



**Cantex Mine Development Corp.**  
Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

April 30, 2021

# **Cantex Mine Development Corp.**

April 30, 2021

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**NOTICE TO READER**

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the nine months ended April 30, 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	April 30, 2021	July 31, 2020
<b>Assets</b>			
Current assets			
Cash		\$ 3,147,844	\$ 5,599,995
Receivables and prepaids	3	51,953	157,212
		<b>3,199,797</b>	5,757,207
Non-current assets			
Reclamation bonds	4(c)	60,943	8,821
Property and equipment	5	563,606	609,907
Right-of-use assets	6	215,846	354,606
		<b>\$ 4,040,192</b>	\$ 6,730,541
<b>Liabilities</b>			
Current liabilities			
Trade and other payables		\$ 105,329	\$ 257,802
Due to related parties	7	54,736	341,293
Lease obligations	6	254,305	365,029
Flow through premium liability	9(b)	-	242,200
		<b>414,370</b>	1,206,324
Non-current liabilities			
Asset retirement obligation	8	374,000	374,000
		<b>788,370</b>	<b>1,580,324</b>
<b>Shareholders' equity</b>			
Share capital	9	76,151,641	72,089,956
Equity reserve	9	4,781,776	4,781,776
Deficit		(77,681,595)	(71,721,515)
		<b>3,251,822</b>	5,150,217
		<b>\$ 4,040,192</b>	\$ 6,730,541

Nature and continuance of operations (Note 1)

Commitments (Note 9 (b))

Subsequent events (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		Nine month periods ended	
		April 30,		April 30,	
		2021	2020	2021	2020
<b>Expenses</b>					
Depreciation	5,6	\$ 61,687	\$ 207,030	\$ 185,061	\$ 621,090
Exploration expenditures	4	725,846	700,826	5,863,170	10,551,008
Office and administrative		33,341	44,898	122,651	128,480
Professional fees		7,991	1,469	21,802	25,075
Stock-based compensation	10(d)	-	105,000	-	105,000
Transfer agent and filing fees		23,486	17,661	42,758	50,126
		<b>(852,351)</b>	<b>(1,076,884)</b>	<b>(6,235,442)</b>	<b>(11,480,779)</b>
<b>Other items</b>					
Flow through premium recovery	9(b)	-	-	242,200	-
Interest income		6,454	34,015	28,153	163,982
Foreign exchange gain (loss)		9,137	38,800	5,009	63,783
		<b>15,591</b>	<b>72,815</b>	<b>275,362</b>	<b>227,765</b>
<b>Loss and comprehensive loss</b>		<b>\$ (836,760)</b>	<b>\$ (1,004,069)</b>	<b>\$ (5,960,080)</b>	<b>\$ (11,253,014)</b>
Loss per common share, basic and diluted		<b>\$ (0.02)</b>	<b>\$ (0.07)</b>	<b>\$ (0.12)</b>	<b>\$ (0.24)</b>
Weighted average number of common shares outstanding, basic and diluted		<b>51,224,891</b>	<b>48,014,086</b>	<b>50,789,436</b>	<b>47,843,904</b>

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
<b>Balance, July 31, 2019</b>		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)	-	(742,281)	-	-	(742,281)
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	-
Stock-based compensation	10(d)	-	-	105,000	-	105,000
Loss and comprehensive loss for the year		-	-	-	(11,253,014)	(11,253,014)
<b>Balance, April 30, 2020</b>		48,014,086	81,862,056	4,750,776	(79,948,501)	6,664,331
Flow through premium		-	(9,812,100)	-	-	(9,812,100)
Warrants exercised for shares	9(c)	200,000	40,000	-	-	40,000
Stock-based compensation		-	-	31,000	-	31,000
Net income and comprehensive income for the period		-	-	-	8,226,986	8,226,986
<b>Balance, July 31, 2020</b>		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)	816,666	163,333	-	-	163,333
Loss and comprehensive loss for the year		-	-	-	(5,960,080)	(5,960,080)
<b>Balance, April 30, 2021</b>		51,277,700	\$ 76,151,641	\$ 4,781,776	\$ (77,681,595)	\$ 3,251,822

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)

	Nine month periods ended	
	April 30,	
	2021	2020
<b>Operating activities</b>		
Loss for the year	\$ (5,960,080)	\$ (11,253,014)
Items not involving cash		
Flow through premium recovery	(242,200)	-
Depreciation	185,064	621,090
Stock-based compensation	-	105,000
Interest on lease obligations	13,401	23,365
Unrealized foreign exchange gain	(52,122)	(501)
Changes in operating assets and liabilities		
Receivables and prepaids	105,259	350,118
Trade and other payables and due to related parties	(439,031)	(1,962,348)
	<b>(6,389,709)</b>	<b>(12,116,290)</b>
<b>Investing activities</b>		
Lease liability for right of use assets	(124,127)	(600,000)
	<b>(124,127)</b>	<b>(600,000)</b>
<b>Financing activities</b>		
Issuance of common shares	4,135,601	12,005,160
Warrants exercised	163,333	129,750
Options exercised	-	57,400
Share issue costs	(237,249)	(742,281)
Repayment of advances from related party	-	(3,649,000)
	<b>4,061,685</b>	<b>7,801,029</b>
Change in cash during the year	<b>(2,452,151)</b>	<b>(4,915,261)</b>
Cash, beginning of year	<b>5,599,995</b>	<b>11,531,978</b>
<b>Cash, end of year</b>	<b>\$ 3,147,844</b>	<b>\$ 6,616,717</b>
<b>Supplemental disclosure:</b>		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Recovery of flow through premium liability	\$ 242,200	\$ -
Transfer of reserves on expired options	\$ -	\$ 263,728
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

April 30, 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 April 30, 2021, the Company has incurred cumulative losses of \$77,681,595 (July 31, 2020 – \$71,721,515) and has working capital of \$2,785,427 (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 June 22, 2021.



# Cantex Mine Development Corp.

## Notes to the condensed consolidated interim financial statements

April 30, 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	
		April 30, 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

	April 30, 2021	July 31, 2020
GST receivables	\$ 26,482	\$ 43,885
Prepaid expenses	25,471	113,327
	<b>\$ 51,953</b>	<b>\$ 157,212</b>

### 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

April 30, 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	1,241,836	5,876	18,275	1,265,987
Geophysics	224,931	-	-	224,931
Licenses and permits	5	-	22,666	22,671
Travel, field and other	5,944,381	80,390	1,850	6,026,621
Wages	2,937,812	72,986	-	3,010,798
Net expenditures during the period	10,348,965	159,252	42,791	10,551,008
Cumulative expenditures to April 30, 2020	26,267,341	26,244,185	2,267,466	54,778,992
Net expenditures to year end	1,089,341	35,254	9,251	1,133,846
Cumulative expenditures to July 31, 2020	27,356,682	26,279,439	2,276,717	55,912,838
Consulting and engineering	722,516	5,252	193,172	920,940
Geophysics	-	-	-	-
Licenses and permits	14,280	-	20,935	35,215
Travel, field and other	2,335,257	111,368	362,885	2,809,510
Wages	1,655,672	69,059	372,774	2,097,505
Net expenditures during the period	4,727,725	185,679	949,766	5,863,170
Cumulative expenditures to April 30, 2021	\$ 32,084,407	\$ 26,465,118	\$ 3,226,483	\$ 61,776,008

### (a) Yukon program

As of April 30, 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 ("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 condensed consolidated interim financial statements

April 30, 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 km<sup>2</sup> to 956 km<sup>2</sup>.

#### (ii) *Agreement for Al Hariqah property*

In December 2011, the Company entered into an agreement with Piedmont Lithium Limited (formerly known as WCP Resources Ltd ("Piedmont")) wherein Piedmont 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 Piedmont to earn up to a 70% interest in the project after funding a minimum of US\$30,000,000 over a seven year period.

Piedmont 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, Piedmont gave notice that they felt they had reached this 40% level; the Company does not agree with this statement. In October, 2014, Piedmont gave additional notice that they would no longer be funding the project. Allocation of ownership of the project has not yet been finalized. In May 2021, the Company received notice from Piedmont that it had assigned its interest in Al Hariqah to Lantern Resources Pty Ltd, an affiliate and subsidiary of Piedmont.

In October 2014, the Company, in conjunction with Piedmont, 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 April 30, 2021, the Company had four gold exploration claims in the state of Nevada comprised of 86 claims. Reclamation bonds of \$60,943 (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

April 30, 2021

(Unaudited – Prepared by Management)

(Stated in Canadian dollars)

## 5. Property and equipment

	Field equipment	Computer equipment	Total
<b>Cost</b>			
Balance July 31, 2019 and April 30, 2020	\$ 606,762	\$ 7,913	\$ 614,675
Additions	68,000	-	68,000
<b>Balance July 31, 2020 and April 30, 2021</b>	<b>\$ 674,762</b>	<b>\$ 7,913</b>	<b>\$ 682,675</b>
<b>Accumulated depreciation</b>			
Balance July 31, 2019	\$ 10,638	\$ 396	\$ 11,034
Depreciation	45,114	1,197	46,311
Balance April 30, 2020	55,752	1,593	57,345
Depreciation	15,037	386	15,423
Balance July 31, 2020	70,789	1,979	72,768
Depreciation	45,113	1,188	46,301
<b>Balance April 30, 2021</b>	<b>\$ 115,902</b>	<b>\$ 3,167</b>	<b>\$ 119,069</b>
<b>Carrying amounts:</b>			
As at July 31, 2019	\$ 596,124	\$ 7,517	\$ 603,641
As at April 30, 2020	\$ 551,010	\$ 6,320	\$ 557,330
As at July 31, 2020	\$ 603,973	\$ 5,934	\$ 609,907
As at April 30, 2021	\$ 558,860	\$ 4,746	\$ 563,606

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

	Field equipment
Balance July 31, 2019	\$ 638,655
Depreciation	(574,790)
Balance April 30, 2020	63,865
Additions	370,027
Depreciation	(79,286)
Balance July 31, 2020	354,606
Depreciation	(138,760)
<b>Balance April 30, 2021</b>	<b>\$ 215,846</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 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

April 30, 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 nine month period ended April 30, 2021 was \$13,401 (nine month period ended April 30, 2020 – \$23,365), 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 nine month period ended April 30, 2021 (nine month period ended April 30, 2020 – \$600,000). 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	(600,000)
Interest on lease obligation	23,365
Lease obligation, April 30, 2020	66,225
2020-2022 lease obligation	370,027
Principal payments	(73,668)
Interest on lease obligation	2,445
Lease obligation, July 31, 2020	365,029
Principal payments	(124,125)
Interest on lease obligation	13,401
Lease obligation, April 30, 2021	\$ 254,305

### 7. Related party transactions and balances

During the three and nine month periods ended April 30, 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 former director of the Company; Mr Obradovich resigned from the board as of May 18, 2021

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

April 30, 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 (net of recoveries) consist of the following amounts:

	Three month periods ended		Nine month periods ended	
	April 30,		April 30,	
	2021	2020	2021	2020
Laboratory and mineralogical costs, including storage fees	\$ 73,298	\$ 154,025	\$ 309,336	\$ 571,815
Geological consulting fees	50,159	27,396	275,375	396,502
Consulting fees	8,925	-	45,625	-
Shared field expenditures	35,133	558,342	1,368,442	2,429,213
Shared office and administrative costs	12,352	23,941	30,143	77,735
	\$ 179,867	\$ 763,704	\$ 2,028,921	\$ 3,475,265

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

	Three month periods ended		Nine month periods ended	
	April 30,		April 30,	
	2021	2020	2021	2020
C.F. Mineral Research Ltd.	\$ 73,298	\$ 157,540	\$ 309,336	\$ 575,771
Element 29 Ventures Ltd.	39,074	266,927	672,609	962,756
FourIrons Consulting	8,925	-	35,625	-
Kel-Ex Development Ltd.	48,141	331,260	973,828	1,913,423
Metalex Ventures Ltd.	10,429	7,977	27,523	23,315
Thomas Obradovich	-	-	10,000	-
	\$ 179,867	\$ 763,704	\$ 2,028,921	\$ 3,475,265

### (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:

	April 30,	July 31,
	2021	2020
C.F. Mineral Research Ltd.	\$ 21,389	\$ 77,181
Element 29 Ventures Ltd.	7,343	127,054
FourIrons Consulting	2,021	-
Kel-Ex Development Ltd.	20,066	124,206
Metalex Ventures Ltd.	3,917	2,852
Thomas Obradovich	-	10,000
	\$ 54,736	\$ 341,293

# Cantex Mine Development Corp.

Notes to the condensed consolidated interim financial statements

April 30, 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		Nine month periods ended	
	April 30,		April 30,	
	2021	2020	2021	2020
Wages and benefits <sup>(1)</sup>	\$ 35,056	\$ 78,294	\$ 190,146	\$ 304,816
Director consulting fees	-	-	10,000	-
Stock based compensation <sup>(2)</sup>	-	84,000	-	84,000
	\$ 35,056	\$ 162,294	\$ 200,146	\$ 388,816

(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.

(2) Stock-based compensation is the fair value of options granted and expensed to directors and management personnel during the period. The Company issued stock-based compensation to a director and to a consultant during the period ended April 30, 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 April 30, 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 nine 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

April 30, 2021

(Unaudited – Prepared by Management)

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

#### (b) Issued share capital (continued)

In August 2020, the Company 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 April 30, 2021, the Company had fulfilled its commitment to spend these 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 nine month period ended April 30, 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.

Subsequent to April 30, 2021, the Company issued 1,948,668 shares upon the exercising of warrants; total proceeds received was \$389,734.

#### (c) Stock options and warrants

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

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

	Stock Options		Warrants	
	Number of options	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Outstanding, July 31, 2019	1,963,000	\$ 2.42	11,843,834	\$ 0.84
Granted	250,000	\$ 0.80		
Exercised	(82,000)	0.70	(86,500)	1.50
Expired/Cancelled	(85,000)	3.60	-	-
Outstanding, April 30, 2020	2,046,000	2.44	11,757,334	0.84
Exercised	-	-	(200,000)	0.40
Granted	-	-	-	-
Outstanding, July 31, 2020	2,046,000	2.24	11,557,334	0.84
Exercised	-	-	(816,666)	0.20
Exercisable and outstanding, April 30, 2021	<b>2,046,000</b>	<b>\$ 2.24</b>	<b>10,740,668</b>	<b>\$ 0.90</b>
Exercisable and outstanding, current	<b>2,046,000</b>	<b>\$ 2.24</b>	<b>8,792,000</b>	<b>\$ 1.06</b>



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## 9. Share capital and reserves (continued)

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

The following stock options and warrants were outstanding at April 30, 2021:

	Number	Exercise price	Expiry date
<b>Options</b>	200,000	\$ 0.80	August 16, 2021
	327,000	\$ 0.70	March 31, 2023
	434,000	\$ 1.00	December 28, 2024
	1,035,000	\$ 3.60	June 4, 2025
	50,000	\$ 0.80	March 9, 2025
	<b>2,046,000</b>		
<b>Warrants</b>	4,949,168 *	\$ 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
	<b>10,740,668</b>		

\* Subsequent to April 30, 2021, 1,948,668 warrants were exercised, resulting in the same number of shares being issued. To date, there are 3,000,500 remaining warrants exercisable at \$0.20, expiring July 12, 2021.

## 10. Contingencies

As at April 30, 2021, the Company has accrued \$92,934 (\$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

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## 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:

	Nine month periods ended	
	April 30,	
	2021	2020
Loss		
Canada	\$ 4,824,635	\$ 11,050,971
Yemen	185,679	159,252
United States of America	949,766	42,791
	<b>\$ 5,960,080</b>	<b>\$ 11,253,014</b>
	<b>April 30,</b>	<b>July 31,</b>
	<b>2021</b>	<b>2020</b>
Reclamation bonds		
United States of America	\$ 60,943	\$ 8,821
Equipment		
Canada	779,452	964,513
	<b>\$ 840,395</b>	<b>\$ 973,334</b>

## 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

April 30, 2021

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### 13. Financial instruments and risk management

As at April 30, 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 April 30, 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 \$65,297 (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

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

At April 30, 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 12 to the condensed consolidated interim financial statements.

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

Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing, with the exception of invoices received from CF Minerals. This related party has implemented a policy whereby invoices are due upon receipt and past due accounts may be subject to interest of 1.5% per month. No such payables are included in the balance due as at April 30, 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.