



Cantex Mine Development Corp.
Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

October 31, 2018

Cantex Mine Development Corp.

October 31, 2018

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NOTICE TO READER

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the three months ended October 31, 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by International Financial Reporting Standards for a review of interim financial statements by an entity's auditor.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - prepared by management)

(Stated in Canadian dollars)

| As at | Note | October 31, 2018 | July 31, 2018 |
|---------------------------------|------|---------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 832,998 | \$ 1,773,923 |
| Receivables and prepaids | 3 | 51,513 | 49,079 |
| | | 884,511 | 1,823,002 |
| Non-current assets | | | |
| Reclamation bonds | 4(b) | 8,649 | 8,566 |
| | | \$ 893,160 | \$ 1,831,568 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | \$ 142,281 | \$ 310,599 |
| Due to related parties | 5 | 5,698,004 | 5,725,155 |
| | | 5,840,285 | 6,035,754 |
| Shareholders' deficiency | | | |
| Share capital | 6 | 54,137,500 | 54,137,978 |
| Equity reserve | 6 | 1,203,628 | 1,203,628 |
| Deficit | | (60,288,253) | (59,545,792) |
| | | (4,947,125) | (4,204,186) |
| | | \$ 893,160 | \$ 1,831,568 |

Nature and continuance of operations (Note 1)

Contingencies (Note 7)

Approved by the Board of Directors:

"Vernon Frolick"

Vernon Frolick

"Chad Ulansky"

Chad Ulansky

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

| | | Three month periods ended | |
|---|------|---------------------------|---------------------|
| | Note | October 31, | |
| | | 2018 | 2017 |
| Expenses | | | |
| Exploration expenditures | 4 | \$ 727,187 | \$ 115,188 |
| Office and administrative | | 20,158 | 15,692 |
| Professional fees | | 2,180 | (7,535) |
| Transfer agent and filing fees | | 7,712 | 640 |
| | | (757,237) | (123,985) |
| Other items | | | |
| Interest income | | 5,926 | 100 |
| Miscellaneous income | | - | 3,100 |
| Foreign exchange gain | | 8,850 | 3,815 |
| | | 14,776 | 7,015 |
| Loss and comprehensive loss | | \$ (742,461) | \$ (116,970) |
| Loss per common share, basic and diluted | | \$ (0.03) | \$ (0.01) |
| Weighted average number of common shares outstanding, basic and diluted | | 24,724,236 | 13,057,566 |

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

| | <i>Note</i> | Number of common shares | Share capital | Equity reserve | Deficit | Total |
|--|-------------|--|--------------------------|---------------------------|-----------------|----------------|
| | | Note 8(b) | | | | |
| Balance, July 31, 2017 | | 13,057,569 | \$ 52,264,997 | \$ 1,363,628 | \$ (58,815,775) | \$ (5,187,150) |
| Loss and comprehensive loss for the year | | - | - | - | (116,970) | (116,970) |
| Balance, October 31, 2017 | | 13,057,569 | 52,264,997 | 1,363,628 | (58,932,745) | (5,304,120) |
| Shares issued for cash - private placement | 6(c) | 11,666,667 | 1,750,000 | - | - | 1,750,000 |
| Share issuance costs | 6(c) | - | (53,019) | 16,000 | - | (37,019) |
| Reserves transferred on expired warrants | | - | 176,000 | (176,000) | - | - |
| Loss and comprehensive loss for the year | | - | - | - | (613,047) | (613,047) |
| Balance, July 31, 2018 | | 24,724,236 | 54,137,978 | 1,203,628 | (59,545,792) | (4,204,186) |
| Share issuance costs | 6(c) | - | (478) | - | - | (478) |
| Loss and comprehensive loss for the year | | - | - | - | (742,461) | (742,461) |
| Balance, October 31, 2018 | | 24,724,236 | \$ 54,137,500 | \$ 1,203,628 | \$ (60,288,253) | \$ (4,947,125) |

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

| | Three month periods ended, October 31, | |
|---|---|------------------|
| | 2018 | 2017 |
| Operating activities | | |
| Loss for the year | \$ (742,461) | \$ (116,970) |
| Items not involving cash | | |
| Stock-based compensation | - | - |
| Interest income | (5,926) | (100) |
| Unrealized foreign exchange gain | (83) | (79) |
| Changes in operating assets and liabilities | | |
| Receivables and prepaids | (2,434) | (6,948) |
| Refund of Nevada reclamation bond | - | 5,806 |
| Trade and other payables and due to related parties | (195,469) | 76,352 |
| | (946,373) | (41,939) |
| Investing activities | | |
| Interest received | 5,926 | 100 |
| | 5,926 | 100 |
| Financing activities | | |
| Warrants exercised | - | - |
| Issuance of common shares and warrants | - | - |
| Share issue costs | (478) | - |
| Advances from related party | - | 35,200 |
| | (478) | 35,200 |
| Change in cash during the period | (940,925) | (6,639) |
| Cash, beginning of the period | 1,773,923 | 84,754 |
| Cash, end of period | \$ 832,998 | \$ 78,115 |
| Supplemental disclosure: | | |
| Taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |
| Share issuance costs accrued through trade payables | \$ - | \$ - |
| Warrants issued as finders fees | \$ - | \$ - |
| Transfer of reserves on expired warrants | \$ - | \$ - |

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

October 31, 2018

(Unaudited – Prepared by Management)

(Stated 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.

During the year ended July 31, 2018, the board of directors authorized a 10-for-1 share consolidation. The number of issued and outstanding shares, options, warrants and per share amounts have been retrospectively restated for all periods presented, unless otherwise stated.

These condensed consolidated interim 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 its 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 4), continued receipt of financial support (Note 5), completion of equity financings (Note 6), and generating profitable operations in the future. It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or if the Company will attain a profitable level of operations.

As at October 31, 2018, the Company has incurred cumulative losses of \$60,288,253 (July 31, 2018 – \$59,545,792) and has a working capital deficiency of \$4,955,774 (July 31, 2018 – \$4,212,752). 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 condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS"). The significant policies are the same as those set out in Note 3 to the audited consolidated financial statements for the year ended July 31, 2018.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2018 annual consolidated financial statements. These interim financial statements do not include all the necessary annual disclosure in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issue by the Audit Committee on December 19, 2018.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

October 31, 2018

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of presentation (continued)

(b) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cantex Gold Corp.

| Name of Subsidiary | Country of Incorporation | Proportion of Ownership Interest | |
|--------------------|--------------------------|----------------------------------|---------------|
| | | October 31, 2018 | July 31, 2018 |
| Cantex Gold Corp. | USA | 100% | 100% |

(c) Adoption of new and revised standards and interpretations

These condensed consolidated interim financial statements have been prepared in accordance with IFRS effective as of July 31, 2018.

New Standards 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. There was no significant impact to the financial statements from the adoption of this standard.

New Standards Not Yet Adopted

- *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 or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. At present, the Company has no leases, other than an informal arrangement with a related party for shared office space. As such, the Company does not expect any impact to the financial statements from the adoption of this standard.
- *IFRIC 23 "Uncertainty Over Income Tax Treatments"* – This interpretation clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* where there is uncertainty over income tax treatments and will be applicable for fiscal years beginning on or after January 1, 2019. The interpretation specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. At present, the Company has an outstanding tax liability accrued in its payables, relating to an audit in the Yemen branch (see note 9). Due to the state of affairs in Yemen, there is a level of uncertainty related to assumptions on how the Yemeni tax authority will eventually examine the tax treatment of the Company's branch there and the changes in circumstances thereof. As such, the Company is currently examining the potential impact to the financial statements from the adoption of this interpretation.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

October 31, 2018

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

3. Receivables and prepaids

| | July 31, 2018 | | July 31, 2018 |
|------------------------|--------------------------|----|------------------|
| GST receivables | \$ 37,239 | \$ | 15,513 |
| Third party receivable | - | | 31,778 |
| Prepaid expenses | 14,274 | | 1,788 |
| | \$ 51,513 | \$ | 49,079 |

4. 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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

October 31, 2018

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

4. Mineral property interests (continued)

| | Yemen (a) | Nevada (b) | Yukon (c) | Total |
|---|---------------|--------------|---------------|---------------|
| Cumulative expenditures to July 31, 2017 | \$ 25,672,958 | \$ 2,168,740 | \$ 10,455,990 | \$ 38,297,688 |
| Additions: | | | | |
| Consulting and engineering | - | 75 | 35,976 | 36,051 |
| Licenses and permits | - | 30,094 | - | 30,094 |
| Travel, field and other | 17,844 | 1,059 | 8,532 | 27,435 |
| Wages | 21,608 | - | - | 21,608 |
| Net expenditures during the period | 39,452 | 31,228 | 44,508 | 115,188 |
| Cumulative expenditures to October 31, 2017 | 25,712,410 | 2,199,968 | 10,500,498 | 38,412,876 |
| Net expenditures to year end | 147,707 | 1,496 | 347,961 | 497,164 |
| Cumulative expenditures to July 31, 2018 | 25,860,117 | 2,201,464 | 10,848,459 | 38,910,040 |
| Additions: | | | | |
| Consulting and engineering | - | 1,469 | 81,991 | 83,460 |
| Licenses and permits | - | 19,230 | 200 | 19,430 |
| Travel, field and other | 19,313 | 144 | 368,207 | 387,664 |
| Wages | 15,000 | - | 221,633 | 236,633 |
| Net expenditures during the period | 34,313 | 20,843 | 672,031 | 727,187 |
| Cumulative expenditures to October 31, 2018 | \$ 25,894,430 | \$ 2,222,307 | \$ 11,520,490 | \$ 39,637,227 |

(a) Yemen program

(i) Exploration license

During 1996, the Company was granted a 52,000 square kilometer ("km²") 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 km² to 956 km².

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

4. Mineral property interests (continued)

(a) *Yemen program (continued)*

(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*

As at October 31, 2018, the Company had four gold exploration claims in the state of Nevada comprised of 86 claims. Reclamation bonds of \$8,649 (July 31, 2018 - \$8,566) have been posted with the State of Nevada.

(c) *Yukon program*

As of October 31, 2018, the Company holds 1,075 claim blocks covering 21,500 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.

5. Related party transactions and balances

During the three month period ended October 31, 2018 and 2017, 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.

Cantex Mine Development Corp.

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Related party transactions and balances (continued)

The key management personnel of the Company are the Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

(a) Related party expenses

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

| | Three month periods ended October 31, | |
|--|--|------------------|
| | 2018 | 2017 |
| Laboratory and mineralogical costs | \$ 14,905 | \$ 48,025 |
| Geological consulting fees | 64,726 | 1,875 |
| Shared field expenditures | 170,869 | 29,761 |
| Shared office and administrative costs | 19,687 | 10,593 |
| | \$ 270,187 | \$ 90,254 |

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

| | Three month periods ended October 31, | |
|----------------------------|--|------------------|
| | 2018 | 2017 |
| C.F. Mineral Research Ltd. | \$ 18,286 | \$ 48,025 |
| Element 29 Ventures Ltd. | 91,397 | (3,222) |
| Kel-Ex Development Ltd. | 154,789 | 41,504 |
| Metalex Ventures Ltd. | 5,715 | 3,947 |
| | \$ 270,187 | \$ 90,254 |

(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:

| | October 31, | July 31, |
|-----------------------------|---------------------|---------------------|
| | 2018 | 2018 |
| C.F. Mineral Research Ltd. | \$ 1,156,701 | \$ 1,138,254 |
| Element 29 Ventures Ltd. | 14,127 | 59,879 |
| Kel-Ex Development Ltd. (1) | 4,525,486 | 4,520,327 |
| Metalex Ventures Ltd. | 1,690 | 6,695 |
| | \$ 5,698,004 | \$ 5,725,155 |

(1) Included in related party liabilities is cash advances of \$249,000 made during the three month period ended October 31, 2017; there were no such advances during the three month period ended October 31, 2018. These unsecured advances are non-interest bearing, with no fixed terms of repayment.

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Notes to the condensed consolidated interim financial statements

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(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Related party transactions and balances (continued)

(c) Key management personnel compensation

The remuneration of directors and key management personnel for the three months ended October 31, 2018 is comprised of Wages and benefits of \$67,360 (October 31, 2017 – \$7,768). 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.

6. 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) Share consolidation

In June 2018, the Company consolidated its common shares on a 10:1 basis.

(c) Issued share capital

In July 2018, the Company closed a private placement and issued 11,666,667 flow through shares and non-flow through units (the “units”), both at \$0.15 per share and unit for gross proceeds of \$913,000 in flow-through proceeds and \$837,000 in units proceeds. Each share and unit consists of one common share and one common share purchase warrant; each full warrant is exercisable at \$0.20 for a period of 36 months. Finder’s fees of \$19,000 were paid in conjunction with the flow-through shares; 98,667 finder’s warrants valued at \$16,000 using the Black-Scholes option pricing model with an expected life of 3 years, volatility of 111%, a risk free rate of 1.98% and dividend rate of 0% were issued in conjunction with sale of the units. Share issuance costs of \$18,497 were paid for the private placement and share consolidation. As at July 31, 2018, the Company had incurred \$319,627 in exploration expenditure relating to the issuance of the flow-through shares, leaving a commitment of \$593,373 to be incurred on the Yukon project. During the three month period ended October 31, 2018, the Company incurred the required costs and has no further commitment under the private placement.

Subsequent to October 31, 2018, the Company issued 3,991,349 shares upon the exercising of warrants. Total proceeds received was \$799,748.

(d) Stock option and warrants

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

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6. Share capital and reserves (continued)

(d) Stock option and warrants (continued)

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

| | Number of options | Weighted Average Exercise Price | Number of warrants | Weighted Average Exercise Price |
|--|----------------------|------------------------------------|-----------------------|------------------------------------|
| Outstanding, July 31 and October 31, 2017 | 652,268 | 0.78 | 1,739,032 | 1.17 |
| Granted | - | - | 11,765,334 | 0.20 |
| Expired | - | - | (1,493,456) | 1.20 |
| Outstanding, July 31, 2018 | 652,268 | \$ 0.78 | 12,010,910 | \$ 0.22 |
| Expired | - | - | (60,000) | 1.00 |
| Outstanding, October 31, 2018 | 652,268 | \$ 0.78 | 11,950,910 | \$ 0.20 |
| Exercisable and outstanding, as at date of issuance | 652,268 | \$ 0.78 | 7,921,835 | \$ 0.20 |

The following stock options and warrants were outstanding at October 31, 2018:

| | Number | Exercise price | Expiry date |
|-----------------|-------------------|-------------------|----------------------|
| Options | 50,000 | \$ 1.20 | January 28, 2019 |
| | 43,601 | \$ 1.20 | March 21, 2019 |
| | 4,667 | \$ 1.20 | January 13, 2022 |
| | 554,000 | \$ 0.70 | March 31, 2023 |
| | 652,268 | | |
| Warrants | 147,850 | \$ 0.21 | November 23, 2018 * |
| | 37,726 | \$ 1.00 | December 14, 2018 ** |
| | 11,765,334 | \$ 0.20 | July 12, 2021 *** |
| | 11,950,910 | | |

* Subsequent to October 31, 2018, the Company's share price close above \$0.265 per share for 10 consecutive trading days, triggering the advanced expiration date from the re-pricing of these warrants. All of these warrants were subsequently exercised.

** Warrants expired unexercised subsequent to October 31, 2018

*** Subsequent to October 31, 2018, 3,843,499 of these warrants were exercised for shares of the Company at exercise price of \$0.20 per share.

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7. 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 October 31, 2018, the Company has accrued \$99,417 (\$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 and a lower amount was assessed, but not finalized. Due to the state of affairs in Yemen, the Company has not yet been able to finalize payment terms of the assessment, but has accrued the reassessed amount as a liability.

8. Segmented information

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

| | Three month periods ended October 31, | |
|--------------------------|--|-------------------|
| | 2018 | 2017 |
| Loss | | |
| Canada | \$ 687,305 | \$ 46,290 |
| Yemen | 34,313 | 39,452 |
| United States of America | 20,843 | 31,228 |
| | \$ 742,461 | \$ 116,970 |
| | October 31, | July 31, |
| | 2018 | 2018 |
| Reclamation bonds | | |
| United States of America | \$ 8,649 | \$ 8,566 |
| | \$ 8,649 | \$ 8,566 |

9. 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.

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9. Capital management (continued)

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.

10. Financial instruments and risk management

As at October 31, 2018, the Company's financial instruments are cash, receivables, reclamation bonds, 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 and reclamation bonds are comprised of balances held at major financial institutions (in the case of reclamation bonds, these are held through the related government body) that are readily convertible into a known amount of cash and which are only subject to an insignificant risk of change in value, is classified as fair value through profit and loss, 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.

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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

October 31, 2018

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

10. Financial instruments and risk management (continued)

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

At October 31, 2018, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$35,685 (July 31, 2018: \$49,300). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not materially affect decisions of the Company's operations plans.

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

At October 31, 2018, 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. To date, the Company has collected all of its third party receivable.

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 9 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 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.