Cantex Mine Development Corp.

Consolidated Financial Statements

Expressed in Canadian dollars

July 31, 2016

Cantex Mine Development Corp.
July 31, 2016

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INDEPENDENT AUDITORS' 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, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and 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.

Auditors' 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 auditors' 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 auditors consider 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, these consolidated financial statements present fairly, in all material respects, the financial position of Cantex Mine Development Corp. as at July 31, 2016 and 2015 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Cantex Mine Development Corp. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

November 25, 2016

Cantex Mine Development Corp.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

As at	Note		July 31, 2016		July 31, 2015
Assets					
Current assets					
Cash		**$**	**679,785**	$	169,627
Receivables and prepaids	4		**21,198**		19,578
			700,983		189,205
Non-current assets					
Reclamation bonds	5(b)		**14,365**		14,188
Equipment	6		**-**		3,067
		$	**715,348**	$	206,460
Liabilities					
Current liabilities					
Trade and other payables		**$**	**178,998**	$	334,003
Due to related parties	8		**4,559,447**		3,926,013
			4,738,445		4,260,016
Shareholders' deficiency					
Share capital	9		**51,273,295**		50,196,584
Subscriptions received in advance	9		**-**		30,000
Equity reserve	9		**1,212,628**		1,207,628
Deficit			**(56,509,020)**		(55,487,768)
			(4,023,097)		(4,053,556)
		$	**715,348**	$	206,460

Nature and continuance of operations (Note 1)
Subsequent events (Note 9(b))
Commitments (Note 10)
Contingencies (Note 11)

Approved by the Board of Directors:

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

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian dollars)

	Note	Years Ended July 31, 2016	2015
Expenses			
Depreciation	6	**$ 3,067**	$ 7,468
Exploration expenditures	5	**867,288**	2,288,430
Office and administrative		**64,211**	96,914
Professional fees		**45,588**	47,211
Stock-based compensation	9(d)	**1,000**	-
Transfer agent and filing fees		**38,517**	32,113
		(1,019,671)	(2,472,136)
Other items			
Interest income		**833**	3,901
Foreign exchange gain (loss)		**(2,414)**	29,915
		(1,581)	33,816
Loss and comprehensive loss		**$ (1,021,252)**	$ (2,438,320)
Loss per common share, basic and diluted		**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding, basic and diluted		**102,475,556**	91,160,013

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Changes in Shareholders' Deficiency

(Stated in Canadian dollars)

	Note	**Number of common Shares**	**Share capital**	**Subscriptions received in advance**	**Equity reserve**	**Deficit**	**Total**
Balance, July 31, 2014		68,448,780	$ 48,977,966	$ -	$ 1,202,628	$ (53,049,448)	$ (2,868,854)
Shares issued for cash - private placement	9(b)	25,200,000	1,260,000	-	-	-	1,260,000
Subscriptions received in advance - private placement	9(b)	-	-	30,000	-	-	30,000
Share issuance costs	9(b)	-	(41,382)	-	5,000	-	(36,382)
Loss and comprehensive loss for the year		-	-	-	-	(2,438,320)	(2,438,320)
Balance, July 31, 2015		93,648,780	50,196,584	30,000	1,207,628	(55,487,768)	(4,053,556)
Shares issued for cash - private placement	9(b)	22,000,000	1,100,000	(30,000)	-	-	1,070,000
Share issuance costs	9(b)	-	(23,289)	-	4,000	-	(19,289)
Stock-based compensation	9(d)	-	-	-	1,000	-	1,000
Loss and comprehensive loss for the year		-	-	-	-	(1,021,252)	(1,021,252)
Balance, July 31, 2016		115,648,780	$ 51,273,295	$ -	$ 1,212,628	$ (56,509,020)	$ (4,023,097)

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Note	Years Ended July 31, 2016	July 31, 2015
Operating activities			
Loss for the year		**$ (1,021,252)**	$ (2,438,320)
Items not involving cash			
Depreciation		**3,067**	7,468
Stock-based compensation		**1,000**	-
Interest income		**(833)**	(3,901)
Unrealized foreign exchange gain		**(177)**	(2,376)
Changes in operating assets and liabilities			
Receivables and prepaids		**(1,620)**	437,012
Trade and other payables and due to related parties		**249,668**	149,643
		(770,147)	(1,850,474)
Investing activities			
Interest received		**833**	3,901
		833	3,901
Financing activities			
Issuance of common shares and warrants		**1,070,000**	1,260,000
Deposit for shares issued subsequent to year end		**-**	30,000
Share issue costs		**(18,568)**	(26,855)
Advances from related party		**228,040**	-
		1,279,472	1,263,145
Change in cash during the year		**510,158**	(583,428)
Cash, beginning of year		**169,627**	753,055
Cash, end of year		**$ 679,785**	$ 169,627
Supplemental disclosure:			
Taxes paid		**$ -**	$ -
Interest paid		**$ -**	$ -
Non-cash financing and investing activities:			
Warrants issued as finders fees		**$ 4,000**	$ 5,000
Share issuance costs accrued through trade and other payables		**$ 10,248**	$ 9,527

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 is considered to be in the exploration stage with respect to its mineral properties. To date, the Company has not generated significant revenues from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The Company’s common shares are listed on the TSX Venture Exchange under the symbol “CD”.

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

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 8), completion of equity financings (Note 9), and generating profitable operations in the future (Note 13). 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, 2016, the Company has incurred cumulative losses of $56,509,020 (July 31, 2015 – $55,487,768) and has a working capital deficiency of $4,037,462 (July 31, 2015 – $4,070,811). 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 significant policies applied in these consolidated financial statements are based on IFRS in effect as of July 31, 2016.

These consolidated financial statements were approved for issue by the Board of Directors on November 24, 2016.

(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, 2016	July 31, 2015
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, 2016.

New Standards Not Yet Adopted

- *IFRS 9 "Financial Instruments"* – This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and will be applicable fiscal years beginning January 1, 2018. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company does not expect any impact to the financial statements from the adoption of this standard.

- *IFRS 16 "Leases"* – This new standard will be applicable to fiscal years beginning on or after January 1, 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months of less, or the underlying asset has a low value. Lessors continue to classify leases as operating of finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. At present, the Company's sole lease is for office space. As such, the Company is evaluating the impact of this standard.

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 the Company and its subsidiary's operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates and is the principal currency in which the funds from financing activities are generated.

Transactions in foreign currencies are initially recorded at the 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 exchange gain (loss) on the statement of loss.

(d) *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

3. Significant accounting policies (continued)

(d) *Equipment (continued)*

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment and are applied by the Company prospectively.

(e) *Exploration expense*

Mineral property acquisition costs and exploration and development expenditures incurred prior to determination of the feasibility of mining operations, periodic option payments and administrative expenditures are expensed as incurred. Such expenses incurred subsequent to the determination of the feasibility of mining operations are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment in value has occurred. Proceeds from property option payments received are netted against exploration expenses of the related mineral rights, with any excess being included in operations as administration fees earned.

(f) *Share-based payments*

The Company has a stock option plan that is described in Note 9(c). Share-based compensation to employees or those that provide similar services as employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. 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.

(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.

3. Significant accounting policies (continued)

(g) *Taxation*

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 statement of financial position 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.

(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, 2016 and 2015, all outstanding stock options and warrants were anti-dilutive.

(i) *Financial instruments*

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

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.

Cash consists of amounts 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 is invested in business accounts.

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

The Company's non-derivative financial liabilities comprise of trade and other payables and due to related parties.

3. Significant accounting policies (continued)

(i) *Financial instruments (continued)*

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.

Derivative financial assets and liabilities

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.

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 loss, 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.

3. Significant accounting policies (continued)

(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) *Asset retirement obligations*

The Company accounts for the recognition and measurement of liabilities for statutory, contractual or legal obligations associated with the retirement of equipment, and mineral properties when those obligations result from the acquisition, construction, development or normal operations of the assets. When determinable, a liability for future site reclamation costs, or other obligations, would be recorded at net present value and the corresponding increase in the assets carrying value would then be amortized over the remaining useful life of the asset.

Management has reviewed the Company’s likely retirement costs of its equipment, and mineral properties for known obligations under contract, common practices or laws and regulations in effect or anticipated. The Company has determined that there are no known or quantifiable significant assets retirement obligations and accordingly, these financial statements do not include any provision related to future asset retirement.

(n) *Significant accounting judgments and estimates*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially and adversely from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(n) *Significant accounting judgments and estimates (continued)*

i) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

iii) The accrual of unresolved tax assessment. The Company has recorded an estimate of the amount payable as a result of a tax audit by the Government of Yemen. In the event that the circumstances surrounding this matter change, the effects will be recognized.

(o) *Flow-through shares*

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company has adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred. The allocation of the proceeds is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

4. Receivables and prepaids

		July 31, 2016		July 31, 2015
GST receivables	**$**	**19,410**	$	15,752
Prepaid expenses		**1,788**		3,826
	$	**21,198**	$	19,578

(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, 2014	$ 24,412,096	$ 2,092,143	$ 6,595,691	$ 33,099,930
Additions:				
Consulting and engineering	189,347	2,545	566,722	758,614
Licenses and permits	-	162	4,753	4,915
Living costs	10,930	-	-	10,930
Travel, field and other	167,938	723	623,844	792,505
Wages	546,946	226	174,294	721,466
Net expenditures during the year	915,161	3,656	1,369,613	2,288,430
Cumulative expenditures to July 31, 2015	25,327,257	2,095,799	7,965,304	35,388,360
Additions:				
Consulting and engineering	(8,684)	1,230	472,222	464,768
Licenses and permits	432	30,193	12,403	43,028
Travel, field and other	70,646	1,132	123,714	195,492
Wages	87,350	-	76,650	164,000
Net expenditures during the year	149,744	32,555	684,989	867,288
Cumulative expenditures to July 31, 2016	$ 25,477,001	$ 2,128,354	$ 8,650,293	$ 36,255,648

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 gave notice that they felt they had reached this 40% level; 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 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; the Company’s current expenditures on the project relate to maintaining our Yemen office and employing office staff to continue to promote our interests in the country.

(b) *Nevada program*

The Company has six gold exploration claims in the state of Nevada comprised of 140 claims. Reclamation bonds of $14,365 (July 31, 2015 - $14,188) have been posted with the State of Nevada.

(c) *Yukon program*

As of July 31, 2016, the Company holds 1,131 claim blocks covering 22,000 hectares, which are located approximately 100 km northeast of Mayo, Yukon, Canada. These claims are 100% held by the Company and were acquired by staking. Subsequent to year end, 18 claims expired.

(Expressed in Canadian dollars)

6. Equipment

	Field equipment	Accumulated depreciation	Balance
	$	$	$
Cost			
Balance August 1, 2014	534,973	(524,438)	10,535
Additions (Depreciation)	-	(7,468)	(7,468)
Balance July 31, 2015	534,973	(531,906)	3,067
Additions (Depreciation)	-	(3,067)	(3,067)
Balance July 31, 2016	534,973	(534,973)	-

Carrying amounts:		
As at July 31, 2015	$	3,067
As at July 31, 2016	$	-

7. Income taxes

(a) *Corporate income tax expense*

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:

	2016	2015
Loss before income taxes	**$ 1,021,252**	$ 2,438,321
Expected income tax recovery	**(265,000)**	(634,000)
Change in statutory, foreign tax, foreign exchange rates and other	**65,000**	291,000
Permanent differences	**-**	(4,000)
Impact of flow through shares	**96,000**	263,000
Share issue cost	**(6,000)**	(7,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**-**	-
Changes in unrecognized deductible temporary differences	**110,000**	91,000
	$ -	$ -

(Expressed in Canadian dollars)

7. Income taxes (continued)

(b) *Temporary differences*

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	2015
Temporary differences		
Exploration and evaluation assets	**$ 28,806,000**	$ 28,301,000
Property and equipment	**703,000**	698,000
Canadian eligible capital (CEC)	**109,000**	109,000
Share issue costs	**46,000**	44,000
Allowable capital losses	**636,000**	636,000
Non-capital losses available for future period	**3,022,000**	3,122,000

(i) The Company has income tax loss carry-forwards of approximately $1,265,224 (2015 - $1,410,635) for Canadian tax purposes. These un-recognized tax losses will expire between 2017 to 2035.

(ii) The Company has net-capital loss carry-forwards of approximately $635,719 (2015 - $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 $1,757,097 (2015 - $1,711,804) for United States tax purposes. These un-recognized tax losses will expire between 2026 and 2035.

8. Related party transactions and balances

During the years ended July 31, 2016 and 2015, 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 the Cantex Chairman. CF Minerals provides heavy mineral geochemistry services to the Company.
- Kel-Ex Development Ltd. ("Kel-Ex") - a private company owned by the Cantex Chairman. Kel-Ex provides administration, payroll and office services to the Company.
- Element 29 Ventures Ltd. ("Element 29") - a private company owned by the Cantex CEO. 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 key management personnel of the Company are the Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

(Expressed in Canadian dollars)

8. Related party transactions and balances (continued)

(a) Related party expenses

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

	Years ended July 31, 2016	2015
Laboratory and mineralogical costs	**$ 211,178**	$ 154,693
Geological consulting fees	**246,349**	451,730
Shared field expenditures	**68,042**	185,733
Shared office and administrative costs	**47,162**	66,931
	$ 572,731	$ 859,087

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

	Years ended July 31, 2016	2015
C.F. Mineral Research Ltd.	**$ 211,178**	$ 154,693
Element 29 Ventures Ltd.	**155,574**	160,516
Kel-Ex Development Ltd.	**191,935**	530,487
Metalex Ventures Ltd.	**14,044**	12,689
Northern Uranium Corp.	**-**	702
	$ 572,731	$ 859,087

(b) Related party liabilities

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

	July 31, 2016	July 31, 2015
C.F. Mineral Research Ltd.	**$ 937,490**	$ 716,139
Element 29 Ventures Ltd.	**68,957**	39,933
Kel-Ex Development Ltd.	**3,551,845**	3,165,598
Metalex Ventures Ltd.	**1,155**	3,669
Northern Uranium Corp.	**-**	674
	$ 4,559,447	$ 3,926,013

(Expressed in Canadian dollars)

8. Related party transactions and balances (continued)

(c) Key management personnel compensation

		Years ended July 31,		
		2016		2015
Wages and benefit [1]	**$**	**153,626**	$	182,876
Stock based compensation [2]		**1,000**		-
	$	**154,626**	$	182,876

(1) Wages and benefits include amounts paid or accrued for geological consulting fees and payroll costs; payroll costs are the amounts paid to Kel-Ex for the services of the Chief Financial Officer and the Chief Operating Officer.
(2) Stock-based compensation is the fair value of options granted and expensed to directors and management personnel during the period.

9. Share capital and reserves

(a) *Authorized share capital*

The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares are fully paid.

(b) *Issued share capital*

In August, 2014, the Company closed the first tranche of a 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.

In October, 2014, the Company closed the second and 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 valued at $5,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 170%, a risk free rate of 1.05% and dividend rate of 0% were issued in conjunction with sale of the units. Share issuance costs of $27,582 were paid for the private placements. There was $nil value associated with the flow through premium.

In August, 2015, the Company closed a private placement and issued 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) and 7,400,000 flow through shares at $0.05 per share for total proceeds of $370,000. The Company received a $30,000 deposit prior to the year ended July 31, 2015; the remainder of the funds were received and the shares were issued in August 2015. Share issuance costs of $3,212 were paid for the private placements. There was $nil value associated with the flow through premium.

(Expressed in Canadian dollars)

9. Share capital and reserves (continued)

(b) *Issued share capital (continued)*

In May, 2016, the Company issued 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 $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 Company received $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 $12,077 were paid for the private placement.

Subsequent to year end, the Company closed the first tranche of the private placement and has received $502,190 in flow-through proceeds and $106,995 in units proceeds, representing issuance of 7,174,143 flow-through shares and 1,528,500 units, with both flow-through shares and units at $0.07. 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. Finder’s fees of $3,360 are payable in conjunction with the flow-through shares issued.

(c) *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.

Stock option and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, July 31, 2014	936,000	$ 0.12	6,421,212	$ 0.27
Granted	-	-	2,580,000	0.10
Outstanding July 31, 2015	936,000	0.12	9,001,212	0.22
Granted	46,667	0.12	9,680,000	0.10
Exercisable and outstanding, July 31, 2016	**982,667**	**$ 0.12**	**18,681,212**	**$ 0.16**
Granted subsquent (Note 9(b))			764,250	0.10
Warranted exercised			(80,000)	0.10
Exercisable and outstanding, issuance date	**982,667**	**$ 0.12**	**19,365,462**	**$ 0.16**

(Expressed in Canadian dollars)

9. Share capital and reserves (continued)

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

The following stock options and warrants were outstanding at July 31, 2016:

	Number		Exercise price	Expiry date
Options	500,000	$	0.12	January 28, 2019
	436,000	$	0.12	March 21, 2019
	46,667	$	0.12	January 13, 2022
	982,667			
Warrants	566,667	$	1.50	July 9, 2017
	5,854,545	$	0.15	July 31, 2018
	2,580,000	$	0.10	October 10, 2016
	600,000	$	0.10	August 5, 2018
	9,080,000	$	0.10	July 4, 2018
	18,681,212			

Subsequent to year end, the Company issued 764,250 warrants as part of its private placement with an exercise price of $0.10, expiring 24 months after issuance. There were also 80,000 warrants exercised subsequent to year end for proceeds of $8,000.

(d) *Stock option plan*

During the year, the Company recognized stock-based compensation of $1,000 (2015 – $Nil) in the statement of operations as a result of the aforementioned stock options granted and vested. The weighted average fair value of options granted was valued at $0.02 per option (2015 - $Nil) using the Black-Scholes option pricing model. The assumptions used in calculating fair values are as follows:

	2016
Risk-free interest rate	**0.30%**
Expected option life	**2 years**
Expected stock price volatility	**123%**
Expected dividend yield	**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.

10. Commitments

The Company is currently committed to one lease agreement. The Company shares lease premises with related parties and its share of the office premises is $658 per month, with the exception of the final two months of the lease; June and July 2018 lease expenditure will be comprised of triple net costs only, which are $236 per month. The current lease expires July 2018. Total minimum future lease payments for office premises over the next two years are: 2017 – $7,898; 2018 – $7,053.

(Expressed in Canadian dollars)

10. Commitments (continued)

During the fiscal year, the Company raised $620,000 in flow through funds which are required to be incurred on eligible exploration expenditures. As at July 31, 2016, the Company had incurred $560,153; as such, the Company has a commitment to spend the remaining $59,847 in flow through funds. Subsequent to year end, the Company has fully spent this remaining balance on eligible exploration expenditures.

11. 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.

As at July 31, 2016, the Company has accrued $99,114 ($75,648USD) relating to a tax audit in the Yemen branch. A notice of assessment was received from the Government of Yemen in December 2014 of $432,845USD, which the Company objected to on the basis that incorrect bases were being used in the calculations. The Company provided further evidence to the Government of Yemen regarding the bases used to calculate the assessment. The Company is currently in the process of finalizing payment terms of the assessment.

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:

	Years ended July 31,	
	2016	2015
Loss		
Canada	**$ 838,636**	$ 1,515,701
Yemen	**150,061**	918,963
United States of America	**32,555**	3,656
	$ 1,021,252	$ 2,438,320

	July 31, 2016	July 31, 2015
Reclamation bonds		
United States of America	**$ 14,365**	$ 14,188
Equipment		
Canada	**-**	2,750
Yemen	**-**	317
	$ 14,365	$ 17,255

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 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 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, 2016, the Company's financial instruments are cash, receivables, trade and other payables and amounts due to related parties. The amounts reflected in the statement of financial position 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 at amortized cost on the statement of financial position at fair value;

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

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

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

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

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

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

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.

14. Financial instruments and risk management (continued)

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.

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, 2016, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $27,067 (July 31, 2015: $51,501). 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, 2016, 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.

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 13 to the consolidated financial statements.

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

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

Price risk - The Company is exposed to price risk with respect to commodity prices 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.