Consolidated financial statements of

Cantex Mine Development Corp.

July 31, 2014 and 2013

Cantex Mine Development Corp.
July 31, 2014

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Deloitte.

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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, 2014 and July 31, 2013 and the consolidated net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

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, 2014, and July 31, 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred cumulative losses since inception of $53,049,448 and has a working capital deficiency at July 31, 2014 of $2,891,201. 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.

Deloitte LLP

Chartered Accountants
Vancouver, Canada
November 26, 2014

Cantex Mine Development Corp.

Consolidated Statements of Financial Position
as at July 31, 2014 and July 31, 2013

(Stated in Canadian dollars)

	Note	**July 31, 2014**	July 31, 2013
		$	$
Assets			
Current assets			
Cash		**753,055**	3,539,808
Trade and other receivables	4	**456,590**	118,463
		1,209,645	3,658,271
Non-Current assets			
Reclamation bonds	5(b)	**11,812**	11,142
Property and equipment	6	**10,535**	18,004
		1,231,992	3,687,417
Liabilities			
Current liabilities			
Trade and other payables		**276,683**	274,973
Due to related parties	7	**3,824,163**	3,497,467
		4,100,846	3,772,440
Shareholders' deficiency			
Share capital	8	**48,977,966**	48,977,966
Equity reserve	8	**1,202,628**	1,208,797
Deficit		**(53,049,448)**	(50,271,786)
		(2,868,854)	(85,023)
		1,231,992	3,687,417

Nature and continuance of operations (Note 1)
Commitments (Note 9)
Contingencies (Note 10)

Approved by the Board of Directors:

(Signed) Vernon Frolick *(Signed) Chad Ulansky*

Cantex Mine Development Corp.

Consolidated Statements of Net Loss and Comprehensive Loss
Years ended July 31, 2014 and 2013

(Stated in Canadian dollars)

	Note	**2014**	2013
		$	$
Expenses			
Exploration	5	**2,758,416**	2,084,459
General and administrative		**209,092**	228,207
Stock-based compensation	8(e)	**11,400**	59,629
Depreciation		**7,469**	7,534
		2,986,377	2,379,829
Other items			
Administration fees income		**132,864**	95,404
Interest income		**18,817**	7,810
Foreign exchange gain		**39,465**	10,380
		191,146	113,594
Net loss and comprehensive loss		**(2,795,231)**	(2,266,235)
Loss per common share, basic and diluted		**(0.04)**	(0.08)
Weighted average number of common shares outstanding, basic and diluted		**68,448,780**	28,139,114

Cantex Mine Development Corp.

Consolidated Statements of Changes in Equity

(Stated in Canadian dollars)

	Note	Number of common Shares	Share capital	Equity reserve	Deficit	Total
			$	$	$	$
		Note 8(c)				
Balance, August 1, 2012		27,095,535	44,619,721	1,424,988	(48,453,371)	(2,408,662)
Shares issued for debt settlement	8(b)(i)	14,080,518	1,557,995	-	-	1,557,995
Share issuance costs	8(b)(i)	-	(8,067)	-	-	(8,067)
Shares issued for cash - private placement	8(b)(ii)	27,272,727	2,828,000	172,000	-	3,000,000
Share issuance costs	8(b)(ii)	-	(19,683)	-	-	(19,683)
Reserves transferred on expired stock options	8(d)	-	-	(447,820)	447,820	-
Stock-based compensation expense	8(e)	-	-	59,629	-	59,629
Net loss and comprehensive loss for the period		-	-	-	(2,266,235)	(2,266,235)
Balance, July 31, 2013		68,448,780	48,977,966	1,208,797	(50,271,786)	(85,023)
Reserves transferred on expired stock options	8(d)	-	-	(17,569)	17,569	-
Stock-based compensation adjustment for re-pricing	8(e)	-	-	11,400	-	11,400
Net loss and comprehensive loss for the period		-	-	-	(2,795,231)	(2,795,231)
Balance, July 31, 2014		68,448,780	48,977,966	1,202,628	(53,049,448)	(2,868,854)

Cantex Mine Development Corp.

Consolidated Statements of Cash Flows
Years ended July 31, 2014 and 2013
(Stated in Canadian dollars)

	Note	July 31, 2014	2013
		$	$
Operating activities			
Net loss and comprehensive loss		**(2,795,231)**	(2,266,235)
Items not involving cash			
Depreciation		**7,469**	7,534
Stock-based compensation		**11,400**	59,629
Interest income		**(18,817)**	(7,810)
Unrealized foreign exchange gain		**(670)**	(2,034)
Changes in operating assets and liabilities			
Trade and other receivables		**(338,127)**	64,458
Trade and other payables		**328,406**	457,637
		(2,805,570)	(1,686,821)
Investing activities			
Interest received		**18,817**	7,810
Refund of reclamation bonds		**-**	11,166
Purchase of property and equipment		**-**	(11,000)
		18,817	7,976
Financing activities			
Issuance of common shares and warrants		**-**	3,000,000
Share issue costs		**-**	(27,750)
Advances from related parties		**-**	160,000
		-	3,132,250
Effect of exchange rates on cash		**(15,519)**	(11,578)
Decrease in cash during the year		**(2,786,753)**	1,453,405
Cash, beginning of year		**3,539,808**	2,086,403
Cash, end of year		**753,055**	3,539,808

See accompanying notes to the consolidated financial statements.

(Expressed in Canadian dollars)

1. Nature and continuance of operations

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

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

These consolidated financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge is liabilities in the normal course of business. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties (Note 5), continued receipt of financial support (Note 7), completion of equity financings (Notes 8 and 15(b)), and generating profitable operations in the future (Note 14). It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or if the Company will attain a profitable level of operations.

As at July 31, 2014, the Company has incurred cumulative losses of $53,049,448 (July 31, 2013 - $50,271,786) and has a working capital deficiency of $2,891,201 (July 31, 2013 - $114,169). The above conditions may raise significant doubt regarding the Company's ability to continue as a going concern. Additional financing will be required for the Company to continue operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, adjustments would be necessary in the carrying values of assets and liabilities.

2. Basis of presentation

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS in effect as of July 31, 2014.

These consolidated financial statements were approved for issue by the Board of Directors on November 26, 2014.

(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, 2014	July 31, 2013
Cantex Gold Corp.	USA	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, 2014.

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

New and revised standards:

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

Amended standards and interpretations:

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

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

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

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.

3. Significant accounting policies (continued)

(b) *Income*

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

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

(c) *Foreign currencies*

The functional currency is the currency of the primary economic environment in which the entity operates. The Company's reporting currency and the functional currency of 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. The Company's Yemen and Nevada operations are denominated in USD dollar funds and then translated to the Company's functional currency.

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

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

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

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

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 8(e). The costs of equity-settled transactions are recognized over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

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

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 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 years ended July 31, 2014 and 2013, all outstanding stock options and warrants were anti-dilutive.

(i) *Financial instruments*

Non-derivative financial assets:

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

3. Significant accounting policies (continued)

(i) *Financial instruments (continued)*

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

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

The Company's non-derivative financial liabilities comprise of trade payables and related party payables (Note 7).

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

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

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

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

<u>Derivative financial assets and liabilities</u>

The Company has no derivative financial assets or liabilities.

(j) *Impairment of non-financial assets*

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

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

3. Significant accounting policies (continued)

(j) *Impairment of non-financial assets (continued)*

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.

(k) *Provisions*

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

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

(l) *Related party transactions*

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

(m) *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 (Note 6), recoverability of trade and other receivables (Note 4), valuation of deferred income tax amounts (Note 11), calculation of share-based payments (Note 8(e)) and the determination of environmental obligations.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

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 (Note 5) and going concern (Note 1).

(n) *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

	2014	2013
	$	$
GST/HST receivables	**33,934**	30,043
Third party receivables	**420,868**	86,632
Prepaid expenses	**1,788**	1,788
	456,590	118,463

Third party receivables consist mainly of mineral property recoveries due from partners, subsequent to July 31, 2014, 100% of the Third party receivables have been collected.

(Expressed in Canadian dollars)

5. Mineral property interests

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

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

	Yemen (a)	Nevada (b)	Yukon (c)	Total
	$	$	$	$
Cumulative expenditures to July 31, 2012	23,785,414	2,035,713	2,435,928	28,257,055
Additions:				
Consulting and engineering	292,044	4,027	645,028	941,099
Licenses and permits	13,666	(1,702)	34,753	46,717
Living costs	79,887	-	-	79,887
Travel, field and other	575,691	781	981,105	1,557,577
Wages	561,385	-	169,841	731,226
	1,522,673	3,106	1,830,727	3,356,506
Cost recoveries	(1,272,047)	-	-	(1,272,047)
Net expenditures during period	250,626	3,106	1,830,727	2,084,459
Cumulative expenditures to July 31, 2013	24,036,040	2,038,819	4,266,655	30,341,514
Additions:				
Consulting and engineering	322,899	6,395	1,230,131	1,559,425
Licenses and permits	14,900	46,049	30,060	91,009
Living costs	175,544	-	-	175,544
Travel, field and other	821,795	880	741,721	1,564,396
Wages	799,817	-	327,124	1,126,941
	2,134,955	53,324	2,329,036	4,517,315
Cost recoveries	(1,758,899)	-	-	(1,758,899)
Net expenditures during period	376,056	53,324	2,329,036	2,758,416
Cumulative expenditures to July 31, 2014	24,412,096	2,092,143	6,595,691	33,099,930

5. Mineral property interests (continued)

(a) *Yemen program*

(i) *Exploration license*

During 1996, the Company was granted a 52,000 square kilometer ("km^2") prospecting permit in the Republic of Yemen. With continued exploration, the Company was able to focus its efforts on progressively smaller areas that demonstrated the potential for economic mineralization. The Company has held an exploration license granting exclusive exploration rights and the right to obtain an exploration contract since 1999. Under the terms of the exploration contract, the Government of the Republic of Yemen has the right to offer to acquire, on commercial terms, an undivided interest of up to 49% in this exploration license. In this event, the Company's interest (and that of any partner) would be diluted proportionately.

In January 2012, the exploration license containing the Al Hariqah project was renewed under the new Yemeni mining code. The new license is valid for an initial four year period and can be renewed for two further four year periods. In addition, the license has been expanded from its original 71 km^2 to 956 km^2. The new license area covers a trend of gold anomalies discovered by Cantex's regional exploration program which could reflect additional mineralization similar to that found at Al Hariqah.

(ii) *Agreement with WCP Resources Ltd.*

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

WCP had two years from February 2012 to exercise an option to commence the earn-in to the project, after which they may earn an initial 40% interest in the project by expending US$5,000,000 within two years. As of May 31, 2014, WCP reached the 40% initial interest level and gave notice that they would be remaining at that level.

Subsequent to July 31, 2014, the Company placed the Yemen program in care and maintenance pending resolution of the security situation in Yemen (Note 15(a)).

(b) *Nevada program*

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

Reclamation bonds of $11,812 (July 31, 2013 - $11,142) have been posted with the State of Nevada.

(Expressed in Canadian dollars)

5. Mineral property interests (continued)

(c) *Yukon program*

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

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

6. Property and equipment

	Field equipment	Computer equipment	Automotive	Total
	$	$	$	$
Cost				
Balance August 1, 2012	523,973	2,514	6,978	533,465
Additions (Disposals)	11,000	-	-	11,000
Balance July 31, 2013	534,973	2,514	6,978	544,465
Additions	-	-	-	-
Balance July 31, 2014	534,973	2,514	6,978	544,465
Accumulated depreciation				
Balance August 1, 2012	509,435	2,514	6,978	509,494
Depreciation	7,534	-	-	9,433
Balance July 31, 2013	516,969	2,514	6,978	526,461
Depreciation	7,469	-	-	7,469
Balance July 31, 2014	524,438	2,514	6,978	533,930
Carrying amounts:				
As at July 31, 2013	18,004	-	-	18,004
As at July 31, 2014	10,535	-	-	10,535

(Expressed in Canadian dollars)

7. Related party transactions and balances

During the years ended July 31, 2014 and 2013, the Company had related party transactions with the following companies related by way of common directors or shareholders:

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

(a) *Related party expenses*

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

	Year ended July 31,	
	2014	2013
	$	$
Laboratory and mineralogical costs	**614,819**	576,153
Geological consulting fees	**145,730**	226,095
Shared field expenditures	**187,689**	120,894
Shared office and administrative costs	**72,962**	63,875
	1,021,200	987,017

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

	Year ended July 31,	
	2014	2013
	$	$
C.F. Mineral Research Ltd.	**614,819**	576,153
Kel-Ex Development Ltd.	**329,322**	203,729
Element 29 Ventures Ltd.	**62,381**	174,373
Metalex Ventures Ltd.	**21,850**	32,762
Northern Uranium Corp.	**(7,172)**	-
	1,021,200	987,017

(Expressed in Canadian dollars)

7. Related party transactions and balances (continued)

(b) Related party liabilities

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

	Year ended July 31,	
	2014	2013
	$	$
C.F. Mineral Research Ltd.	**815,339**	560,865
Element 29 Ventures Ltd.	**(2,887)**	98,806
Kel-Ex Development Ltd.	**3,007,791**	2,812,754
Metalex Ventures Ltd.	**11,451**	25,042
Northern Uranium Corp.	**(7,531)**	-
	3,824,163	3,497,467

(c) Key management personnel compensation

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

	Year ended July 31,	
	2014	2013
	$	$
Share-based compensation(1)	**11,281**	58,426
Wages and benefits(2)	**92,120**	139,805
Total	**103,401**	198,231

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

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

8. 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.

8. Share capital and reserves (continued)

(b) *Issued share capital*

(i) During the prior year, the Company settled outstanding debt amounts for shares. In May 2013, the Company settled indebtedness totaling $10,767 owing to a third party vendor with the issuance of 14,356 shares with a deemed value of $0.75 per share. The indebtedness included monies owing for geological consulting services.

In July 2013, the Company settled indebtedness totaling $1,547,228 owing to a related party with the issuance of 14,066,162 shares with a deemed value of $0.11 per share. Share issuance costs paid in connection with the debt settlements was $8,067.

(ii) In July 2013, the Company completed a brokered private placement for gross proceeds of $3,000,000 through the issuance of 21,418,182 flow through common shares and 5,854,545 non-flow through common shares at a price of $0.11 per share. Each non-flow through common share included a share purchase warrant exercisable for a term of five years at $0.15 per share. A value of $172,000 was attributed to the warrants, calculated using a risk free rate of 1.3%, an expected life of five years and a volatility of 40%. Share issuance costs paid in connection with the financing was $16,673; agents' commissions paid was $3,010.

(c) *Share consolidation*

In June 2013, the Company consolidated its common shares on a 15:1 basis.

(d) *Stock option and warrants*

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

In March 2013, the Company granted 6,940,000 options to certain officers, directors and employees. Each of these options vested immediately and allow the holder to purchase one common share in the Company at a price of $0.10 until March 21, 2019. After the share consolidation, this amounts to 462,667 options at an exercise price of $1.50. In January 2014, the Company re-priced all outstanding stock options to an exercise price of $0.12 (Note 15(e)).

(Expressed in Canadian dollars)

8. Share capital and reserves (continued)

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

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

	Stock Options		Warrants	
	Number	Weighted Average Exercise price	Number	Weighted Average Exercise price
		$		$
Outstanding, July 31, 2012	775,167	1.95	566,667	1.50
Granted	462,667	1.50	5,854,545	0.15
Expired	(255,167)	2.98	-	-
Outstanding, July 31, 2013	982,667	1.50	6,421,212	0.27
Granted	-	-	-	-
Cancelled	(46,667)	0.12	-	-
Outstanding, July 31, 2014	**936,000**	**0.12**	**6,421,212**	**0.27**

The following stock options and warrants were outstanding at July 31, 2014:

	Number	Exercise price	Expiry date
		$	
Options	500,000	0.12	January 28, 2019
	436,000	0.12	March 21, 2019
	936,000		
Warrants	566,667	1.50	July 9, 2017
	5,854,545	0.15	July 31, 2018
	6,421,212		

(e) *Stock option plan*

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

(Expressed in Canadian dollars)

8. Share capital and reserves (continued)

(e) *Stock option plan (continued)*

During the year, the Company recognized stock-based compensation of $Nil (2013 - $59,629) in the statement of operations as a result of the aforementioned stock options granted and vested. As a result of the options being re-priced in January 2014, the Company recognized a change in the value of the options totaling $11,400. The weighted average fair value of options granted was valued at $Nil per option (2013 - $0.01) using the Black-Scholes option pricing model. The assumptions used in calculating fair values are as follows:

	2013
Risk-free interest rate	**1.3%**
Expected option life	**5 years**
Expected stock price volatility	**92%**
Expected dividend yield	**0%**

The re-priced options are from two different issuances of stock based compensation. The weighted average fair value of the re-priced options was valued at $0.01 per option using the Black-Scholes option pricing model. The assumptions used to calculating the change in the fair values are as follows:

	Options granted on:	
	January 29, 2009	**March 21, 2013**
Risk-free interest rate	**1.6%**	**1.6%**
Expected option life	**5 years**	**5 years**
Expected stock price volatility	**179%**	**168%**
Expected dividend yield	**0%**	**0%**

Volatility was determined based upon the historic volatility of the Company's share price over the same period of time as the expected life of the option.

9. Commitments

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

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

(Expressed in Canadian dollars)

10. 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.

During the prior year, the Company was involved in legal proceedings relating to a wrongful dismissal of former employees in Yemen. During the current year, the matter was settled for $66,859, which had been accrued in the prior year end.

11. 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:

	2014	2013
	$	$
Loss before income taxes	**2,795,231**	2,266,235
	26.0%	25.3%
Expected income tax recovery	**(726,760)**	(574,134)
Changes attributable to:		
Non-deductible (taxable) expenditures	**1,328**	16,710
Losses expired	**166,100**	-
Changes in unrecognized deferred tax assets	**14,400**	230,115
Effect of different statutory tax rates on earnings of subsidiaries	**(4,799)**	(300)
Flow Through share renouncement	**612,560**	347,360
Differences between current and deferred income tax rates	**-**	(14,721)
Foreign exchange rate flucuation and other	**(62,829)**	(5,030)
	-	-

(Expressed in Canadian dollars)

11. Income taxes (continued)

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

	$	$
Non-capital loss carry forwards	**2,614,244**	4,894,322
Net-capital loss carry forwards	**635,719**	635,719
Excess tax value of property plant and equipment over book value	**733,179**	616,812
Share issue costs	**27,698**	41,916
Excess tax value of mineral property over book value	**27,178,182**	24,996,926
Unrecognized deductible temporary differences	**31,189,022**	31,185,695

(i) The Company has income tax loss carry-forwards of approximately $1,247,946 (2013 - $3,602,136) for Canadian tax purposes. These un-recognized tax losses will expire between 2015 to 2033.
(ii) The Company has net-capital loss carry-forwards of approximately $635,719 (2013 - $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 $1,366,298 (2013 - $1,292,186) for United States tax purposes. These un-recognized tax losses will expire between 2024 and 2033.

12. Segmented information

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

	2014	2013
	$	$
Net loss		
Canada	**2,494,913**	2,101,290
Yemen	**246,994**	161,839
United States of America	**53,324**	3,106
	2,795,231	2,266,235

	July 31, 2014	July 31, 2013
	$	$
Property and equipment		
Canada	**6,417**	10,083
Yemen	**4,118**	7,921
	10,535	18,004

13. Capital management

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

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

The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration and development of its mineral properties while maintaining its ongoing operations. To secure the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity.

The Company expects its current capital resources will not be sufficient to complete its exploration and development plans through its current operating period and it will be required to raise additional funds through future equity issuances or secure other financing. To date, the Company has relied on advances from related parties to fund its operations and exploration activities and expects continued financial support through the next twelve months. The Company is currently not subject to externally imposed capital requirements. The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in secure deposits in large Canadian financial institutions.

14. Financial instruments and risk management

As at July 31, 2014, the Company's financial instruments are cash, trade and other receivables, trade and other payables and amounts due to related parties. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to their short-term nature. These financial instruments are classified as follows:

- Cash is comprised of balances held at major financial institutions that are readily convertible into a known amount of cash and which are only subject to an insignificant risk of change in value, and is measured on the statement of financial position at fair value;

- Trade and other receivables are classified as loans and receivables and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest method; and

- Trade and other payables and amounts due to related parties are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method.

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

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

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

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

14. Financial instruments and risk management (continued)

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.
Level 3 – Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

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

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

At July 31, 2014, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $248,394 (July 31, 2012: $388,444). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not materially affect the operations of the Company.

Credit risk - Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held through a large Canadian financial institution with a high investment grade rating.

At July 31, 2014, the Company has no financial assets that are past due or impaired due to credit risk defaults. The Company's receivables consist mainly of mineral property recoveries due from partners and GST/HST receivable due from the Federal Government of Canada. The Company is subject to the risk that its partners will default on amounts owing for their portion of exploration expenditures. The Company's maximum credit risk at July 31, 2014 is $420,868 (July 31, 2013: $63,320). 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 10 to the consolidated financial statements.

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

14. Financial instruments and risk management (continued)

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

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

15. Subsequent events

(a) *Update to Al Hariqah project operations*

In October 2014, the Company, in conjunction with WCP, declared a state of force majeure in regards to the Al Hariqah project. Due to the current political climate, notice was given to the Chairman of the Geological and Mineral Resource Board of Yemen that the Company no longer felt that the project area was secure. Operations at the Al Hariqah site have since ceased. At this point, WCP gave notice to the Company that they have decided to maintain their 40% interest in the property (Note 5(a)).

(b) *Private placement*

On July 9, 2014, the Company announced that it intended to proceed with a private placement of its securities to raise up to $1,750,000 in flow-through shares at $0.05 per share. No funds were received until after the 2014 year end. On August 18, 2014, the Company announced that it had closed the first tranche of the private placement, issuing 15,000,000 flow-through shares for total proceeds of $750,000; proceeds are to be used for the Yukon project and were received from the Chairman of the Board.

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