Interim consolidated financial statements of

Cantex Mine Development Corp.

October 31, 2010

(Unaudited – Prepared by Management)

Cantex Mine Development Corp.
October 31, 2010

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three month period ended October 31, 2010.

Cantex Mine Development Corp.

Interim consolidated statements of operations and comprehensive loss three month period ended October 31, 2010 and 2009

(Unaudited - Prepared by Management)

	October 31, 2010	October 31, 2009
	$	$
Expenses		
Exploration (Note 3 and Schedule)	**519,852**	218,195
General and administrative	**43,286**	23,299
Amortization	**2,600**	25,806
Loss before other items	**(565,738)**	(267,300)
Other items		
Administration fees earned	**33,149**	33,497
Interest income	**545**	285
Foreign exchange gain	**6,945**	8,089
	40,639	41,871
Net loss and comprehensive loss	**(525,099)**	(225,429)
Loss per common share, basic and diluted	**(0.00)**	(0.00)
Weighted average number of common shares outstanding, basic and diluted	**334,289,945**	317,242,578

Cantex Mine Development Corp.

Interim consolidated statements of shareholders' deficiency
three month period ended October 31, 2010 and 2009

(Unaudited - Prepared by Management)

	Number of common Shares	Share capital	Contributed surplus	Deficit	Total shareholders' deficiency
		$	$	$	$
Balance, July 31, 2009	317,242,578	39,479,226	1,433,572	(42,902,716)	(1,989,918)
Shares for debt settlement (Note 6 (a))	17,047,367	1,022,842	-	-	1,022,842
Share issuance costs	-	(5,614)	-	-	(5,614)
Net loss and comprehensive loss for the period	-	-	-	(924,146)	(924,146)
Balance, July 31, 2010	334,289,945	40,496,454	1,433,572	(43,826,862)	(1,896,836)
Net loss and comprehensive loss for the period	-	-	-	(525,099)	(525,099)
Balance, October 31, 2010	334,289,945	40,496,454	1,433,572	(44,351,961)	(2,421,935)

Cantex Mine Development Corp.

Interim consolidated balance sheets
as at October 31, 2010
(Unaudited - Prepared by Management)

	October 31, 2010	July 31, 2010
	$	$
Assets		
Current assets		
Cash	**144,997**	252,609
Amounts receivable	**28,319**	68,466
Prepaid expenses	**20,924**	27,191
	194,240	348,266
Reclamation bonds	**27,972**	28,194
Property and equipment (Note 4)	**30,971**	33,571
	253,183	410,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**414,675**	83,684
Due to related parties (Note 5)	**2,260,443**	2,223,183
	2,675,118	2,306,867
Shareholders' deficiency		
Share capital (Note 6)		
Authorized		
Unlimited number of preferred shares without nominal or par value, issuable in series		
Unlimited number of common shares without nominal or par value		
Issued		
334,289,945 common shares (July 31, 2010 - 334,289,945)	**40,496,454**	40,496,454
Contributed surplus	**1,433,572**	1,433,572
Deficit	**(44,351,961)**	(43,826,862)
	(2,421,935)	(1,896,836)
	253,183	410,031

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

Approved by the Board

"Vernon Frolick"
Vernon Frolick, Director

"Chad Ulansky"
Chad Ulansky, Director

Cantex Mine Development Corp.

Interim consolidated statements of cash flows
three month period ended October 31, 2010 and 2009

(Unaudited - Prepared by Management)

	October 31, 2010	October 31, 2009
	$	$
Operating activities		
Net loss	**(525,099)**	(225,429)
Items not affecting cash		
Amortization	**2,600**	25,806
Unrealized foreign exchange gain	**(3,225)**	(30,039)
Change in non-cash working capital items		
Decrease in amounts receivable	**40,147**	781,811
Increase in prepaid expenses	**6,267**	-
Increase (decrease) in accounts payable and accrued liabilities	**371,698**	(270,657)
	(107,612)	281,492
Investing activities		
	-	-
Financing activities		
	-	-
(Decrease) increase in cash during the period	**(107,612)**	281,492
Cash, beginning of period	**252,609**	243,033
Cash, end of period	**144,997**	524,525

Supplemental disclosure with respect to cash flows (Note 8)

1. Nature and continuance of operations

Cantex Mine Development Corp. ("Cantex" or the "Company") is incorporated under the laws of the Province of Alberta and its principal business activity is the exploration and development of its mineral properties, either directly or indirectly through joint exploration and development ventures and other arrangements. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course of business. Since inception, the Company has incurred cumulative losses of $44,351,961 and, for the three month period ended October 31, 2010, has incurred negative operating cash flow from continuing operations of $107,612. At October 31, 2010, the Company has a negative working capital position of $2,480,878. Additional financing will be required for the Company to continue operations. The ability of the Company to continue operations is dependent upon continued financial support of its shareholders, other investors and lenders, and the successful development of the Company's mineral property interests. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable which raises substantial doubt as to the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiaries, has an interest, in accordance with industry standards for the stage of exploration of such properties, those procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of presentation

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements are expressed in the Company's functional currency, Canadian dollars, except where noted.

(a) *Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cantex Gold Corp. All significant intercompany balances and transactions have been eliminated.

(b) *Economic uncertainty*

The Company's principal property and its primary exploration and development activities are taking place in the Republic of Yemen and, as such, the Company is exposed to a number of possible risks over which it has no control. These risks include, but are not necessarily limited to: changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings, civil unrest, civil war and acts of terrorism. The likelihood of these events occurring cannot be predicted at this time. There are no assurances that the current economic and political conditions will continue in Yemen.

2. Basis of presentation (continued)

(a) *Adoption of new accounting standards*

Financial Instruments - Disclosure

In June 2009, the AcSB amended Section 3862, Financial Instruments – Disclosures, to converge with Improving Disclosures about Financial Instruments (Amendments to IFRS 7). The amendments expand the disclosures required in respect of recognized fair value measurements and clarify existing principles for disclosures about the liquidity risk associated with the financial instruments, including the fair value hierarchy into which the fair value measurements are categorized in their entirety. Disclosure must be made for any significant transfers between the level of fair value hierarchy and the reasons for those transfers. The Company adopted this amended standard on July 31, 2010 and the required disclosures are included in Note 11.

(b) *Recent accounting pronouncements*

Business combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non Controlling Interests* to replace Section 1581and Section 1600. These sections shall be applied prospectively to business combinations beginning on or after January 1, 2011. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. This standard is not expected to have any effect on the Company's financial statements unless and until one or more business combination transactions occur.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Mineral property interests

	July 31, 2010		**October 31, 2010**
	Cumulative expenditures	Current year expenditures	**Cumulative expenditures**
	$	$	**$**
Yemen program	22,160,446	224,323	**22,384,769**
Nevada program	1,672,552	295,529	**1,968,081**
	23,832,998	519,852	**24,352,850**

	July 31, 2009		July 31, 2010
	Cumulative expenditures	Current year expenditures	Cumulative expenditures
	$	$	$
Yemen program	21,340,603	819,843	22,160,446
Nevada program	1,615,207	57,345	1,672,552
	22,955,810	877,188	23,832,998

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 program

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.

Vale may earn a 40% participating interest in the Suwar project if US$3 million is spent on the Suwar project, a pre-feasibility study is completed on or before July 31, 2012 and a US$1 million option payment is made to Cantex. An additional 20% can be earned by completing a feasibility study, financing mine development and achieving commercial production. Vale met the US$2 million exploration expenditure commitment in calendar 2009 and have committed to spending an additional US$1 million in calendar 2010 (incurred).

In September 2010, the Company entered into a letter of intent with Cheetah-Yemen Holdings Ltd. ("Cheetah"), a wholly owned subsidiary of Cheetah Ventures Ltd., whereby Cheetah will be granted an option to acquire up to a 70% interest in the Company's Al Hariqah gold project in Yemen. Cheetah's interest will be earned in stages, but to earn the full 70% interest, Cheetah is required to fund CAD$5,000,000 in exploration expenditures, including the completion of a prefeasibiltity study prior to March 2012, plus 70% of the costs required to put the project into commercial production. Cheetah's minimum commitment under the agreement is CAD$2,000,000.

4. Property and equipment

	Expected useful life	Cost	Accumulated depreciation	**October 31, 2010** Net book value	July 31, 2010 Net book value
		$	$	**$**	$
Field equipment	5 years	523,973	493,561	**30,412**	32,454
Computer equipment	3 years	14,715	14,156	**559**	1,117
		538,688	507,717	**30,971**	33,571

5. Related party transactions and balances

	October 31, 2010	July 31, 2010
	$	$
Due to related parties		
To a company controlled by a director for laboratory and mineralogical costs	**257,622**	257,622
To a director and shareholder for geological fees	**32,623**	20,793
To a company controlled by a director for exploration expenditure advances to the Company	**1,547,278**	1,547,278
To a company controlled by a director for shared office and administrative charges	**177,271**	158,124
To a company controlled by a director for shared field expenditures	**24,392**	24,392
To a company controlled by a director for geological fees	**219,753**	212,779
To a company with common directors and management for shared administrative charges	**1,504**	1,679
To a company with common directors and management for shared field expenditures	**-**	516
	2,260,443	2,223,183

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

5. Related party transactions and balances (continued)

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

	Three month period ended October 31,	
	2010	2009
	$	$
Amounts paid or accrued		
To a director for management and geological consulting fees	**8,562**	6,685
To a company controlled by a director for office and administrative costs	**18,840**	11,505
To a company controlled by a director for shared field expenditures	**2,000**	6,000
To a company controlled by a director for geological consulting fees	**6,226**	5,865
To a company with common directors and management for office and administrative costs	**4,851**	2,930
	40,479	32,985

	$	$
Recoveries recorded		
From a company with common directors and management for shared field expenditures	**-**	299
	-	299

6. Share capital and contributed surplus

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

(b) *Stock option plan*

In January 2009, shareholders approved and the Company implemented a new stock option plan (the "Plan"). Under the Plan, the total number of options outstanding is not to exceed 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, except as determined by the Board of Directors, and are exercisable for up a period of up to ten years from the date of grant.

Details are as follows:

	Number	Weighted Average Exercise price
		$
Outstanding, July 31, 2009	11,770,000	0.14
Granted	-	-
Expired	**(70,000)**	**(0.20)**
Cancelled	-	-
Outstanding, July 31, 2010	**11,700,000**	**0.13**
Granted	-	-
Expired	-	-
Cancelled	-	-
Outstanding, October 31, 2010	**11,700,000**	**0.13**

The following stock options were outstanding and exercisable at October 31, 2010:

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

7. Segmented information

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

	Three month period ended October 31,	
	2010	2009
	$	$
Loss		
Canada	**35,796**	14,924
Yemen	**193,774**	165,788
United States of America	**295,529**	44,717
	525,099	225,429

	October 31, 2010	July 31, 2010
	$	$
Property and equipment		
Yemen	**30,971**	33,571
Canada	**-**	-
	30,971	33,571

8. Supplemental disclosure with respect to cash flows

There were no significant non-cash transactions during the three month periods ended October 31, 2010 or 2009.

No cash was paid for interest or taxes during the three month period ended October 31, 2010 (2009: $nil)

9. Contingencies

(a) The Company has not paid certain fees for subsidiaries incorporated under the Income Tax (Jersey) Act ("Act') in the Channel Islands and these companies were involuntarily dissolved in fiscal 2004. The Act includes provisions to assess penalties and, due to the loss of tax-exempt status of these subsidiaries, additional income taxes for instances of non-compliance. It is not possible at this time to make an estimate of the amount, if any, of taxes, fees or penalties that may result and accordingly, no provision has been made for any additional income taxes or related costs.

(b) 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.

10. Capital management

The Company includes equity, comprising of issued common shares, contributed surplus 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.

11. Financial instruments and risk management

The Company has classified each financial instrument into the following categories: held-for-trading assets and liabilities, loans and receivables, held-to-maturity investments, available-for-sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification.

The Company has made the following classifications:

- Cash is classified as a financial asset held-for-trading and is measured on the balance sheet at fair value;
- Amounts receivable 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 rate method; and
- Accounts payable 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.

The fair value hierarchy established by amended CICA Handbook Section 3862, *Financial Instruments – Disclosures,* 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.

11. 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).

A summary of the Company's financial assets that are measured at fair value on a recurring basis by the level within the fair value hierarchy is presented below. As at October 31, 2010, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
Financial Assets				
Cash	$ 144,997	$ 144,997	$ -	$ -

(a) *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 October 31, 2010, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $61,305 (July 31, 2010: $86,851).

(b) *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 October 31, 2010, 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 receivable due from the Federal Government of Canada. The Company is subject to the risk that its partners will default on amounts owing for their portion of exploration expenditures. The Company's maximum credit risk at October 31, 2010 is $Nil, (July 31, 2010: $52,079). 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.

11. Financial instruments and risk management (continued)

(c) *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.

Accounts payable and accrued liabilities are due within the current operating period.

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

(d) *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.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Cantex Mine Development Corp.

Interim consolidated schedules of exploration expenses three month period ended October 31, 2010 and 2009

(Unaudited - Prepared by Management)

	October 31, 2010	October 31, 2009
	$	$
Travel, field costs and other	**149,292**	59,767
Wages	**179,849**	66,526
Consulting and engineering	**138,223**	10,113
Licenses and permits	**42,032**	73,621
Living costs	**10,456**	8,168
	519,852	218,195