Cantex Mine Development Corp.

Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

January 31, 2020

Cantex Mine Development Corp.
January 31, 2020

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NOTICE TO READER

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the six months ended January 31, 2020 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		January 31, 2020		July 31, 2019
Assets					
Current assets					
Cash		**$**	**7,467,000**	$	11,531,978
Receivables and prepaids	3		**217,013**		431,278
			7,684,013		11,963,256
Non-current assets					
Reclamation bonds	4(c)		**8,709**		8,653
Property and equipment	5		**572,774**		603,641
Right-of-use assets	6		**255,462**		638,655
		$	**8,520,958**	$	13,214,205
Liabilities					
Current liabilities					
Trade and other payables		**$**	**181,120**	$	654,030
Due to related parties	7		**160,473**		5,248,999
Lease obligations	6		**262,281**		642,860
			603,874		6,545,889
Non-current liabilities					
Asset retirement obligation	8		**306,000**		306,000
			909,874		**6,851,889**
Shareholders' equity					
Share capital	9		**81,909,740**		70,382,727
Equity reserve	9		**4,645,776**		4,938,804
Deficit			**(78,944,432)**		(68,959,215)
			7,611,084		6,362,316
		$	**8,520,958**	$	13,214,205

Nature and continuance of operations (Note 1)
Subsequent events (Note 9 (c))
Contingencies (Note 10)

Approved by the Board of Directors:

"Vernon Frolick"	*"Chad Ulansky"*
Vernon Frolick	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 January 31,		Six month periods ended January 31,	
	Note	**2020**	2019	**2020**	2019
Expenses					
Depreciation	5,6	**$ 207,030**	$ -	**$ 414,060**	$ -
Exploration expenditures	4	**3,346,297**	273,143	**9,850,182**	1,000,330
Office and administrative		**45,843**	24,985	**83,582**	45,143
Professional fees		**19,801**	8,930	**23,606**	11,110
Stock-based compensation	9(e)	**-**	401,000	**-**	401,000
Transfer agent and filing fees		**24,393**	14,130	**32,465**	21,842
		(3,643,364)	(722,188)	**(10,403,895)**	(1,479,425)
Other items					
Interest income		**58,223**	4,148	**129,967**	10,074
Foreign exchange gain		**13,627**	8,867	**24,983**	17,717
		71,850	13,015	**154,950**	27,791
Loss and comprehensive loss		**$ (3,571,514)**	$ (709,173)	**$ (10,248,945)**	$ (1,451,634)
Loss per common share, basic and diluted		**$ (0.07)**	$ (0.03)	**$ (0.21)**	$ (0.06)
Weighted average number of common shares outstanding, basic and diluted		**48,009,195**	27,736,376	**47,760,662**	26,230,306

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Note	**Number of common shares**	**Share capital**	**Equity reserve**	**Deficit**	**Total**
Balance, July 31, 2018		24,724,236	$ 54,137,978	$ 1,203,628	$ (59,545,792)	$ (4,204,186)
Warrants exercised for shares	9(b)	4,839,016	969,281	-	-	969,281
Share issuance costs	9(b)	-	(478)	-	-	(478)
Reserves transferred on expired warrants	10(d)	-	12,000	(12,000)	-	-
Stock-based compensation	10(e)	-	-	401,000	-	401,000
Reserves transferred on expired options		-	-	(41,953)	41,953	-
Loss and comprehensive loss for the period		-	-	-	(1,451,634)	(1,451,634)
Balance, January 31, 2019		29,563,252	55,118,781	1,550,675	(60,955,473)	(4,286,017)
Shares issued for cash - private placement	9(b)	15,000,000	15,000,000	-	-	15,000,000
Share issuance costs	9(b)	-	(307,782)	76,000	-	(231,782)
Warrants exercised for shares	9(b)	1,110,334	224,668	-	-	224,668
Options exercised for shares	9(b)	265,000	347,060	(125,560)	-	221,500
Stock-based compensation	10(e)	-	-	3,475,000	-	3,475,000
Reserves transferred on expired options		-	-	(37,311)	37,311	-
Loss and comprehensive loss for the period		-	-	-	(8,041,053)	(8,041,053)
Balance, July 31, 2019		45,938,586	70,382,727	4,938,804	(68,959,215)	6,362,316
Options exercised for shares	9(b)	82,000	78,700	(21,300)	-	57,400
Warrants exercised for shares	9(b)	86,500	137,750	(8,000)	-	129,750
Shares issued for cash - private placement	9(b)	1,907,000	12,005,160	-	-	12,005,160
Share issuance costs	9(b)	-	(694,597)	-	-	(694,597)
Reserves transferred on expired options		-	-	(263,728)	263,728	-
Loss and comprehensive loss for the period		-	-	-	(10,248,945)	(10,248,945)
Balance, January 31, 2020		48,014,086	$ 81,909,740	$ 4,645,776	$ (78,944,432)	$ 7,611,084

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)

	Six month periods ended January 31, 2020	2019
Operating activities		
Loss for the year	**$ (10,248,945)**	$ (1,451,634)
Items not involving cash		
Depreciation	**414,060**	-
Stock-based compensation	**-**	401,000
Interest on lease obligations	**19,421**	-
Unrealized foreign exchange gain	**(56)**	(83)
Changes in operating assets and liabilities		
Receivables and prepaids	**214,265**	21,522
Trade and other payables and due to related parties	**(1,912,436)**	(834,740)
	(11,513,691)	(1,863,935)
Investing activities		
Lease liability for right of use assets	**(400,000)**	-
	(400,000)	-
Financing activities		
Issuance of common shares	**12,005,160**	-
Warrants exercised	**129,750**	969,281
Options exercised	**57,400**	-
Share issue costs	**(694,597)**	(478)
Repayment of advances from related party	**(3,649,000)**	-
	7,848,713	968,803
Change in cash during the year	**(4,064,978)**	(895,132)
Cash, beginning of year	**11,531,978**	1,773,923
Cash, end of year	**$ 7,467,000**	$ 878,791
Supplemental disclosure:		
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Transfer of reserves on exercised options	**$ 21,300**	$ -
Transfer of reserves on exercised warrants	**$ 8,000**	$ -

See accompanying notes to the condensed consolidated interim financial statements.

(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.

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 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 10), 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 January 31, 2020, the Company has incurred cumulative losses of $78,944,432 (July 31, 2019 – $68,959,215) and has working capital of $7,080,139 (July 31, 2019 –$5,417,367). Additional financing will be required for the Company to continue operations. The above conditions may raise significant doubt regarding the Company's ability to continue as a going concern. 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 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, 2019.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2019 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 March 24, 2020.

(b) *Basis of presentation*

These condensed consolidated interim 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	January 31, 2020	July 31, 2019
Cantex Gold Corp.	USA	100%	100%

(Stated in Canadian dollars)

2. Basis of presentation (continued)

(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, 2019. The following accounting standards have been issued but are not yet effective. The Company has not early adopted these new and amended standards. The Company continues to evaluate the new standards but currently no material impact is expected as a result of the adoptions of these new and amended standards:

- IFRS 14 *Regulatory Deferral Accounts*
- IFRIC 21 *Levies*

3. Receivables and prepaids

		January 31, 2020		July 31, 2019
GST receivables	**$**	**175,648**	$	162,282
Third party receivable		**-**		19,446
Prepaid expenses		**41,365**		249,550
	$	**217,013**	$	431,278

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.

(Stated in Canadian dollars)

4. Mineral property interests (continued)

	Yukon (a)	Yemen (b)	Nevada (c)	Total
Cumulative expenditures to July 31, 2018	$ 10,848,459	$ 25,860,117	$ 2,201,464	$ 38,910,040
Additions:				
Consulting and engineering	222,189	205	1,489	223,883
Licenses and permits	14,480	-	19,230	33,710
Travel, field and other	402,586	55,125	1,169	458,880
Wages	238,183	45,674	-	283,857
Net expenditures during the period	877,438	101,004	21,888	1,000,330
Cumulative expenditures to January 31, 2019	11,725,897	25,961,121	2,223,352	39,910,370
Net expenditures to year end	4,192,479	123,812	1,323	4,317,614
Cumulative expenditures to July 31, 2019	15,918,376	26,084,933	2,224,675	44,227,984
Consulting and engineering	955,747	191	18,200	974,138
Geophyics	224,931	-	-	224,931
Licenses and permits	5	-	22,666	22,671
Travel, field and other	5,667,389	54,751	1,459	5,723,599
Wages	2,856,466	48,377	-	2,904,843
Net expenditures during the period	9,704,538	103,319	42,325	9,850,182
Cumulative expenditures to January 31, 2020	$ 25,622,914	$ 26,188,252	$ 2,267,000	$ 54,078,166

(a) *Yukon program*

As of January 31, 2020, 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.

(b) *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.

4. Mineral property interests (continued)

(b) *Yemen program (continued)*

(i) Exploration license (continued)

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.

(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. Allocation of ownership of the project has not yet been finalized.

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.

(c) *Nevada program*

As at January 31, 2020, the Company had four gold exploration claims in the state of Nevada comprised of 86 claims. Reclamation bonds of $8,709 (July 31, 2019 - $8,653) have been posted with the State of Nevada.

(Stated in Canadian dollars)

5. Property and equipment

	Field equipment	Computer equipment	Total
Cost			
Balance July 31, 2018 and January 31, 2019	$ -	$ -	$ -
Additions	606,762	7,913	614,675
Balance July 31, 2019 and January 31, 2020	$ 606,762	$ 7,913	$ 614,675
Accumulated depreciation			
Balance July 31, 2018 and January 31, 2019	$ -	$ -	$ -
Depreciation	10,638	396	11,034
Balance July 31, 2019	10,638	396	11,034
Depreciation	30,075	792	30,867
Balance January 31, 2020	$ 40,713	$ 1,188	$ 41,901
Carrying amounts:			
As at July 31, 2018 and January 31, 2019	$ -	$ -	$ -
As at July 31, 2019	$ 596,124	$ 7,517	$ 603,641
As at January 31, 2020	$ 566,049	$ 6,725	$ 572,774

6. Right-of-use assets and lease obligation

	Field equipment
Balance July 31, 2018 and January 31, 2019	$ -
Additions	766,385
Depreciation	(127,730)
Balance July 31, 2019	$ 638,655
Depreciation	(383,193)
Balance January 31, 2020	$ 255,462

The Company entered into a lease agreement with Kel-Ex Developments Ltd., a related party (Note 7), for the lease of three drills and an excavator for $66,667 per month plus GST. The lease currently expires May 31, 2020. As the current lease is for a one year term, under IFRS 16 "Leases", the Company had the ability to expense the lease payments as part of its Exploration expenditures. However, as these are a significant component to the current drilling program being under taken in the Yukon (Note 4), the Company has elected to reflect this equipment as right-of-use assets.

Interest expense on lease obligations for the six month period ended January 31, 2020 was $19,421 (six month period ended January 31, 2019 – $nil), and is included in Exploration expenditures. The Company has estimated that it could obtain financing to purchase the right-of-use assets at an annual rate of 8%. Total cash outflows for leases was $400,000 during the six month period ended January 31, 2020 (six month period ended January 31, 2019 – $nil). There are no variable lease payments not included in the measurement of lease obligations.

(Stated in Canadian dollars)

6. Right-of-use assets and lease obligation (continued)

		Lease obligation
Lease obligation, June 1, 2019	$	766,385
Principal payments		(133,333)
Interest on lease obligation		9,808
Lease obligation, July 31, 2019		642,860
Principal payments		(400,000)
Interest on lease obligation		19,421
Lease obligation, January 31, 2020	$	262,281

7. Related party transactions and balances

During the three and six month periods ended January 31, 2020 and 2019, 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, as well as storage of samples and supplies.
- 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, as well as some shared exploration costs and equipment rentals.
- Element 29 Ventures Ltd. ("Element 29") - a private company owned by the Cantex CEO. Element 29 provides geological consulting services and equipment rentals 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.

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 included in consist of the following amounts:

	Three month periods January 31,		**Six month periods ended January 31,**	
	2020	2019	**2020**	2019
Laboratory and mineralogical costs, including storage fees	**$ 206,015**	$ 48,929	**$ 417,790**	$ 63,834
Geological consulting fees	**123,258**	79,656	**369,106**	144,382
Shared field expenditures	**737,979**	46,150	**1,870,871**	217,019
Shared office and administrative costs	**24,709**	19,123	**53,794**	38,810
	$ 1,091,961	$ 193,858	**$ 2,711,561**	$ 464,045

(Stated in Canadian dollars)

7. Related party transactions and balances (continued)

(a) Related party expenses (continued)

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

	Three month periods ended January 31,		Six month periods ended January 31,	
	2020	2019	**2020**	2019
C.F. Mineral Research Ltd.	**$ 206,015**	$ 48,929	**$ 418,231**	$ 67,215
Element 29 Ventures Ltd.	**277,350**	64,858	**695,829**	156,255
Kel-Ex Development Ltd.	**600,800**	70,896	**1,582,163**	225,685
Metalex Ventures Ltd.	**7,796**	9,175	**15,338**	14,890
	$ 1,091,961	$ 193,858	**$ 2,711,561**	$ 464,045

(b) Related party liabilities

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

	January 31, 2020	July 31, 2019
C.F. Mineral Research Ltd.	**$ 86,002**	$ 1,304,805
Element 29 Ventures Ltd.	**31,812**	151,373
Kel-Ex Development Ltd. (1)	**39,867**	3,793,166
Metalex Ventures Ltd.	**2,792**	(345)
	$ 160,473	$ 5,248,999

(1) Total cash advances received from Kelex as at July 31, 2019 is $3,649,000. These unsecured advances were non-interest bearing, with no fixed terms of repayment. In August 2019, this cash advance balance was repaid in full to Kelex.

(c) Key management personnel compensation

	Three month periods ended January 31,		Six months periods ended January 31,	
	2020	2019	**2020**	2019
Wages and benefits (1)	**$ 100,680**	$ 58,278	**$ 306,162**	$ 125,638
Stock based compensation (2)	**-**	401,000	**401,000**	401,000
	$ 100,680	$ 459,278	**$ 707,162**	$ 526,638

(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.

(Stated in Canadian dollars)

8. Asset retirement obligation

The Company's sole asset retirement obligation is based on its ownership of a remote camp location in the Yukon and right-of-use assets in said location that it will eventually need to be removed. Management estimates the cost to remove the camp structures and equipment, and the estimated time period during which these costs will be incurred in the future. These costs are expected to be incurred in approximately 10 years. The undiscounted amount of estimated cash flow required to settle the asset retirement obligation is $660,000 (July 31, 2019 - $660,000). The discounted amount of estimated cash flow required to settle the asset retirement obligation as at January 31, 2020 discounted at a rate of 8% is $306,000 (July 31, 2019 - $306,000).

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*

Legal fees of $478 were incurred during the six month period ended January 31, 2019 relating to a private placement completed in July 2018. Prior to December 31, 2018, the Company incurred the required costs for the flow through private placement and has no further commitment under the private placement.

In March 2019, the Company announced a private placement to raise $10,000,000 in a combination of flow-through shares and non-flow through units, each issued at $1.00, with the units comprised of one common share and one half of a warrant. Over the course of three tranches, the Company closed the private placement for a total of $15,000,000, from the sale of 3,500,000 shares and 11,500,000 units; 5,750,000 warrants were issued as part of the private placement. Each whole warrant is exercisable at $1.50 for a period of three years; the warrants carry an acceleration option, whereby at any time following four months from closing where the stock close at or above $2.50 for 20 consecutive trading days, management has the option to call the warrants. Finder's fees of $145,600 were paid in conjunction with the flow-through shares; 130,000 finder's warrants valued at $76,000 using the following Black-Scholes option pricing models:

	Tranche 1	Tranche 2
Expected life	3 years	3 years
Volatility	109%	109%
Risk free rate	1.63%	1.53%
Dividend rate	0%	0%

Share issuance costs of $86,660 were paid for the private placement and exercising of warrants. As at July 31, 2019, the Company had incurred $3,500,000 in exploration expenditure relating to the issuance of the flow-through shares, leaving no further commitment of costs to be incurred on the Yukon project.

In August 2019, the Company announced a private placement to raise $10,000,000 in flow through proceeds through a bought deal, with the brokers having the option to increase that amount to $12,000,000. In a combination of flow through shares at $6.00 per share and charity flow through shares at $6.52, the Company received proceeds of $12,005,160 and issued 1,907,000 shares. The Company paid commissions of $570,310, and other share issuance costs of $124,287 in conjunction with this deal.

(Stated in Canadian dollars)

9. Share capital and reserves (continued)

(b) *Issued share capital (continued)*

During the year ended July 31, 2019, the Company issued 5,949,350 shares upon the exercising of warrants; total proceeds received was $1,193,949. During the six month period ended January 31, 2020, the Company issued 86,500 shares upon the exercising of warrants; total proceeds received was $137,750.

The Company also issued 265,000 shares during the year ended July 31, 2019 upon the exercising of stock options; total proceeds from stock options was $221,500. During the six month period ended January 31, 2020, the Company issued 82,000 shares upon the exercising of stock options; total proceeds from stock options was $57,400.

c) *Stock options 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 of options		Weighted Average Exercise Price	Number of warrants		Weighted Average Exercise Price
Outstanding, July 31, 2018	652,268	$	0.78	12,010,910	$	0.22
Granted	554,000		1.00	-		1.50
Exercised	-		-	(4,839,016)		0.20
Expired	(50,000)		1.20	(97,726)		1.00
Outstanding, January 31, 2019	1,156,268	$	0.78	7,074,168	$	0.20
Granted	1,120,000		2.74	5,880,000		1.50
Exercised	(265,000)		0.84	(1,110,334)		0.20
Expired/Cancelled	(48,268)		1.20	-		1.00
Outstanding, July 31, 2019	1,963,000	$	2.42	11,843,834	$	0.84
Exercised	(82,000)		0.70	(49,000)		1.50
Expired/Cancelled	(85,000)		3.60	-		-
Exercisable and outstanding, January 31, 2020	**1,796,000**	**$**	**2.44**	**11,794,834**	**$**	**0.84**

(Stated in Canadian dollars)

9. Share capital and reserves (continued)

c) *Stock options and warrants (continued)*

The following stock options and warrants were outstanding at January 31, 2020:

	Number		price	Expiry date
Options	327,000	$	0.70	March 31, 2023
	434,000	$	1.00	December 28, 2024
	1,035,000	$	3.60	June 4, 2025
	1,796,000			
Warrants	5,965,834	$	0.20	July 12, 2021
	1,629,500	$	1.50	March 15, 2022
	2,942,500	$	1.50	March 22, 2022
	1,257,000	$	1.50	March 29, 2022
	11,794,834			

Subsequent to January 31, 2020, a total of 250,000 stock options were issued to a director of the Company and to a consultant hired by the Company. The stock options have an exercise price of $0.80/share and expire March 9, 2025.

10. Contingencies

As at January 31, 2020, the Company has accrued $100,105 ($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.

(Stated in Canadian dollars)

11. 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:

	Six month periods ended January 31, 2020	2019
Loss		
Canada	**$ 10,103,301**	$ 1,328,762
Yemen	**103,319**	101,004
United States of America	**42,325**	21,868
	$ 10,248,945	$ 1,451,634

	January 31, 2020	July 31, 2019
Reclamation bonds		
United States of America	**$ 8,709**	$ 8,653
Equipment		
Canada	**828,236**	1,242,296
	$ 836,945	$ 1,250,949

12. 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.

13. Financial instruments and risk management

As at January 31, 2020, 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.

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

At January 31, 2020, the Company is exposed to currency risk relating to funds held in U.S. dollars, Euros and Yemen rials with a value of approximately $628,973 (July 31, 2019: $740,855). The impact of a 5% change in the exchange rates for these currencies 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.

13. Financial instruments and risk management (continued)

At January 31, 2020, 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 receivables.

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

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

Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing, with the exception of invoices received from CF Minerals. This related party has implemented a policy whereby invoices are due upon receipt and past due accounts may be subject to interest of 1.5% per month.

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.