378,003) for Canadian tax purposes. These un-recognized tax losses will expire between 2014 and 2032.

(ii) The Company has net-capital loss carry-forwards of approximately $635,719 (2011 - $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 $1,163,527 (2011 - $855,959) for United States tax purposes. These un-recognized tax losses will expire between 2024 and 2031.

(Expressed in Canadian dollars)

11. 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:

	Year ended July 31, 2012	Year ended July 31, 2011
	$	$
Net loss		
Canada	**1,539,032**	123,508
Yemen	**595,823**	452,532
United States of America	**41,469**	297,518
	2,176,324	873,558

	July 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Property and equipment			
Yemen	**14,538**	23,971	33,571
	14,538	23,971	33,571

12. 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.

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.

13. Financial instruments and risk management

As at July 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 statement of financial position at fair value;
- Trade and other receivables are classified as loans and receivables and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest method; and
- Trade and other payables and amounts due to related parties are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method.

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

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

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

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

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 levels 1, 2 or 3 of the fair value hierarchy for the periods presented.

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, 2012, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $333,139 (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.

13. Financial instruments and risk management (continued)

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, 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 July 31, 2012 is $136,993 (subsequently received; 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 12 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.

14. 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.

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 consolidated financial statements have been prepared in accordance with IFRS. 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, 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.

(Expressed in Canadian dollars)

15. First time adoption of IFRS (continued)

(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 consolidated financial statements for the periods beginning on or after August 1, 2011, the Company has adjusted amounts reported previously in consolidated financial statements that were prepared in accordance with Canadian 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.

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 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

(Expressed in Canadian dollars)

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