Cantex Mine Development Corp.

Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

January 31, 2017

Cantex Mine Development Corp.
January 31, 2017

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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, 2017 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, 2017		July 31, 2016
Assets					
Current assets					
Cash		$	**68,396**	$	679,785
Receivables and prepaids	3		**73,620**		21,198
			142,016		700,983
Non-current assets					
Reclamation bonds	4(b)		**14,812**		14,365
		$	**156,828**	$	715,348
Liabilities					
Current liabilities					
Trade and other payables		$	**100,790**	$	178,998
Due to related parties	6		**4,955,759**		4,559,447
			5,056,549		4,738,445
Shareholders' deficiency					
Share capital	7		**52,259,997**		51,273,295
Equity reserve	7		**1,224,628**		1,212,628
Deficit			**(58,384,346)**		(56,509,020)
			(4,899,721)		(4,023,097)
		$	**156,828**	$	715,348

Nature and continuance of operations (Note 1)

Subsequent events (Note 7(b))

Commitments (Note 8)

Contingencies (Note 9)

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 January 31,		Six month periods ended January 31,	
	Note	**2017**	2016	**2017**	2016
Expenses					
Depreciation	5	**$ -**	$ 917	**$ -**	$ 2,150
Exploration expenditures	4	**1,180,523**	142,337	**1,817,712**	378,638
Office and administrative		**16,564**	18,864	**29,607**	41,280
Professional fees		**12,624**	14,676	**14,924**	15,194
Stock-based compensation	7(d)	**-**	1,000	**-**	1,000
Transfer agent and filing fees		**17,080**	25,336	**22,413**	31,281
		(1,226,791)	(203,130)	**(1,884,656)**	(469,543)
Other items					
Interest income		**912**	195	**2,055**	590
Foreign exchange gain (loss)		**4,423**	(8,538)	**7,275**	(6,745)
		5,335	(8,343)	**9,330**	(6,155)
Loss and comprehensive loss		**$ (1,221,456)**	$ (211,473)	**$ (1,875,326)**	$ (475,698)
Loss per common share, basic and diluted		**$ (0.01)**	$ (0.00)	**$ (0.02)**	$ (0.00)
Weighted average number of common shares outstanding, basic and diluted		**125,542,818**	101,648,780	**120,652,768**	101,391,172

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)

	Note	**Number of common Shares**	**Share capital**	**Subscriptions received in advance**	**Equity reserve**	**Deficit**	**Total**
Balance, July 31, 2015		93,648,798	$ 50,196,584	$ 30,000	$ 1,207,628	$ (55,487,768)	$ (4,053,556)
Shares issued for cash - private placement	7(b)	8,000,000	400,000	(30,000)	-	-	370,000
Share issuance costs	7(b)	-	(3,212)	-	-	-	(3,212)
Stock-based compensation	7(d)	-	-	-	1,000	-	1,000
Loss and comprehensive loss for the period		-	-	-	-	(264,225)	(264,225)
Balance, January 31, 2016		101,648,798	50,593,372	-	1,208,628	(55,751,993)	(3,949,993)
Shares issued for cash - private placement	7(b)	14,000,000	700,000		-	-	700,000
Share issuance costs	7(b)	-	(20,077)	-	4,000	-	(16,077)
Loss and comprehensive loss for the period		-	-	-	-	(757,027)	(757,027)
Balance, July 31, 2016		115,648,798	51,273,295	-	1,212,628	(56,509,020)	(4,023,097)
Warrants exercised for cash	7(b)	80,000	8,000	-	-	-	8,000
Shares issued for cash - private placement	7(b)	14,846,857	1,039,280		-	-	1,039,280
Share issuance costs	7(b)	-	(60,578)	-	12,000	-	(48,578)
Loss and comprehensive loss for the period		-	-	-	-	(1,875,326)	(1,875,326)
Balance, January 31, 2017		130,575,655	$ 52,259,997	$ -	$ 1,224,628	$ (58,384,346)	$ (4,899,721)

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)

	Note	Six month periods ended January 31, 2017	January 31, 2016
Operating activities			
Loss for the year		**$ (1,875,326)**	$ (475,698)
Items not involving cash			
Depreciation		**-**	2,150
Stock-based compensation		**-**	1,000
Interest income		**(2,055)**	(590)
Unrealized foreign exchange gain		**(447)**	(1,004)
Changes in operating assets and liabilities			
Receivables and prepaids		**(52,422)**	5,101
Trade and other payables and due to related parties		**68,104**	(40,285)
		(1,862,146)	(509,326)
Investing activities			
Interest received		**2,055**	590
		2,055	590
Financing activities			
Warrants exercised	7(b)	**8,000**	-
Issuance of common shares and warrants	7(b)	**1,039,280**	370,000
Share issue costs	7(b)	**(48,578)**	(3,212)
Advances from related party		**250,000**	-
		1,248,702	366,788
Change in cash during the year		**(611,389)**	(141,948)
Cash, beginning of year		**679,785**	169,627
Cash, end of year		**$ 68,396**	$ 27,679
Supplemental disclosure:			
Taxes paid		**$ -**	$ -
Interest paid		**$ -**	$ -
Non-cash financing and investing activities:			
Warrants issued as finders fees		**$ 12,000**	$ -

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 4), continued receipt of financial support (Note 7), completion of equity financings (Note 8), and generating profitable operations in the future (Note 11). 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, 2017, the Company has incurred cumulative losses of $58,384,346 (July 31, 2016 – $56,509,020) and has a working capital deficiency of $4,914,533 (July 31, 2016 – $4,037,462). 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, 2016.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2016 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 22, 2017.

(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	January 31, 2017	July 31, 2016
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 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. Receivables and prepaids

	Janaury 31, 2017	July 31, 2016
GST receivables	**$ 62,190**	$ 19,410
Prepaid expenses	**11,430**	1,788
	$ 73,620	$ 21,198

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)

	Yemen (a)	Nevada (b)	Yukon (c)	Total
Cumulative expenditures to July 31, 2015	$ 25,327,257	$ 2,095,799	$ 7,965,304	$ 35,388,360
Additions:				
Consulting and engineering	9,585	1,230	187,499	198,314
Licenses and permits	414	30,193	-	30,607
Travel, field and other	29,854	1,021	50,066	80,941
Wages	45,221	-	23,555	68,776
Net expenditures during the period	85,074	32,444	261,120	378,638
Cumulative expenditures to January 31, 2016	25,412,331	2,128,243	8,226,424	35,766,998
Net expenditures to year end	64,670	111	423,869	488,650
Cumulative expenditures to July 31, 2016	$ 25,477,001	$ 2,128,354	$ 8,650,293	$ 36,255,648
Additions:				
Consulting and engineering	424	6,154	217,495	224,073
Licenses and permits	-	31,366	14,549	45,915
Travel, field and other	44,182	1,180	1,084,847	1,130,209
Wages	55,453	-	362,062	417,515
Net expenditures during the period	100,059	38,700	1,678,953	1,817,712
Cumulative expenditures to January 31, 2017	$ 25,577,060	$ 2,167,054	$ 10,329,246	$ 38,073,360

(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.

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*

The Company has six gold exploration claims in the state of Nevada comprised of 140 claims. Reclamation bonds of $14,812 (July 31, 2016 - $14,365) have been posted with the State of Nevada.

(c) *Yukon program*

As of January 31, 2017, 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.

(Stated in Canadian dollars)

5. Equipment

	Field equipment	Accumulated depreciation	Balance
	$	$	$
Cost			
Balance August 1, 2015	534,973	(531,906)	3,067
Additions (Depreciation)	-	(2,150)	(2,150)
Balance January 31, 2016	534,973	(534,056)	917
Additions (Depreciation)	-	(917)	(917)
Balance July 31, 2016 and January 31, 2017	534,973	(534,973)	-
Carrying amounts:			
As at January 31, 2016		$	917
As at July 31, 2016 and Janaury 31, 2017		$	-

6. Related party transactions and balances

During the three and six month periods ended January 31, 2017 and 2016, the Company had related party transactions with the following companies related by way of common directors or shareholders:

- C.F. Mineral Research Ltd. ("CF Minerals") – a private company owned by 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.

(Stated in Canadian dollars)

6. 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:

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

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

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

(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:

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

(Stated in Canadian dollars)

6. Related party transactions and balances (continued)

(c) Key management personnel compensation

	Three months ended January 31,		Six months ended January 31,	
	2017	2016	**2017**	2016
Wages and benefit (1)	**$ 42,180**	$ 24,457	**$ 106,854**	$ 53,497
Stock based compensation (2)	**-**	1,000	**-**	1,000
	$ 42,180	$ 25,457	**$ 106,854**	$ 54,497

(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.

7. 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, 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.

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.

In September 2016, warrants for 80,000 shares were exercised at $0.10 per share for total proceeds of $8,000.

(Stated in Canadian dollars)

7. Share capital and reserves (continued)

(b) *Issued share capital (continued)*

In November and December 2016, the Company closed two tranches of a private placement and issued 11,889,857 flow-through shares and 2,957,000 non-flow through units (the "units"), both at $0.07 per share and unit in a private placement for gross proceeds of $832,290 in flow-through proceeds and $206,990 in units proceeds. 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 $30,103 were paid in conjunction with the flow-through shares; 377,257 finder's warrants valued at $12,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 128%, a risk free rate of 0.80% and dividend rate of 0% were issued in conjunction with sale of the units. Share issuance costs of $18,475 were paid for the private placement.

As at January 31, 2017, the Company has incurred sufficient expenditures relating to the issuance of the flow-through shares. As such, there is no remaining outstanding commitment to incurring exploration expenditures.

(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, 2015	936,000	0.12	9,001,212	0.22
Granted	46,667	-	9,680,000	0.10
Outstanding January 31 and July 31, 2016	982,667	0.12	18,681,212	0.22
Granted	-	-	1,855,757	0.10
Exercised	-	-	(80,000)	0.10
Expired	-	-	(2,500,000)	0.10
Exercisable and outstanding, January 31, 2017	**982,667**	**$ 0.12**	**17,956,969**	**$ 0.16**

(Stated in Canadian dollars)

7. Share capital and reserves (continued)

(c) *Stock option and warrants*

The following stock options and warrants were outstanding at January 31, 2017:

	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
	600,000	$	0.05	August 5, 2018
	9,080,000	$	0.10	July 4, 2018
	1,478,500	$	0.10	November 23, 2018
	377,257	$	0.10	December 14, 2018
	17,956,969			

(d) *Stock option plan*

During the year, the Company recognized stock-based compensation of $Nil (2016 – $1,000) 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.

8. 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 $823 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 $295 per month. The current lease expires July 2018. Total minimum future lease payments for office premises over the next two years are: 2017 – $4,936; 2018 – $8,816.

(Stated in Canadian dollars)

9. 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 January 31, 2017, the Company has accrued $98,433 ($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.

10. 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, 2017	2016
Loss		
Canada	**$ 1,736,567**	$ 357,863
Yemen	**100,059**	85,391
United States of America	**38,700**	32,444
	$ 1,875,326	$ 475,698

	January 31, 2017	July 31, 2016
Reclamation bonds		
United States of America	**$ 14,812**	$ 14,365
	$ 14,812	$ 14,365

11. 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.

11. 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.

12. Financial instruments and risk management

As at January 31, 2017, 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.

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.

12. Financial instruments and risk management (continued)

At January 31, 2017, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $21,903 (July 31, 2016: $27,067). The impact of a 5% change in the U.S. dollar and Yemen rials exchange rate to the Canadian dollar would not materially affect the operations of the Company.

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

At January 31, 2017, 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.