



**CANTEX MINE DEVELOPMENT CORP.**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
SIX MONTH PERIOD ENDED JANUARY 31, 2017**

The following Management Discussion and Analysis ("MD&A"), prepared as of March 22, 2017, of the results of operations and financial position of Cantex Mine Development Corp. (the "Company") for the six month period ended January 31, 2017 should be read together with the unaudited condensed consolidated interim financial statements for the six months ended January 31, 2017 and related notes attached thereto, which are prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available on [www.cantex.ca](http://www.cantex.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

**Description of Business**

The Company's principal business activity is the exploration and development of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company has not yet determined whether any of its properties contain ore reserves that are economically recoverable. The Company trades on the TSX Venture Exchange under the symbol CD.

The Company's primary project is located in the northwestern part of the Republic of Yemen where it owns exclusive exploration licenses over a 1,583 square kilometer ("km<sup>2</sup>") area. Most recently, the Company has staked 10 claim blocks covering approximately 30,000 hectares in the Yukon, Canada. The Company also has a 100% interest in 6 groups of gold exploration claims comprised of 140 claims over 1,171 hectares in Nevada, USA.

**Cautionary Note Regarding Forward Looking Statements**

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about current mineral property interests, the global economic environment, the market price and demand for gold and other minerals and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand for or price of gold and other minerals, (3) delays in the start of projects with respect to our property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in Yemen regarding mining and mineral exploration, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **Performance Summary**

The following is a summary of significant events and transactions:

### ***Private Placements***

On July 8, 2015, the Company announced that it intended to proceed with a private placement on its securities to raise up to \$400,000 in a combination of flow-through shares and non-flow share units, at \$0.05 per share and per unit. Subscribers were committed to the private placement prior to the end of the fiscal year and the Company received \$30,000 prior to July 31, 2015 as a deposit for these share; the remaining funds were received and the shares were issued in August 2015. In the course of this private placement, the Company incurred \$12,739 in share issuance costs (\$3,212 of which was incurred in the 2016 year end; the remaining \$9,527 were incurred in the 2015 year end). In August 2015, the Company issued 7,400,000 flow through shares at \$0.05 per share for gross proceeds of \$370,000, which were sold to the Chairman of the Company. The Company also issued 600,000 non-flow through units at \$0.05 per unit for gross proceeds of \$30,000. Each unit is comprised of one common share and one warrant, with each warrant exercisable at \$0.10 for a term of 3 years. There was \$nil value associated with the flow through premium.

On May 20, 2016, the Company announced that it was offering up to 9,000,000 non-flow through units (the "units") and 5,000,000 flow-through shares, both at \$0.05 per share and unit in a private placement for gross proceeds of up to \$700,000. Each unit is comprised of one non flow-through common share and one common share purchase warrant, exercisable into one share for a period of 24 months from a closing price of \$0.10 per share. The subscription was fully subscribed, with the Company receiving \$250,000 in flow-through proceeds and \$450,000 in units proceeds. Finder's fees of \$4,000 were paid in conjunction with the flow-through shares issued; finder's warrants of 80,000 valued at \$4,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 127%, a risk free rate of 0.51% and dividend rate of 0% were issued in conjunction with sale of the units. Share issuance costs of \$5,854 were paid for the private placement.

In October, 2016, the Company announced that it was offering up to 14,285,714 share in a combination of flow-through shares and hard units for a total of up to \$1,000,000; this was subsequently increased to \$1,150,000. The first tranche of the private placement closed in November 2016, with the Company receiving flow-through proceeds of \$502,190 for 7,174,143 flow-through shares and \$106,995 in units proceeds representing 1,528,500 units; finder's fees of \$3,695 were paid in conjunction with the flow-through shares issued. In December 2016, the Company closed the second and final tranche of the private placement, and issued 4,715,714 flow through shares for gross proceeds of \$330,100 and 1,428,500 non-flow through units for gross proceeds of \$99,995. The Company paid \$26,408 and issued 377,257 warrants as finder's fees in connection with the closing of the final tranche. Share issuance costs of \$18,475 were paid for the private placement.

The reader is referred to the MD&A for the years ended July 31, 2016 and July 31, 2015 for details of the private placements completed during those periods.

### ***Mineral Properties***

Details of the activities on the properties are provided in the following commentary:

#### *Yemen*

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 ("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.

In February 2012, WCP completed its due diligence process with respect to the Al Hariqah gold project. No materially adverse issues were identified and WCP has formally notified the Company that it will proceed with its two year option period in accordance with the terms of the option agreement.

In February 2014, WCP exercised 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 2014, WCP issued notice that it felt it had reached its 40% interest; the Company does not agree with this statement. In October, 2014, WCP gave additional notice that they would no longer be funding the project. The Company is currently in discussions with WCP regarding this matter.

In September 2014, the Company, in conjunction with WCP Resources, decided to declare a state of force majeure in regards to the Al Hariqah project. Due to the current political climate, notice has been given to the Chairman of the Geological and Mineral Resource Board that the Company no longer felt that the project area was secure. Operations at the Al Hariqah site have since ceased.

#### ***Al Hariqah Gold Deposit***

The Al Hariqah gold deposit is located some 130 km northwest of Sana'a. It was discovered during follow up of anomalous gold values found in heavy mineral concentrates. Mapping and soil geochemistry have shown that gold mineralization occurs for a distance of nearly 4 km in two close, parallel, north northwest trending zones. These zones are up to 50 meters wide.

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<sup>2</sup> to 956 km<sup>2</sup>. The new 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.

A 28 hole reverse circulation drill program, totalling 4,053 meters, was completed on the northern 1,100 meters length of the deposit in 1999 and 2000. These holes show that the mineralization extends to at least 150 meters depth with several deep holes bottoming in mineralization. The drilling suggests potential for a gold resource within the drilled area of between 13 and 52 million tonnes of a grade between 1.0 and 1.8 g/t. This target is for the northern 1,000 metres of the 3,700 metre long Al Hariqah deposit where the majority of the drilling to date has been undertaken. For the purposes of the exploration target, the mineralized width ranges from 100 to 400 meters and the mineralized thickness for the target ranges from 50 to 100 metres. The specific gravity of the host rock (Proterozoic quartz mica schist) is assumed to average 2.6 t/m<sup>3</sup>. However the deposit is open along strike, across strike and at depth so there is potential to increase the tonnage available. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

To better define the mineralization discovered in the previous round of drilling, a program of 45 holes using the Company's specialized core / percussion drill was conducted in late 2005 and 2006. These holes were located to test the extension of the mineralization defined by the previous drill program as well as to test the continuity of mineralization between holes. Results for these holes, as determined by fire assay at ALS Chemex, an ISO 9001:2000 accredited laboratory in Vancouver, were consistent with those of the previous drill program. The Company is most encouraged with the consistent results as they demonstrate the continuity of gold values within the Al Hariqah deposit. The gold grades recovered are typical of those found in open pit mines.

A third round of drilling was underway. Prior to the declaration of force majeure, two core drills had been testing the southern extension of the deposit. Most of the prior drilling to this has focused on the northern 1,000 meters of the deposit which has been traced by soil sampling, channel sampling, geological mapping and limited drilling an additional three kilometers to the south. Much of the current drilling is focused on the southern 3,000 meters of the deposit.

Since WCP optioned the project from Cantex in December 2011 44 holes for 6,378 meters have been drilled. Recent drilling has focused on testing the southern extension of the previously drilled mineralization to the south. These holes continue to intersect significant mineralization such as hole RDH063A which intersected 3.85 meters of 9.79 g/t Au from 70.76 meters and also 7.25 meters of 3.03 g/t Au from 80.55 meters. Hole RDH095A intersected multiple zones of mineralization including 15m of 3.67 g/t Au from 65m, 9m of 2.46 g/t Au from 87m, 20m of 1.48 g/t Au from 112m and 6m of 4.22 g/t Au from 143m. Multiple zones of mineralization were also intersected in hole RDH078A (14m of 3.15 g/t Au from 53m, 23m of 1.19 g/t Au from 95m and 6m of 7.38 g.t Au from 134m).

Significantly a series of channel samples approximately 400m north of the drilling conducted to date contained significant gold results. This demonstrates the potential for further strike extension of the deposit.

#### ***Al Masna Nickel, Copper, Cobalt Project***

The Al Masna'a nickel, copper, cobalt project is located in the Saadah region some 205 km north-northwest of the capital city, Sana'a, and 25 km south of the border with Saudi Arabia.

Anomalous nickel and copper values have been found in heavy mineral concentrates in a number of samples collected in the region while variably anomalous results for cobalt and platinum occur in follow up drainage, soil and rock samples. Most of the anomalous values occur in an area underlain by layered gabbroic rocks. Soil surveying around a mineralized drill hole at Al Masna'a identified several anomalous zones of copper, nickel, cobalt, platinum, palladium and rhodium.

The evidence to date strongly suggests that the high nickel values discovered in the Al Masna drill hole are not an isolated occurrence and that there is good probability of discovering extensions to this mineralized zone, as well as new zones of nickel mineralization. The results of the sampling to date identify one or more zones of mineralization with a strike length of at least 4.5 km. The zone is open to the north.

Drilling is planned to test the IP, TEM and nickel soil geochemical anomalous zones in the Al Masna'a area with the objective of determining the grade and distribution of nickel and copper in the iron sulphide horizons. At present the Company can not be certain of the safety of its workers at the Al Masna'a project. This is due to infrequent disputes in the area. As such the area is currently under force majeure. When the situation stabilizes the Company intends to resume work on the project.

### Yukon Gold Project

A new belt of gold mineralization has been discovered by ATAC Resources Ltd ("ATAC") in the Yukon, Canada. The gold mineralization appears geologically similar to Carlin style mineralization in Nevada, which is the second largest gold district in the world. The Company has access to heavy mineral technology developed by the CF Mineral laboratory that has, to date, detected four Carlin style heap leach gold deposits in Nevada that were undetected by analysis of arsenic in stream sediments. These four deposits are now active gold mines.

In February 2011, the Company staked two small claim blocks. One claim block is adjacent to the eastern extremity and on strike with the recent Carlin style mineralization discovered by ATAC while the second was staked over the source area of several arsenic anomalies as reported on the government stream sediment maps 15 km southeast of ATAC's Rau gold deposit.

In September 2012, the Company staked an additional eight claim blocks totaling 1,380 claims covering over 28,000 hectares. These claim blocks were staked based on the results of the previous year's regional heavy mineral sampling program. During the summer of 2013 an additional 1,275 hectares was staked adjacent to the North Rackla claim block.

In August 2011, a field program was completed which consisted of the collection of 2,315 heavy mineral samples testing an area of 30,000 km<sup>2</sup> underlain by un-staked geology favorable for hosting gold mineralization. Of these, 150 samples were anomalous in both parts per billion ("ppb") and micrograms of gold; 87 samples are anomalous in both ppb and micrograms of key pathfinder elements for Carlin-style gold mineralization. Forty eight samples are anomalous in both parts per million and micrograms in all key pathfinders indicative of detecting Carlin-style mineralization both in Nevada and the Yukon.

In September 2012, a field program was completed which consisted of claims staking and the collection of 1,386 heavy mineral samples which were collected both within the Company's claim areas and in un-staked areas.

In May 2013, analytical results from the 1,386 samples were received. Several areas have been defined that are anomalous in all of the key Carlin-style gold pathfinder elements. Within the North Rackla and Mt. Good claim blocks watersheds upstream from highly anomalous heavy mineral samples were the focus of a detailed follow up soil/talus geochemical sampling program. Over 11,000 and 6,000 samples were collected from the North Rackla and Mt. Good claim blocks respectively.

Within the North Rackla claim block there is an area with samples extending over a 250 meter apparent width and an as of yet undetermined strike length returned exceptionally anomalous results in gold and the key Carlin style pathfinder elements (arsenic, antimony and thallium). A second target is also ready for drill testing with strongly anomalous gold, arsenic and antimony results over an area exceeding 200m by 200m. In addition there are a further nine anomalous areas to be followed up. All of these are anomalous in gold and are anomalous in all of, or up to three of the key Carlin style pathfinder elements.

During 2014 over 6,000 soil-talus samples have been collected at North Rackla on infill lines to better define the previously detected anomalies. In addition a substantial rotary air blast drilling program was undertaken on the claim block, focused on defining the bedrock source of the 250 meter apparent width anomalous gold

and key pathfinder elements as determined by the previous soil-talus sampling. 169 holes reached bedrock and of these, 43 intersected bedrock that was determined to be anomalous in arsenic as measured with x-ray fluorescence in the field. Analysis by fire assay at ALS Chemex of the bedrock and mixed bedrock/talus samples detected gold values of up to 183 ppb. However, the highest values were found in the mixed bedrock/talus samples thereby suggesting that the source of the strongly gold mineralized bedrock has yet to be found.

At the Mount Good claim block the results defined eight areas weakly to strongly anomalous in gold and one or more of the key Carlin pathfinder elements. One area was anomalous in gold and all key pathfinder elements, four areas were anomalous in gold, arsenic and antimony pathfinder elements and three areas were anomalous in gold and the pathfinder element arsenic.

Over 1300 soil-talus samples were collected during the 2014 summer field program at Mt Good. These were infill samples designed to better define the anomalies defined by the 2013 sampling. Results of these samples have assisted in defining 8 areas in North Rackla and 5 areas in Mt Good that are anomalous in gold and pathfinder elements.

Also during the 2013 summer program a zone of gossan which sub-outcrops for a distance of 600 metres with an apparent width of up to 20 metres was discovered. The gossan zone is open at both ends. Grab samples of sub-outcrop and down slope talus were assayed from along the 600 metre strike length and exhibited elevated metal contents of up to 2.52% copper, 43.60% lead, 7.11% zinc and 35.60 oz/t silver. Further work is planned for this discovery.

In 2015 a summer program was conducted at both North Rackla and Mt Good which consisted of a prospecting program focused on areas hosting soil-talus samples anomalous in gold. A total of 287 rock samples were collected. Results from these rock samples returned high metal contents. Gold ranges up to 11.40 g/t; silver as high as 49.00 oz/t; copper values up to 25.30%; zinc as high as 41.43% and lead up to 32.19%. In addition, an infill soil-talus sampling program resulted in the collection of 1,168 soil-talus samples. These soil-talus samples assisted in defining twelve anomalous zones within the North Rackla claim block and ten anomalous zones at the Mount Good claims area.

In October 2016, a winter drilling program was announced and the Company drilled eight holes before shutting the program down in December. All eight holes intersected mineralization.

#### Nevada Gold Project

Cantex has a 100% interest in six mineral properties in Nevada.

Initially, sampling surveys were conducted over known gold mines in Nevada to assess their geochemical signatures. A distinctive suite of pathfinder elements was found to accompany many of the mines. Specifically, anomalous gold, bismuth, antimony, mercury and/or arsenic were found to be associated with significant gold mineralization. On that basis, a regional geochemical survey conducted over known gold mine trends was used to acquire the claims over the anomalous areas.

Once the lands were staked, the anomalies were followed up with geological mapping, soil sampling, rock sampling, trenching and geophysics. The geophysical surveys used Controlled Source Audio-frequency Magnetotelluric (CSAMT) techniques: a deep-looking geophysical technique that measures lateral and vertical resistivity contrasts which are important for evaluating the presence of geologic units which are favourable to host large tonnage gold deposits similar to those found elsewhere in Nevada.

In late 2010, an 11 hole, 2,449 meter reverse circulation drilling program was undertaken on the Leonard Creek property. Drilling on some holes intersected unusually deep overburden which was up to 320 meters thick. It is possible that the CSAMT geophysical anomalies may have been a result of the overburden rather than the underlying bedrock. As a consequence no significant gold mineralization was intersected. Therefore, in August 2012, the Company elected not to renew the 127 claims that comprised Leonard Creek property.

The remaining properties contain a further seven drill ready gold targets and one target which can be tested by surface trenching. The Company is currently seeking a partner to option these claims to fund the drill program.

## Overall Performance

As at January 31, 2017, the Company has incurred cumulative losses of \$58,384,346 (July 31, 2016 – \$56,509,020) and has a working capital deficiency of \$4,914,533 (July 31, 2016 – \$4,037,462). Cash flow from operations during the six month period ended January 31, 2017 was negative \$1,862,146 (six month period ended January 31, 2016 – negative \$509,326).

The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chance of finding and developing an economic deposit.

At present, none of the Company's projects have reached the producing stage, therefore the Company is not anticipating profit or positive cash flow from operations. Until such time as the Company is able to realize profits from the production and sale of commodities from its mineral interests, Company will report an annual loss and will rely on its ability to obtain equity or debt financing to fund ongoing operations.

## Selected Annual Information

The following table provides a brief summary of the Company's financial data for the three most recent fiscal years. For more detailed information, refer to the Financial Statements.

	Year Ended July 31, 2016	Year Ended July 31, 2015	Year Ended July 31, 2014
	\$	\$	\$
Total revenues	-	-	-
Net loss	1,021,252	2,438,320	2,795,231
Basic and diluted loss per share	0.01	0.03	0.04
Total assets	715,348	206,460	1,231,922
Total liabilities	4,738,445	4,260,016	4,100,846

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

See "Results of Operations" and the "Summary of Quarterly Results" for a discussion of the variations above.

## Results of Operations

### For the six month period ended January 31, 2017

For the six month period ended January 31, 2017, the Company incurred a loss of \$1,875,326 (six month period ended January 31, 2016 – \$475,698). The loss increased from the previous year is due to the Company's winter drilling program, which was ran until mid-December 2016.

Some of the significant expenses for the six month period ended January 31, 2017 are as follows:

Exploration expenses totaled \$1,817,712 (2016 – \$378,638) of which \$100,059 (2016 – \$85,074) were incurred in Yemen, \$38,700 (2016 – \$32,444) in Nevada and \$1,678,953 (2016 – \$261,120) in the Yukon. Yemen expenditures increased in this quarter end as compared to the same quarter end in the prior year due to the Company catching up on social security payments, as well as making one employee retrenchment payment. Additional storage costs were allocated to the Nevada project during the current year, which increased the costs as compared to the prior year. Expenditures were higher for the Yukon in the current year due to timing of the summer project and the winter drilling program that ran until mid-December 2016. Refer to the Schedule of Exploration Expenses in Note 5 in the consolidated financial statements for additional detail.

Office and administrative costs of \$29,607 (2016 – \$41,280) have decreased from the prior year due to a change in the cost-sharing arrangement for office space and staff (these costs are now split between five companies instead of four; the shared office also has less staffing than in the comparative period end). Professional fees of \$14,924 (2016 – \$15,194) have remained consistent with the prior year. Transfer Agent

and filing fees of \$22,413 (2016 – \$31,281) have decreased due to lower AGM costs for the 2017 meeting. The Company incurred \$2,150 in Depreciation in 2016; as these assets have now been fully amortized, depreciation expense was \$Nil for 2017.

Net cash used in operating activities during the six month period ended January 31, 2017 was \$1,862,146 compared to \$509,326 during the January 31, 2016 quarter end. Please refer to the condensed consolidated interim statements of cash flows in the financial statements for a breakdown of the operating activities.

Net cash provided by investing activities during the six month period ended January 31, 2017 was \$2,055 compared to \$590 during the six month period ended January 31, 2016. The cash provided is from interest earned on bank balances.

Net cash provided by financing activities during the six month period ended January 31, 2017 was \$1,248,702 compared to \$366,788 during the six month period ended January 31, 2016. The cash in the current period end was provided by a private placement, as well as warrants being exercised; in the comparative period, cash was provided by a private placement that closed in October 2015.

## Summary of Quarterly Results

(in accordance with IFRS)				
	Three Months Ended January 31, 2017	Three Months Ended October 31, 2016	Three Months Ended July 31, 2016	Three Months Ended April 30, 2016
	\$	\$	\$	\$
Total assets	156,828	422,435	715,348	84,607
Working capital deficiency	(4,914,533)	(4,683,671)	(4,037,462)	(4,428,727)
Shareholders' deficiency	(4,899,721)	(4,668,967)	(4,023,097)	(4,415,116)
Revenues	-	-	-	-
Net loss	1,221,456	653,870	291,904	253,650
Loss per share	0.01	0.01	0.00	0.00

(in accordance with IFRS)				
	Three Months Ended January 31, 2016	Three Months Ended October 31, 2015	Three Months Ended July 31, 2015	Three Months Ended April 30, 2015
	\$	\$	\$	\$
Total assets	58,265	175,822	206,460	139,389
Working capital deficiency	(4,177,575)	(3,967,008)	(4,070,811)	(3,608,828)
Shareholders' deficiency	(4,161,466)	(3,950,993)	(4,053,556)	(3,590,749)
Revenues	-	-	-	-
Net loss	211,473	264,225	483,280	491,504
Loss per share	0.00	0.00	0.01	0.01

Total assets has fluctuated depending on the timing of private placement funds being received, and then spent. Funds raised by private placements were spent on the Yukon project. Total assets increased during the three months ended April 30, 2016 due to an additional cash advance from Kelex. These funds were then spent, in general, on the Yemen project.

The fluctuations in the net loss for the quarter ends is due to timing and extent of project costs. In the July 31, 2016, April 30, 2016, January 31, 2016 and October 31, 2015 quarter ends, there was little activity in Yemen due to the shut-down of operations, and a smaller amount of work done in the Yukon. Net loss increased for the period ended October 31, 2016 due to additional Yukon expenditures in starting up the winter drilling program. In the July 31, 2015 quarter end, the Company had commenced its summer Yukon program; however, in the April 30, 2015 quarter end, the Company had received higher lab processing fees.

## **Liquidity and Capital Resources**

The Company has financed its operations to date primarily through the issuance of common shares and advances from related parties. The Company continues to seek capital through various means including joint venture partnerships and the issuance of equity and/or debt.

As at January 31, 2017, the Company had cash of \$68,396 (July 31, 2016 – \$679,785) and a working capital deficit of \$4,914,533 (July 31, 2016 – \$4,037,462). Current market conditions may impact the Company's ability to raise further capital and fund ongoing operations.

The Company has no capital expenditure commitments but is committed to minimum future lease payments for office premises through to July 2018 as follows: 2017 – \$4,936; and 2018 – \$8,816.

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of 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 exploration of the Company's mineral properties, receive continued financial support, complete equity financings, and generate profitable operations in the future. As shown in the condensed consolidated interim financial statements, the Company has suffered recurring losses, has negative working capital and has a significant deficit from operations. Management plans to obtain additional financing through future private placements for common shares or from the issuance of common shares on the exercise of outstanding options. These conditions may raise significant doubt regarding the Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not give effect to any adjustment should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the consolidated financial statements. There can be no assurance that sufficient working capital can be generated from operations and external financing to meet the Company's liabilities and commitments as they become due. Failure to generate sufficient working capital from operations or obtain external financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. 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.

In July 2015, the Company announced it was offering up to 8,000,000 shares in a private placement; gross proceeds of \$30,000 were received as a deposit prior to the July 31, 2015 year end and remaining \$370,000 was received in August 2015. Upon closing the private placement, the Company issued 7,400,000 flow through shares at a price of \$0.05 per share; proceeds of \$370,000 were received from the Chairman of the Company. The Company issued an addition 600,000 non-flow through units at \$0.05 per unit (each unit is comprised of one common share and one warrant, each warrant exercisable at \$0.10 for a term of three years). The proceeds for the flow through shares are to be used on the Yukon project.

In May 2016, the Company announced that it was offering up to 14,000,000 shares in a private placement for gross proceeds of up to \$700,000 in a combination of flow through shares and non-flow through units (the "units"). Each unit consist of one non flow-through common share and one common share purchase warrant, exercisable into one share for a period of 24 months from a closing price of \$0.10 per share. The proceeds of the offering were used on the Company's North Rackla project in the Yukon. The Company received \$450,000 in units proceeds and \$250,000 in flow-through proceeds.

In November and December 2016, the Company closed both the first and second tranches of a private placement, and issued 11,889,857 flow-through shares and 2,957,000 non-flow through units, both at \$0.07 per share and unit; each unit consists of one common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.10 for a period of 24 months. The Company received \$832,290 in proceeds from flow-through shares and \$206,990 in units proceeds.

## **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.

## **Related Party Transactions**

During the six month periods ended January 31, 2017 and 2016, 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.

The Company's related party expenses (net of recoveries) consist of the following amounts:

	Three month periods ended		Six month periods ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Laboratory and mineralogical costs	\$ 12,162	\$ 11,711	\$ 59,937	\$ 22,901
Geological consulting fees	71,357	45,127	201,632	87,355
Shared field expenditures	220,482	4,859	421,599	38,289
Shared office and administrative costs	3,727	11,069	12,249	23,714
	<b>\$ 307,728</b>	<b>\$ 72,766</b>	<b>\$ 695,417</b>	<b>\$ 172,259</b>

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

	Three month periods ended		Six month periods ended	
	January 31,		January 31,	
	2017	2016	2017	2016
C.F. Mineral Research Ltd.	\$ 12,162	\$ 11,711	\$ 59,937	\$ 22,901
Element 29 Ventures Ltd.	121,060	19,981	225,455	44,902
Kel-Ex Development Ltd.	79,050	40,297	254,008	97,164
Metalex Ventures Ltd.	95,426	777	98,819	7,292
Northern Uranium Corp.	30	-	57,198	-
	<b>\$ 307,728</b>	<b>\$ 72,766</b>	<b>\$ 695,417</b>	<b>\$ 172,259</b>

The above noted transactions represent amounts incurred or accrued, but not necessarily paid, during the periods indicated. The increase in geological consulting fees is related to the Yukon exploration program in the current quarter end. Shared field expenditures represent a combination of claims staking fees, vehicle rental and travel/field expenditures paid directly on behalf of the Company and later re-billed.

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

	January 31,	July 31,
	2017	2016
C.F. Mineral Research Ltd.	\$ 1,000,424	\$ 937,490
Element 29 Ventures Ltd.	13,058	68,957
Kel-Ex Development Ltd.	3,935,452	3,551,845
Metalex Ventures Ltd.	6,825	1,155
	<b>\$ 4,955,759</b>	<b>\$ 4,559,447</b>

These amounts due to related parties have no fixed terms of repayment; however, the Company aims to keep related party accounts current when funds are available and after third-party debts have been extinguished. The exception is the balance due to Kel-Ex Development Ltd. for past cash advances received to fund working capital and exploration activities, in the amount of \$3,265,000 (July 31, 2016 - \$3,015,000). Given the current financial state of the Company, this debt will eventually have to be settled with shares or proceeds from a future private placement financing.

## Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The market prices for silver, gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

The Company currently carries out exploration on mineral concessions that it holds directly from governments. Although the Company makes all reasonable effort to ensure secure title, there is no guarantee that title to properties in which the Company has will not be challenged or impugned. These properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. There is also no guarantee that any of the prospecting license or exploration permits granted in connection with the properties will be renewed upon their normal expiry. Notwithstanding the foregoing, the Company has not experienced any difficulties with renewals to date.

Additional future funds may be required to maintain and advance exploration properties. Historically, the only sources of such funds have been the sale of equity capital and limited debt. Given the current volatile state of financial markets, there are no assurances that sources of financing will be available on acceptable terms, or at all. To date, the Company has relied on advances from a related party to fund its operations and expects continued support. The Company's equity financings are sourced in Canadian Dollars but, for the most part, the Company incurs its expenditures in local currencies or in US dollars. At this time, there are no currency hedges in place.

The Company operates in the Middle Eastern country of Yemen that has a varied political past and, at times, conflicts with neighboring countries and civil war. Changing political situations may affect the manner in which the Company operates.

## Financial Instruments

The carrying values of cash, trade and other receivables, and trade and other payables and amounts due to related parties approximate their fair value at January 31, 2017 due to their short-term nature. No reclassifications or de-recognition of financial instruments occurred in the period.

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

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

At January 31, 2017, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$21,903 (July 31, 2016 – \$27,067). 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.

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 joint venture partners and GST receivable due from the Federal Government of Canada. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures. The Company's maximum credit risk at January 31, 2017 is \$Nil (July 31, 2016 – \$Nil).

*Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12 to the condensed consolidated interim 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.

## **Capital Management**

The Company includes cash and 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 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 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 additional capital to pursue these plans, the Company may attempt to raise funds through the issuance of debt and or equity.

## **Recent Accounting Pronouncements**

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

These consolidated financial statements have been prepared in accordance with IFRS effective as of July 31, 2016.

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*
- IFRS 16 *Leases*
- IFRIC 21 *Levies*

## **Outstanding Share Data**

The authorized share capital of the Company is an unlimited number of common shares without par value.

As at March 22, 2017, the Company had outstanding 130,575,660 common shares and 982,667 stock options with a weighted average exercise price of \$0.12 per share. There are 566,667 outstanding warrants with an exercise price of \$1.50, 5,854,545 warrants with an exercise price of \$0.15 and 10,935,757 warrants with an exercise price of \$0.10 and \$600,000 warrants with an exercise price of \$0.05.