



Cantex Mine Development Corp.

Consolidated Financial Statements

Expressed in Canadian dollars

July 31, 2019

# **Cantex Mine Development Corp.**

July 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Cantex Mine Development Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Cantex Mine Development Corp. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 27, 2019

# Cantex Mine Development Corp.

## Consolidated Statements of Financial Position

(Stated in Canadian dollars)

As at	Note	July 31, 2019	July 31, 2018
<b>Assets</b>			
Current assets			
Cash		\$ 11,531,978	\$ 1,773,923
Receivables and prepaids	4	431,278	49,079
		<b>11,963,256</b>	1,823,002
Non-current assets			
Reclamation bonds	5(c)	8,653	8,566
Property and equipment	6	603,641	-
Right-of-use assets	7	638,655	-
		<b>\$ 13,214,205</b>	\$ 1,831,568
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		\$ 654,030	\$ 310,599
Due to related parties	8	5,248,999	5,725,155
Lease obligations	7	642,860	-
		<b>6,545,889</b>	6,035,754
Non-current liabilities			
Asset retirement obligation	9	306,000	-
		<b>6,851,889</b>	<b>6,035,754</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	70,382,727	54,137,978
Equity reserve	10	4,938,804	1,203,628
Deficit		<b>(68,959,215)</b>	<b>(59,545,792)</b>
		<b>6,362,316</b>	<b>(4,204,186)</b>
		<b>\$ 13,214,205</b>	\$ 1,831,568

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Contingencies (Note 12)

Approved by the Board of Directors:

*"Vernon Frolick"*

Vernon Frolick

*"Chad Ulansky"*

Chad Ulansky

See accompanying notes to the consolidated financial statements.

## Cantex Mine Development Corp.

Consolidated Statements of Loss and Comprehensive Loss  
(Stated in Canadian dollars)

	Note	Years ended July 31,	
		2019	2018
<b>Expenses</b>			
Depreciation	6,7	\$ 138,764	\$ -
Exploration expenditures	5	5,317,944	612,352
Office and administrative		159,323	78,117
Professional fees		53,590	27,094
Stock-based compensation	10(e)	3,876,000	-
Transfer agent and filing fees		54,815	41,566
		<b>(9,600,436)</b>	<b>(759,129)</b>
<b>Other items</b>			
Interest income		90,694	663
Miscellaneous income		-	6,400
Foreign exchange gain		17,055	22,049
		<b>107,749</b>	<b>29,112</b>
<b>Loss and comprehensive loss</b>		<b>\$ (9,492,687)</b>	<b>\$ (730,017)</b>
Loss per common share, basic and diluted		<b>\$ (0.28)</b>	<b>\$ (0.05)</b>
Weighted average number of common shares outstanding, basic and diluted		<b>33,660,784</b>	<b>13,632,908</b>

See accompanying notes to the consolidated financial statements.

## Cantex Mine Development Corp.

### Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Stated in Canadian dollars)

	Note	Number of common shares	Share capital	Equity reserve	Deficit	Total
		Note 10(b)				
<b>Balance, July 31, 2017</b>		13,057,569	\$ 52,264,997	\$ 1,363,628	\$ (58,815,775)	\$ (5,187,150)
Shares issued for cash - private placement	10(c)	11,666,667	1,750,000	-	-	1,750,000
Share issuance costs	10(c)	-	(53,019)	16,000	-	(37,019)
Reserves transferred on expired warrants	10(d)	-	176,000	(176,000)	-	-
Loss and comprehensive loss for the year		-	-	-	(730,017)	(730,017)
<b>Balance, July 31, 2018</b>		24,724,236	54,137,978	1,203,628	(59,545,792)	(4,204,186)
Shares issued for cash - private placement	10(c)	15,000,000	15,000,000	-	-	15,000,000
Share issuance costs	10(c)	-	(308,260)	76,000	-	(232,260)
Warrants exercised for shares	10(c)	5,949,350	1,193,949	-	-	1,193,949
Options exercised for shares	10(c)	265,000	347,060	(125,560)	-	221,500
Reserves transferred on expired warrants	10(d)	-	12,000	(12,000)	-	-
Stock-based compensation	10(e)	-	-	3,876,000	-	3,876,000
Reserves transferred on expired options		-	-	(79,264)	79,264	-
Loss and comprehensive loss for the year		-	-	-	(9,492,687)	(9,492,687)
<b>Balance, July 31, 2019</b>		45,938,586	\$ 70,382,727	\$ 4,938,804	\$ (68,959,215)	\$ 6,362,316

See accompanying notes to the consolidated financial statements.



# Cantex Mine Development Corp.

## Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Years ended July 31,	
	2019	2018
<b>Operating activities</b>		
Loss for the year	\$ (9,492,687)	\$ (730,017)
Items not involving cash		
Depreciation	138,764	-
Stock-based compensation	3,876,000	-
Interest on lease obligations	9,808	-
Unrealized foreign exchange gain	(87)	(160)
Changes in operating assets and liabilities		
Receivables and prepaids	(382,199)	(40,440)
Refund of Nevada reclamation bond	-	5,806
Trade and other payables and due to related parties	(103,018)	462,292
	<b>(5,953,419)</b>	<b>(302,519)</b>
<b>Investing activities</b>		
Lease liability for right of use assets	(133,333)	-
Purchase of property and equipment	(308,675)	-
	<b>(442,008)</b>	<b>-</b>
<b>Financing activities</b>		
Issuance of common shares	15,000,000	1,750,000
Warrants exercised	1,193,949	-
Options exercised	221,500	-
Share issue costs	(261,967)	(7,312)
Advances from related party	-	249,000
	<b>16,153,482</b>	<b>1,991,688</b>
Change in cash during the year	<b>9,758,055</b>	1,689,169
Cash, beginning of year	<b>1,773,923</b>	84,754
<b>Cash, end of year</b>	<b>\$ 11,531,978</b>	<b>\$ 1,773,923</b>
<b>Supplemental disclosure:</b>		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Recognition of right of use assets	\$ 766,385	\$ -
Recognition of asset retirement obligation	\$ 306,000	\$ -
Transfer of reserves on expired options	\$ 79,264	\$ -
Transfer of reserves on exercised options	\$ 125,560	\$ -
Transfer of reserves on expired and cancelled warrants	\$ 12,000	\$ 176,000
Finder's warrants issued as fees on private placement	\$ 76,000	\$ 16,000
Share issuance costs accrued through trade payables	\$ -	\$ 29,707

See accompanying notes to the consolidated financial statements.

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(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 consolidated financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge 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 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 July 31, 2019, the Company has incurred cumulative losses of \$68,959,215 (July 31, 2018 – \$59,545,792) and has working capital of \$5,417,367 (July 31, 2018 – deficit of \$4,212,752). 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant policies applied in these consolidated financial statements are based on IFRS in effect as of July 31, 2019.

These consolidated financial statements were approved for issue by the Board of Directors on November 27, 2019.

#### (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	
		July 31, 2019	July 31, 2018
Cantex Gold Corp.	USA	100%	100%

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(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, 2019.

#### *New Standards Adopted*

- *IFRS 9 "Financial Instruments"* – This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and is applicable to 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.
- *IFRS 16 "Leases"* – Effective August 1, 2018, the Company early adopted IFRS 16, which 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. Prior to August 1, 2018, the Company had no leases; during the year ended July 31, 2019, the Company entered into a lease agreement for drilling equipment.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As the Company had no leases prior to the adoption of this standard, no retroactive restatement is required.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 2. Basis of presentation (continued)

### (c) *Adoption of new and revised standards and interpretations*

#### *New Standards Not Yet Adopted*

- 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 12). 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.

## 3. Significant accounting policies

### (a) *Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive loss from the effective date of control or up to the effective date of loss of control, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

### (b) *Income*

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Administration fees income is earned pursuant to mineral property agreements with third-party partners. Administration fees are accrued at a prescribed rate based upon certain exploration expenditures.

### (c) *Foreign currencies*

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

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 3. Significant accounting policies (continued)

### (c) *Foreign currencies (continued)*

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing at the date of the transaction. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the statement of financial position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The results and financial position of operations which have a functional currency different from that of the Company are translated into Canadian dollars as follows:

- assets and liabilities are translated at the closing exchange rate at that date;
- income and expenses are translated at average exchange rates for the period; and
- the resulting exchange differences are included in the foreign currency exchange gain (loss) on the statement of loss.

### (d) *Equipment*

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized using the straight-line method, over 60 months for Field equipment and 36 months for Computer software.

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

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

### (e) *Exploration expense*

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

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 3. Significant accounting policies (continued)

### (f) *Stock-based payments*

The Company has a stock option plan that is described in Note 11(e). Stock-based compensation to employees or those that provide similar services as employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The costs of equity-settled transactions are recognized over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

### (g) *Taxation*

Income tax expense represents the sum of tax currently payable and deferred tax. If the current and deferred tax relates to items recognized directly in equity or in other comprehensive income, the related taxes are recognized in equity or other comprehensive income.

#### *Current income taxes*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

#### *Deferred income taxes*

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 3. Significant accounting policies (continued)

### (h) *Loss per share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The calculation assumes that proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the years ended July 31, 2019 and 2018, all outstanding stock options and warrants were anti-dilutive.

### (i) *Financial instruments*

#### Non-derivative financial assets:

The Company has only loans and receivables as non-derivative financial assets. Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss using the expected credit loss model.

Cash consists of amounts held at major financial institutions that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value and are measured at amortized cost. The Company's cash is invested in business accounts.

#### Impairment of financial assets at amortized cost

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

#### Non-derivative financial liabilities:

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

All financial liabilities fall within the classification of other financial liabilities versus financial liabilities through profit and loss and are initially recorded at fair value net of any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

### 3. Significant accounting policies (continued)

#### (i) *Financial instruments (continued)*

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

#### Derivative financial assets and liabilities

The Company has no derivative financial assets or liabilities.

#### (j) *Impairment of non-financial assets*

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

#### (k) *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.



# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 3. Significant accounting policies (continued)

### (l) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence; related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### (m) *Asset retirement obligations*

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

Management has reviewed the Company's likely retirement costs of its equipment, and mineral properties for known obligations under contract, common practices or laws and regulations in effect or anticipated. The Company has determined that there is a material asset retirement obligation associated with the Yukon project, and accordingly, has accrued this amount in the financial statements.

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

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

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

- i) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity (deficiency). The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The accrual of unresolved tax assessment. The Company has recorded an estimate of the amount payable as a result of a tax audit by the Government of Yemen. In the event that the circumstances surrounding this matter change, the effects will be recognized.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 3. Significant accounting policies (continued)

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

- iv) The inputs for future asset retirement obligations. The Company has capitalized an asset retirement cost and accrued a future asset retirement obligation. In the event that the assumptions used by management change, the effects will be recognized.
- v) The valuation of right-of-use assets. The Company has capitalized drilling equipment leased to it from a related party based on the estimated interest rate that the Company would be able to obtain.

(o) *Flow-through shares*

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

## 4. Receivables and prepaids

	<b>July 31, 2019</b>		July 31, 2018
GST receivables	\$ 162,282	\$	15,513
Third party receivable	19,446		31,778
Prepaid expenses	249,550		1,788
	<b>\$ 431,278</b>	<b>\$</b>	<b>49,079</b>

## 5. Mineral property interests

The Company has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiary, has an interest, in accordance with industry standards for the stage of exploration of such properties, those procedures do not guarantee the Company's title.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 5. Mineral property interests (continued)

	Yukon (a)	Yemen (b)	Nevada (c)	Total
Cumulative expenditures to July 31, 2017	\$ 10,455,990	\$ 25,672,958	\$ 2,168,740	\$ 38,297,688
Additions:				
Consulting and engineering	125,437	5,359	1,350	132,146
Licenses and permits	80	-	30,094	30,174
Travel, field and other	188,099	91,354	1,280	280,733
Wages	78,853	90,446	-	169,299
Net expenditures during the year	392,469	187,159	32,724	612,352
Cumulative expenditures to July 31, 2018	10,848,459	25,860,117	2,201,464	38,910,040
Additions:				
Consulting and engineering	567,228	6,188	2,665	576,081
Geophysics	216,455	-	-	216,455
Licenses and permits	15,030	-	19,230	34,260
Travel, field and other	3,077,909	126,200	1,316	3,205,425
Wages	1,193,295	92,428	-	1,285,723
Net expenditures during the year	5,069,917	224,816	23,211	5,317,944
Cumulative expenditures to July 31, 2019	\$ 15,918,376	\$ 26,084,933	\$ 2,224,675	\$ 44,227,984

### (a) Yukon program

As of July 31, 2019, 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<sup>2</sup>") 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.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 5. 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<sup>2</sup> to 956 km<sup>2</sup>.

#### (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 July 31, 2019, the Company had four gold exploration claims in the state of Nevada comprised of 86 claims. Reclamation bonds of \$8,653 (July 31, 2018 - \$8,566) have been posted with the State of Nevada.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 6. Property and equipment

	Field equipment	Computer equipment	Total
	\$	\$	\$
Cost			
Balance July 31, 2018	-	-	-
Additions	606,762	7,913	614,675
<b>Balance July 31, 2019</b>	<b>606,762</b>	<b>7,913</b>	<b>614,675</b>
Accumulated depreciation			
Balance April 30 and July 31, 2018	-	-	-
Depreciation	10,638	396	11,034
<b>Balance July 31, 2019</b>	<b>10,638</b>	<b>396</b>	<b>11,034</b>
Carrying amounts:			
As at July 31, 2018	-	-	-
<b>As at July 31, 2019</b>	<b>596,124</b>	<b>7,517</b>	<b>603,641</b>

## 7. Right-of-use assets and lease obligation

	Field equipment
Balance August 1, 2018	\$ -
Additions (Disposals)	766,385
Depreciation	(127,730)
<b>Balance July 31, 2019</b>	<b>\$ 638,655</b>

The Company entered into a lease agreement with Kel-Ex Developments Ltd., a related party (Note 8), 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" (Note 1(c)), 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 undertaken in the Yukon (Note 5), the Company has elected to reflect this equipment as right-of-use assets.

Interest expense on lease obligations for the year ended July 31, 2019 was \$9,808, 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 \$133,333. There are no variable lease payments not included in the measurement of lease obligations.

	Lease obligation
Lease obligation, June 1, 2019	\$ 766,385
Principal payments	(133,333)
Interest on lease obligation	9,808
<b>Lease obligation, July 31, 2019</b>	<b>\$ 642,860</b>

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 8. Related party transactions and balances

During the years ended July 31, 2019 and 2018, 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.

### (a) Related party expenses

The Company's related party expenses included in consist of the following amounts:

	Years ended July 31,	
	2019	2018
Laboratory and mineralogical costs, including storage fees	\$ 150,721	\$ 102,734
Geological consulting fees	439,327	91,863
Shared field expenditures	1,498,044	136,358
Shared office and administrative costs	84,913	62,822
	<b>\$ 2,173,005</b>	<b>\$ 393,777</b>

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

	Years ended July 31,	
	2019	2018
C.F. Mineral Research Ltd.	\$ 154,102	\$ 104,427
Element 29 Ventures Ltd.	1,038,774	130,926
Kel-Ex Development Ltd.	936,374	136,410
Metalex Ventures Ltd.	43,755	22,780
Northern Uranium Corp.	-	(766)
	<b>\$ 2,173,005</b>	<b>\$ 393,777</b>

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

### 8. Related party transactions and balances (continued)

#### (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:

	<b>July 31, 2019</b>	July 31, 2018
C.F. Mineral Research Ltd.	<b>\$ 1,304,805</b>	\$ 1,138,254
Element 29 Ventures Ltd.	<b>151,373</b>	59,879
Kel-Ex Development Ltd. (1)	<b>3,793,166</b>	4,520,327
Metalex Ventures Ltd.	<b>(345)</b>	6,695
	<b>\$ 5,248,999</b>	\$ 5,725,155

- (1) Included in related party liabilities is cash advances of \$249,000 made during the year ended July 31, 2018; there were no such advances during the year ended July 31, 2019. Total cash advances received from Kelex as at July 31, 2019 is \$3,649,000. These unsecured advances are non-interest bearing, with no fixed terms of repayment. Subsequent to year end, this cash advance balance was repaid in full to Kelex.

#### (c) Key management personnel compensation

	<b>Years ended July 31,</b>	
	<b>2019</b>	2018
Wages and benefits <sup>(1)</sup>	<b>\$ 416,228</b>	\$ 122,085
Stock based compensation <sup>(2)</sup>	<b>3,876,000</b>	-
	<b>\$ 4,292,228</b>	\$ 122,085

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

### 9. 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 10 years. The undiscounted amount of estimated cash flow required to settle the asset retirement obligation is \$660,000 (July 31, 2018 - \$nil). The discounted amount of estimated cash flow required to settle the asset retirement obligation as at July 31, 2019 discounted at a rate of 8% is \$306,000 (July 31, 2018 - \$nil).

### 10. 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.

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

### 10. Share capital and reserves (continued)

#### (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, 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 \$18,019 were paid for the private placement and share consolidation. Prior to December 31, 2018, the Company incurred the required costs 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.

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.

The Company also issued 265,000 shares upon the exercising of stock options; total proceeds from stock options was \$221,500.

#### (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.



# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 10. Share capital and reserves (continued)

### (d) Stock option and warrants (continued)

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, 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
Granted	1,674,000	2.74	5,880,000	1.50
Exercised	(265,000)	0.84	(5,949,350)	0.20
Expired/Cancelled	(98,268)	1.20	(97,726)	1.00
Exerciseable and outstanding, July 31, 2019	<b>1,963,000</b>	<b>\$ 2.42</b>	<b>11,843,834</b>	<b>\$ 0.84</b>

The following stock options and warrants were outstanding at July 31, 2019:

	Number	price	Expiry date
<b>Options</b>	409,000	\$ 0.70	March 31, 2023 (Note 11)
	434,000	\$ 1.00	December 28, 2024
	1,120,000	\$ 3.60	December 28, 2024
	<b>1,963,000</b>		
<b>Warrants</b>	5,965,834	\$ 0.20	July 12, 2021
	1,639,500	\$ 1.50	March 15, 2022 (Note 11)
	2,981,500	\$ 1.50	March 22, 2022 (Note 11)
	1,257,000	\$ 1.50	March 29, 2022
	<b>11,843,834</b>		

### (e) Stock option plan

During the year ended July 31, 2019, the Company recognized stock-based compensation of \$3,876,000 (2018 - \$Nil) in the statement of operations as a result of the aforementioned stock options granted and vested. The weighted average fair value of options granted was valued at \$2.74 per option (2018 - \$Nil) using the Black-Scholes option pricing model. The assumptions used in calculating fair values are as follows:

	December 2018	June 2019
Risk-free interest rate	1.89%	1.35%
Expected option life	6 years	6 years
Expected stock price volatility	175%	132%
Expected dividend yield	0%	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.

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

### 11. Subsequent events

#### (a) Share capital issued through private placement

Subsequent to July 31, 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 \$79,000 in conjunction with this deal.

#### (b) Stock options and warrants

Subsequent to July 31, 2019, the Company received proceeds of \$57,400 and issued 82,000 shares from the exercising of stock options. Also subsequent to July 31, 2019, an additional 86,500 warrants were exercised for the same number of shares; the Company received proceeds of \$129,750.

### 12. Contingencies

As at July 31, 2019, the Company has accrued \$99,462 (\$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.

### 13. Income taxes

#### (a) Corporate income tax expense

Income tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the income (loss) before the tax provision due to the following:

	2019	2018
Loss before income taxes	\$ 9,492,687	\$ 730,017
Expected income tax recovery	(2,563,000)	(197,000)
Change in statutory, foreign tax, foreign exchange rates and other	139,000	63,000
Permanent differences	1,047,000	-
Impact of flow through shares	1,369,000	-
Share issue cost	(63,000)	(10,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	-
Changes in unrecognized deductible temporary differences	71,000	144,000
	\$ -	\$ -

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 13. Income taxes (continued)

### (b) Temporary differences

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

	<b>2019</b>	2018
<b>Temporary differences</b>		
Exploration and evaluation assets	<b>\$ 29,647,000</b>	\$ 29,432,000
Property and equipment	<b>52,000</b>	796,000
Share issue costs	<b>232,000</b>	75,000
Asset retirement obligation	<b>306,000</b>	-
Allowable capital losses	<b>876,000</b>	636,000
Non-capital losses available for future period	<b>2,688,000</b>	2,947,000

- (i) The Company has income tax loss carry-forwards of approximately \$1,985,020 (2018 - \$1,599,315) for Canadian tax purposes. These un-recognized tax losses will expire between 2028 to 2039.
- (ii) The Company has net-capital loss carry-forwards of approximately \$875,744 (2018 - \$635,719) for Canadian tax purposes. These un-recognized tax losses are carried forward indefinitely.
- (iii) The Company has income tax loss carry-forwards of approximately \$700,877 (2018 - \$1,347,839) for United States tax purposes. These un-recognized tax losses will expire between 2026 and 2039.

The remaining tax assets have no expiry date or dates in line with non-capital loss carryforwards.

## 14. 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:

	<b>Years ended July 31,</b>	
	<b>2019</b>	2018
<b>Loss</b>		
Canada	<b>\$ 9,194,660</b>	\$ 510,134
Yemen	<b>274,816</b>	187,159
United States of America	<b>23,211</b>	32,724
	<b>\$ 9,492,687</b>	\$ 730,017
	<b>July 31,</b>	July 31,
	<b>2019</b>	2018
<b>Reclamation bonds</b>		
United States of America	<b>\$ 8,653</b>	\$ 8,566
<b>Equipment</b>		
Canada	<b>1,242,296</b>	-
	<b>\$ 1,250,949</b>	\$ 8,566

# Cantex Mine Development Corp.

## Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

### 15. 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.

### 16. Financial instruments and risk management

As at July 31, 2019, 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.

# Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2019

(Stated in Canadian dollars)

## 16. Financial instruments and risk management (continued)

Level 3 – Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

The Company has no financial instruments measured at fair value hierarchy for the years presented.

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

At July 31, 2019, the Company is exposed to currency risk relating to funds held in U.S. dollars, and Yemen rials with a value of approximately \$740,855 (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 July 31, 2019, 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 15 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.