



Cantex Mine Development Corp.
Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

January 31, 2021

Cantex Mine Development Corp.

January 31, 2021

Table of contents

Notice to Reader	1
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	3
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	4
Condensed Consolidated Interim Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 18

NOTICE TO READER

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the six months ended January 31, 2021 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, 2021	July 31, 2020
Assets			
Current assets			
Cash		\$ 4,008,356	\$ 5,599,995
Receivables and prepaids	3	133,476	157,212
		4,141,832	5,757,207
Non-current assets			
Reclamation bonds	4(c)	63,399	8,821
Property and equipment	5	579,039	609,907
Right-of-use assets	6	262,100	354,606
		\$ 5,046,370	\$ 6,730,541
Liabilities			
Current liabilities			
Trade and other payables		\$ 310,484	\$ 257,802
Due to related parties	7	43,088	341,293
Lease obligations	6	250,216	365,029
Flow through premium liability	9(b)	-	242,200
		603,788	1,206,324
Non-current liabilities			
Asset retirement obligation	8	374,000	374,000
		977,788	1,580,324
Shareholders' equity			
Share capital	9	76,131,641	72,089,956
Equity reserve	9	4,781,776	4,781,776
Deficit		(76,844,835)	(71,721,515)
		4,068,582	5,150,217
		\$ 5,046,370	\$ 6,730,541

Nature and continuance of operations (Note 1)

Commitments (Note 9 (b))

Contingencies (Note 10)

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)

	Note	Three month periods ended		Six month periods ended	
		January 31,		January 31,	
		2021	2020	2021	2020
Expenses					
Depreciation	5,6	\$ 61,687	\$ 207,030	\$ 123,374	\$ 414,060
Exploration expenditures	4	2,035,067	3,346,297	5,137,324	9,850,182
Office and administrative		33,234	45,843	89,310	83,582
Professional fees		6,262	19,801	13,811	23,606
Transfer agent and filing fees		9,941	24,393	19,272	32,465
		(2,146,191)	(3,643,364)	(5,383,091)	(10,403,895)
Other items					
Flow through premium recovery	9(b)	-	-	242,200	-
Interest income		10,150	58,223	21,699	129,967
Foreign exchange gain (loss)		(11,636)	13,627	(4,128)	24,983
		(1,486)	71,850	259,771	154,950
Loss and comprehensive loss		\$ (2,147,677)	\$ (3,571,514)	\$ (5,123,320)	\$ (10,248,945)
Loss per common share, basic and diluted		\$ (0.04)	\$ (0.07)	\$ (0.10)	\$ (0.21)
Weighted average number of common shares outstanding, basic and diluted		51,001,614	48,009,195	50,578,807	47,760,662

See accompanying notes to the condensed consolidated financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

	Note	Number of common shares	Share capital	Equity reserve	Deficit	Total
Balance, July 31, 2019		45,938,586	\$ 70,382,727	\$ 4,938,804	\$ (68,959,215)	\$ 6,362,316
Shares issued for cash - private placement	9(b)	1,907,000	12,005,160	-	-	12,005,160
Share issuance costs	9(b)	-	(694,597)	-	-	(694,597)
Warrants exercised for shares	10(c)	86,500	137,750	(8,000)	-	129,750
Options exercised for shares	10(c)	82,000	78,700	(21,300)	-	57,400
Reserves transferred on expired options		-	-	(263,728)	263,728	-
Loss and comprehensive loss for the year		-	-	-	(10,248,945)	(10,248,945)
Balance, January 31, 2020		48,014,086	81,909,740	4,645,776	(78,944,432)	7,611,084
Shares issued for cash - private placement	9(b)	-	-	-	-	-
Share issuance costs	9(b)	-	(47,684)	-	-	(47,684)
Flow through premium		-	(9,812,100)	-	-	(9,812,100)
Warrants exercised for shares	9(c)	200,000	40,000	-	-	40,000
Stock-based compensation		-	-	136,000	-	136,000
Net income and comprehensive income for the period		-	-	-	7,222,917	7,222,917
Balance, July 31, 2020		48,214,086	72,089,956	4,781,776	(71,721,515)	5,150,217
Shares issued for cash - private placement	9(b)	2,246,948	4,135,601	-	-	4,135,601
Share issuance costs	9(b)	-	(237,249)	-	-	(237,249)
Warrants exercised for shares	9(c)	716,666	143,333	-	-	143,333
Loss and comprehensive loss for the year		-	-	-	(5,123,320)	(5,123,320)
Balance, January 31, 2021		51,177,700	\$ 76,131,641	\$ 4,781,776	\$ (76,844,835)	\$ 4,068,582

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Prepared by Management)

(Stated in Canadian dollars)

	Six month periods ended	
	January 31,	
	2021	2020
Operating activities		
Loss for the year	\$ (5,123,320)	\$ (10,248,945)
Items not involving cash		
Flow through premium recovery	(242,200)	-
Depreciation	123,377	414,060
Interest on lease obligations	9,312	19,421
Unrealized foreign exchange gain	(54,578)	(56)
Changes in operating assets and liabilities		
Receivables and prepaids	23,736	214,265
Trade and other payables and due to related parties	(245,524)	(1,912,436)
	(5,509,197)	(11,513,691)
Investing activities		
Lease liability for right of use assets	(124,127)	(400,000)
	(124,127)	(400,000)
Financing activities		
Issuance of common shares	4,135,601	12,005,160
Warrants exercised	143,333	129,750
Options exercised	-	57,400
Share issue costs	(237,249)	(694,597)
Repayment of advances from related party	-	(3,649,000)
	4,041,685	7,848,713
Change in cash during the year	(1,591,639)	(4,064,978)
Cash, beginning of year	5,599,995	11,531,978
Cash, end of year	\$ 4,008,356	\$ 7,467,000
Supplemental disclosure:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Recovery of flow through premium liability	\$ 242,200	\$ -
Transfer of reserves on expired options	\$ -	\$ 21,300
Transfer of reserves on exercised options and warrants	\$ -	\$ 8,000

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

1. Nature and continuance of operations

Cantex Mine Development Corp. ("Cantex" or the "Company") is incorporated under the laws of the Province of Alberta and is considered to be in the exploration stage with respect to its mineral properties. To date, the Company has not generated significant revenues from operations and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The Company's common shares are listed on the TSX Venture Exchange under the symbol "CD".

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

These condensed consolidated interim financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties (Note 4), continued receipt of financial support (Note 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

As at January 31, 2021, the Company has incurred cumulative losses of \$76,844,835 (July 31, 2020 – \$71,721,515) and has working capital of \$3,538,044 (July 31, 2020 – \$4,550,883). Additional financing will be required for the Company to continue operations. The above conditions may raise significant doubt regarding the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, adjustments would be necessary in the carrying values of assets and liabilities.

2. Basis of presentation

(a) *Statement of compliance*

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The significant policies applied in these condensed consolidated interim financial statements are the same as those set out in Note 3 to the audited consolidated financial statements for the year ended July 31, 2020.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2020 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 1, 2021.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

2. Basis of presentation (continued)

(b) Basis of presentation

These condensed consolidated interim 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	
		January 31, 2021	July 31, 2020
Cantex Gold Corp.	USA	100%	100%

(c) Adoption of new and revised standards and interpretations

New Standards Adopted

- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – This amendment was adopted as of August 1, 2020 and has been applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounting for, whereas changes in accounting estimates are generally accounted for on a prospective basis. There was no impact to the financial statements from the adoption of this amendment.

3. Receivables and prepaids

	January 31, 2021	July 31, 2020
GST receivables	\$ 89,055	\$ 43,885
Prepaid expenses	44,421	113,327
	\$ 133,476	\$ 157,212

4. Mineral property interests

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

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

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

4. Mineral property interests (continued)

	Yukon (a)	Yemen (b)	Nevada (c)	Total
Cumulative expenditures to July 31, 2019	\$ 15,918,376	\$ 26,084,933	\$ 2,224,675	\$ 44,227,984
Consulting and engineering	955,747	191	18,200	974,138
Geophysics	224,931	-	-	224,931
Licenses and permits	5	-	22,666	22,671
Travel, field and other	5,667,389	54,751	1,459	5,723,599
Wages	2,856,466	48,377	-	2,904,843
Net expenditures during the period	9,704,538	103,319	42,325	9,850,182
Cumulative expenditures to January 31, 2020	25,622,914	26,188,252	2,267,000	54,078,166
Net expenditures to year end	1,733,768	91,187	9,717	1,834,672
Cumulative expenditures to July 31, 2020	27,356,682	26,279,439	2,276,717	55,912,838
Consulting and engineering	530,895	2,672	57,122	590,689
Geophysics	-	-	-	-
Licenses and permits	14,280	-	20,935	35,215
Travel, field and other	2,266,374	84,274	252,786	2,603,434
Wages	1,642,020	46,707	219,259	1,907,986
Net expenditures during the period	4,453,569	133,653	550,102	5,137,324
Cumulative expenditures to January 31, 2021	\$ 31,810,251	\$ 26,413,092	\$ 2,826,819	\$ 61,050,162

(a) Yukon program

As of January 31, 2021, 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 ("km²") prospecting permit in the Republic of Yemen. With continued exploration, the Company was able to focus its efforts on progressively smaller areas that demonstrated the potential for economic mineralization. The Company has held an exploration license granting exclusive exploration rights and the right to obtain an exploration contract since 1999. Under the terms of the exploration contract, the Government of the Republic of Yemen has the right to offer to acquire, on commercial terms, an undivided interest of up to 49% in this exploration license. In this event, the Company's interest (and that of any partner) would be diluted proportionately.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

4. Mineral property interests (continued)

(b) *Yemen program (continued)*

(i) *Exploration license (continued)*

In January 2012, the exploration license containing the Al Hariqah project was renewed under the new Yemeni mining code. The new license is valid for an initial four year period and can be renewed for two further four year periods. In addition, the license has been expanded from its original 71 km² to 956 km².

(ii) *Agreement with WCP Resources Ltd.*

In December 2011, the Company entered into an agreement with WCP Resources Ltd (“WCP”) wherein WCP can earn an interest in the Al Hariqah gold project by funding advanced exploration and mine development to commercial production. The staged earn-in agreement allows WCP to earn up to a 70% interest in the project after funding a minimum of US\$30,000,000 over a seven year period.

WCP had two years from February 2012 to exercise an option to commence the earn-in to the project, after which they may earn an initial 40% interest in the project by expending US\$5,000,000 within two years. As of May 31, 2014, WCP gave notice that they felt they had reached this 40% level; the Company does not agree with this statement. In October, 2014, WCP gave additional notice that they would no longer be funding the project. Allocation of ownership of the project has not yet been finalized.

In October 2014, the Company, in conjunction with WCP, declared a state of force majeure in regards to the Al Hariqah project. Due to the current political climate, notice was given to the Chairman of the Geological and Mineral Resource Board of Yemen that the Company no longer felt that the project area was secure. Operations at the Al Hariqah site have since ceased; the Company’s current expenditures on the project relate to maintaining our Yemen office and employing office staff to continue to promote our interests in the country.

(c) *Nevada program*

As at January 31, 2021, the Company had four gold exploration claims in the state of Nevada comprised of 86 claims. Reclamation bonds of \$63,399 (July 31, 2020 - \$8,821) have been posted with the State of Nevada.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

5. Property and equipment

	Field equipment	Computer equipment	Total
Cost			
Balance July 31, 2019 and January 31, 2020	\$ 606,762	\$ 7,913	\$ 614,675
Additions	68,000	-	68,000
Balance July 31 and October 31, 2020	\$ 674,762	\$ 7,913	\$ 682,675
Accumulated depreciation			
Balance July 31, 2019	\$ 10,638	\$ 396	\$ 11,034
Depreciation	30,075	792	30,867
Balance January 31, 2020	40,713	1,188	41,901
Depreciation	30,076	791	30,867
Balance July 31, 2020	70,789	1,979	72,768
Depreciation	30,076	792	30,868
Balance January 31, 2021	\$ 100,865	\$ 2,771	\$ 103,636
Carrying amounts:			
As at July 31, 2019	\$ 596,124	\$ 7,517	\$ 603,641
As at January 31, 2020	\$ 566,049	\$ 6,725	\$ 572,774
As at July 31, 2020	\$ 603,973	\$ 5,934	\$ 609,907
As at January 31, 2021	\$ 573,897	\$ 5,142	\$ 579,039

6. Right-of-use assets and lease obligation

	Field equipment
Balance July 31, 2019	\$ 638,655
Depreciation	(383,193)
Balance January 31, 2020	255,462
Additions	370,027
Depreciation	(270,883)
Balance July 31, 2020	354,606
Depreciation	(92,506)
Balance January 31, 2021	\$ 262,100

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 expired on May 31, 2020 and the Company renewed the lease for a two-year term ending June 30, 2022. Total payments over the term of the lease total \$393,375 plus GST; monthly payments vary based on the timing of the drill program and whether the equipment is in use or not.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

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

Interest expense on lease obligations for the six month period ended January 31, 2021 was \$9,312 (six month period ended January 31, 2020 – \$19,421), and is included in Exploration expenditures. For the 2019-2020 lease, the Company had 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 \$124,125 during the six month period ended January 31, 2021 (six month period ended January 31, 2020 – \$400,000). There are no variable lease payments not included in the measurement of lease obligations.

	Lease obligation
Lease obligation, July 31, 2019	\$ 642,860
Principal payments	(400,000)
Interest on lease obligation	19,421
Lease obligation, January 31, 2020	262,281
2020-2022 lease obligation	370,027
Principal payments	(273,668)
Interest on lease obligation	6,389
Lease obligation, July 31, 2020	365,029
Principal payments	(124,125)
Interest on lease obligation	9,312
Lease obligation, January 31, 2021	\$ 250,216

7. Related party transactions and balances

During the three and six month periods ended January 31, 2021 and 2020, the Company had related party transactions with the following individuals and companies related by way of common directors or shareholders:

- C.F. Mineral Research Ltd. ("CF Minerals") – a private company owned by the Cantex Chairman. CF Minerals provides heavy mineral geochemistry services to the Company, as well as storage of samples and supplies.
- Kel-Ex Development Ltd. ("Kel-Ex") – a private company owned by the Cantex Chairman. Kel-Ex provides administration, payroll and office services to the Company, as well as some shared exploration costs and equipment rentals.
- Element 29 Ventures Ltd. ("Element 29") – a private company owned by the Cantex CEO. Element 29 provides geological consulting services and equipment rentals to the Company.
- FourIrons Consulting ("FourIrons") – a private company owned by the Cantex CFO. FourIrons provides financial 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.
- Thomas Obradovich ("Obradovich") – a director of the Company

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

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

7. Related party transactions and balances (continued)

(a) Related party expenses

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

	Three month periods ended		Six month periods ended	
	January 31,		January 31,	
	2021	2020	2021	2020
Laboratory and mineralogical costs, including storage fees	\$ 166,797	\$ 206,015	\$ 236,038	\$ 417,790
Geological consulting fees	84,817	123,258	225,216	369,106
Consulting fees	13,075	-	36,700	-
Shared field expenditures	372,889	737,979	1,333,309	1,870,871
Shared office and administrative costs	8,049	24,709	17,791	53,794
	\$ 645,627	\$ 1,091,961	\$ 1,849,054	\$ 2,711,561

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

	Three month periods ended		Six month periods ended	
	January 31,		January 31,	
	2021	2020	2021	2020
C.F. Mineral Research Ltd.	\$ 166,797	\$ 206,015	\$ 236,038	\$ 418,231
Element 29 Ventures Ltd.	200,022	277,350	633,535	695,829
FourIrons Consulting	13,075	-	26,700	-
Kel-Ex Development Ltd.	257,025	600,800	925,687	1,582,163
Metalex Ventures Ltd.	8,708	7,796	17,094	15,338
Thomas Obradovich	-	-	10,000	-
	\$ 645,627	\$ 1,091,961	\$ 1,849,054	\$ 2,711,561

(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,	July 31,
	2021	2020
C.F. Mineral Research Ltd.	\$ 5,347	\$ 77,181
Element 29 Ventures Ltd.	15,014	127,054
FourIrons Consulting	3,413	-
Kel-Ex Development Ltd.	16,431	124,206
Metalex Ventures Ltd.	2,883	2,852
Thomas Obradovich	-	10,000
	\$ 43,088	\$ 341,293

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

7. Related party transactions and balances (continued)

(c) Key management personnel compensation

	Three month periods ended		Six month periods ended	
	January 31,		January 31,	
	2021	2020	2021	2020
Wages and benefits ⁽¹⁾	\$ 67,800	\$ 100,680	\$ 155,090	\$ 306,162
Director consulting fees	-	-	10,000	-
	\$ 67,800	\$ 100,680	\$ 165,090	\$ 306,162

(1) Wages and benefits include amounts paid or accrued for geological consulting fees, payroll costs and financial consulting fees. Geological consulting fees are paid to Element 29 for the services of the Chief Executive Officer; payroll costs are the amounts paid to Kel-Ex for the services of the Chief Financial Officer in August 2020; financial consulting fees are paid to FourIrons for the services of the Chief Financial Officer beginning in August 2020.

8. Asset retirement obligation

The Company's sole asset retirement obligation is based on its ownership of a remote camp location in the Yukon and right-of-use assets in said location that it will eventually need to be removed. Management estimates the cost to remove the camp structures and equipment, and the estimated time period during which these costs will be incurred in the future. These costs are expected to be incurred in approximately 9 years. The undiscounted amount of estimated cash flow required to settle the asset retirement obligation is \$660,000 (July 31, 2020 - \$660,000). The discounted amount of estimated cash flow required to settle the asset retirement obligation as at January 31, 2021 discounted at a rate of 6.5% is \$374,000 (July 31, 2020 - \$374,000).

9. Share capital and reserves

(a) Authorized share capital

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

(b) Issued share capital

In August 2019, 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 \$171,971 in conjunction with this deal. The Company incurred a flow-through premium of \$9,812,100 associated with this flow-through share issuance. As at July 31, 2020, the Company had \$296,318 in remaining flow through funds to spend; these were incurred in August of 2020. As the Company had not yet incurred sufficient expenditures relating to this flow-through issuance, there was a resulting Flow-through premium liability of \$242,200, which was recovered during the six month period ended January 31, 2021; we have recognized the recovery of flow through premium of \$242,200 as Other income in the Statement of Loss and Comprehensive Loss.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share capital and reserves (continued)

(b) Issued share capital (continued)

In August 2020, the received proceeds of \$4,135,601 from the issuance of 2,246,948 common shares, which were issued as a combination of flow through shares at \$1.70 per share and charity flow through shares at \$1.90 per share. The Company paid commissions of \$196,491 and other share issuance costs of \$40,758 in conjunction with this deal. As at January 31, 2021, the Company had a commitment to spend the remaining \$81,690 of flow through funds.

During the year ended July 31, 2020, the Company issued 286,500 shares upon the exercising of warrants; total proceeds received was \$169,750. During the six month period ended January 31, 2021, the Company issued 716,666 shares upon the exercising of warrants; total proceeds received was \$143,333.

During the year ended July 31, 2020, the Company issued 82,000 shares upon the exercising of stock options; total proceeds from stock options was \$57,400.

(c) Stock options and warrants

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

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

	Stock Options		Warrants	
	Number of	Weighted	Number of	Weighted
	options	Average	warrants	Average
		Exercise Price		Exercise Price
Outstanding, July 31, 2019	1,963,000	\$ 2.42	11,843,834	\$ 0.84
Exercised	(82,000)	0.70	(49,000)	1.50
Expired/Cancelled	(85,000)	3.60	-	-
Outstanding, January 31, 2020	1,796,000	2.44	11,794,834	0.84
Exercised	-	-	(237,500)	0.40
Granted	250,000	0.80	-	-
Outstanding, July 31, 2020	2,046,000	2.24	11,557,334	0.84
Exercised	-	-	(716,666)	0.20
Exercisable and outstanding, January 31, 2021	2,046,000	\$ 2.24	10,840,668	\$ 0.89

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

9. Share capital and reserves (continued)

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

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

	Number	price	Expiry date
Options	327,000	\$ 0.70	March 31, 2023
	434,000	\$ 1.00	December 28, 2024
	1,035,000	\$ 3.60	June 4, 2025
	250,000	\$ 0.80	March 9, 2025
	2,046,000		
Warrants	5,049,168	\$ 0.20	July 12, 2021
	1,629,500	\$ 1.50	March 15, 2022
	2,905,000	\$ 1.50	March 22, 2022
	1,257,000	\$ 1.50	March 29, 2022
	10,840,668		

10. Contingencies

As at January 31, 2021, the Company has accrued \$96,678 (\$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.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

11. Segmented information

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

	Six month periods ended	
	January 31,	
	2021	2020
Loss		
Canada	\$ 4,439,565	\$ 10,103,301
Yemen	133,653	103,319
United States of America	550,102	42,325
	\$ 5,123,320	\$ 10,248,945
	January 31,	July 31,
	2021	2020
Reclamation bonds		
United States of America	\$ 63,399	\$ 8,821
Equipment		
Canada	841,139	964,513
	\$ 904,538	\$ 973,334

12. Capital management

The Company includes equity (comprising of issued common shares), reserves and deficit, in its definition of capital.

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration of its mineral properties while maintaining its ongoing operations. To secure the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity.

The Company expects its current capital resources will not be sufficient to complete its exploration plans through its current operating period and it will be required to raise additional funds through future equity issuances or secure other financing. To date, the Company has relied on advances from related parties to fund its operations and exploration activities and expects continued financial support through the next twelve months. The Company is currently not subject to externally imposed capital requirements. The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in secure deposits in large Canadian financial institutions.

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

12. Financial instruments and risk management

As at January 31, 2021, the Company's financial instruments are cash, receivables, reclamation bonds, trade and other payables and amounts due to related parties. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. These financial instruments are classified as follows:

- Cash and reclamation bonds are comprised of balances held at major financial institutions (in the case of reclamation bonds, these are held through the related government body) that are readily convertible into a known amount of cash and which are only subject to an insignificant risk of change in value, is classified as fair value through profit and loss, and is measured at amortized cost on the statement of financial position at fair value;
- Receivables are classified as loans and receivables and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest method; and
- Trade and other payables and amounts due to related parties are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method.

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

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

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

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

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

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

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

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

At January 31, 2021, the Company is exposed to currency risk relating to funds held in U.S. dollars, Euros and Yemen rials with a value of approximately \$187,905 (July 31, 2020: \$620,514). The impact of a 5% change in the exchange rates for these currencies to the Canadian dollar would not materially affect decisions of the Company's operations plans.

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

Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

January 31, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

12. Financial instruments and risk management (continued)

At January 31, 2021, 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 related party receivables.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 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, with the exception of invoices received from CF Minerals. This related party has implemented a policy whereby invoices are due upon receipt and past due accounts may be subject to interest of 1.5% per month. No such payables are included in the balance due as at January 31, 2021 and July 31, 2020.

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.