Cantex Mine Development Corp.

Consolidated Financial Statements

Expressed in Canadian dollars

July 31, 2022

Cantex Mine Development Corp.
July 31, 2022

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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 statements of financial position as at July 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity, 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, 2022 and 2021, 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 audit 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 audit 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 indicates that the Company incurred cumulative losses of $86,800,298 to July 31, 2022 and additional financing will be required for the Company to continue operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists 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 Alyson Neil.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

November 28, 2022

Cantex Mine Development Corp.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

As at	Note		**July 31, 2022**		July 31, 2021
Assets					
Current assets					
Cash		**$**	**3,540,996**	$	2,117,966
Receivables and prepaids	4		**274,913**		320,540
			3,815,909		2,438,506
Non-current assets					
Reclamation bonds	5(c)		**63,617**		61,821
Equipment	6		**451,487**		581,172
Right-of-use assets	7		**349,719**		169,593
		$	**4,680,732**	$	3,251,092
Liabilities					
Current liabilities					
Trade and other payables		**$**	**732,487**	$	327,234
Due to related parties	8		**569,598**		604,167
Current portion of lease obligations	7		**154,476**		168,413
			1,456,561		1,099,814
Non-current liabilities					
Lease obligations	7		**175,213**		-
Asset retirement obligation	9		**363,000**		407,000
			1,994,774		1,506,814
Shareholders' equity					
Share capital	10		**84,792,280**		75,918,474
Equity reserve	10		**4,693,976**		4,765,776
Deficit			**(86,800,298)**		(78,939,972)
			2,685,958		1,744,278
		$	**4,680,732**	$	3,251,092

Nature and continuance of operations (Note 1)
Subsequent events (Notes 5(b) and 10(b))
Commitments (Note 10(b))
Contingencies (Note 11)

Approved by the Board of Directors:

"Vernon Frolick"	*"Chad Ulansky"*
Vernon Frolick	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, 2022	2021
Expenses			
Accretion	9	**$ 26,432**	$ -
Depreciation	6,7	**246,618**	246,748
Exploration expenditures	5	**7,721,758**	8,251,260
Office and administrative		**215,911**	151,073
Professional fees		**67,391**	46,327
Transfer agent and filing fees		**59,368**	52,834
		(8,337,478)	(8,748,242)
Other items			
Flow through premium recovery	10(b)	**293,000**	1,481,200
Foreign exchange gain		**42,986**	15,048
Interest income		**31,316**	33,537
Miscellaneous income		**1,050**	-
		368,352	1,529,785
Loss and comprehensive loss		**$ (7,969,126)**	$ (7,218,457)
Loss per common share, basic and diluted		**$ (0.12)**	$ (0.14)
Weighted average number of common shares outstanding, basic and diluted		**63,898,218**	51,442,079

See accompanying notes to the consolidated financial statements.

Cantex Mine Development Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

	Note	**Number of common shares**	**Share capital**	**Equity reserve**	**Deficit**	**Total**
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	10(b)	2,246,948	4,135,601	-	-	4,135,601
Share issuance costs	10(b)	-	(237,249)	-	-	(237,249)
Flow through premium	10(b)	-	(1,239,000)	-	-	(1,239,000)
Warrants exercised for shares	10(b)	5,765,834	1,169,166	(16,000)	-	1,153,166
Loss and comprehensive loss for the year		-	-	-	(7,218,457)	(7,218,457)
Balance, July 31, 2021		56,226,868	75,918,474	4,765,776	(78,939,972)	1,744,278
			-			
Shares issued for cash - private placement	10(b)	23,265,212	9,560,032	-	-	9,560,032
Shares issued for services rendered	10(b)	836,069	267,541	-	-	267,541
Share issuance costs	10(b)	-	(727,767)	104,000	-	(623,767)
Flow through premium	10(b)	-	(293,000)	-	-	(293,000)
Reserves transferred on expired options		-	-	(108,800)	108,800	-
Reserves transferred on expired warrants		-	67,000	(67,000)	-	-
Loss and comprehensive loss for the year		-	-	-	(7,969,126)	(7,969,126)
Balance, July 31, 2022		80,328,149	$ 84,792,280	$ 4,693,976	$(86,800,298)	$ 2,685,958

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, 2022	2021
Operating activities		
Loss for the year	**$ (7,969,126)**	$ (7,218,457)
Items not involving cash		
Flow through premium recovery	**(293,000)**	(1,481,200)
Accretion	**26,432**	-
Depreciation	**246,618**	246,748
Interest on lease obligations	**6,977**	17,259
Unrealized foreign exchange gain	**(1,796)**	3,544
Changes in operating assets and liabilities		
Receivables and prepaids	**45,627**	(163,328)
Trade and other payables and due to related parties	**370,684**	332,306
	(7,567,584)	(8,263,128)
Investing activities		
Purchase of capital assets	**(2,567)**	(56,544)
	(2,567)	(56,544)
Financing activities		
Issuance of common shares	**9,560,032**	4,135,601
Warrants exercised	**-**	1,153,166
Share issue costs	**(356,226)**	(237,249)
Lease liability for right-of-use assets	**(210,625)**	(213,875)
	8,993,181	4,837,643
Change in cash during the year	**1,423,030**	(3,482,029)
Cash, beginning of year	**2,117,966**	5,599,995
Cash, end of year	**$ 3,540,996**	$ 2,117,966
Supplemental disclosure:		
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Flow through premium liability	**$ 293,000**	$ 1,239,800
Adjustment to asset retirement obligation	**$ (70,432)**	$ 33,000
Adjustment of right of use assets	**$ 364,924**	$ -
Transfer of reserves on expired warrants	**$ 67,000**	$ 16,000
Transfer of reserves on expired options	**$ 108,800**	$ -
Finder's warrants issued as fees on private placement	**$ 104,000**	$ -
Shares issues as share issuance costs	**$ 267,541**	$ -

See accompanying notes to the consolidated financial statements.

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" and on the OTCQB Venture Market under the symbol CTXDF.

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 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 is liabilities in the normal course of business. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties (Note 5), 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 July 31, 2022, the Company has incurred cumulative losses of $86,800,298 (July 31, 2021 – $78,939,972) and has working capital of $2,359,348 (July 31, 2021 – $1,338,692). 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, 2022.

These consolidated financial statements were approved for issue by the Board of Directors on November 28, 2022.

2. Basis of presentation (continued)

(b) *Basis of presentation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cantex Gold Corp.

		Proportion of Ownership Interest	
Name of Subsidiary	Country of Incorporation	July 31, 2022	July 31, 2021
Cantex Gold Corp.	USA	100%	100%

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

New Standards Adopted

- IAS 1 "Presentation of Financial Statements" – This amendment was adopted as of August 1, 2021 and has been applied in determining the classification of liabilities as current or non-current. The amendment was revised to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs or refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. It also clarifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and makes clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. There was no impact to the financial statements from the adoption of this amendment.

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.

(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.

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 resulting exchange differences are included in the foreign currency exchange gain (loss) on the consolidated statements 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.

3. Significant accounting policies (continued)

(f) *Stock-based payments*

The Company has a stock option plan that is described in Note 10(c). 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.

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, 2022 and 2021, all outstanding stock options and warrants were anti-dilutive.

(i) *Financial instruments*

Non-derivative financial assets:

The Company has only reclamation bonds as non-derivative financial assets. Reclamation bonds are financial assets of a fixed amount not quoted in an active market and held by the relevant counties in the State of Nevada. Such assets are initially recognized at their payment amount. Subsequent to initial recognition, reclamation bonds are revalued using the effective foreign exchange rate.

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.

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.

<u>Derivative financial assets and liabilities</u>

The Company does not have 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 long lived 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.

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 consolidated 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. 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.

(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 a 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

		July 31, 2022		July 31, 2021
GST receivables	**$**	**154,793**	$	114,388
Prepaid expenses		**130,953**		206,152
	$	**285,746**	$	320,540

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.

(Stated in Canadian dollars)

5. Mineral property interests (continued)

	Yukon (a)	Yemen (b)	Nevada (c)	Total
Cumulative expenditures to July 31, 2020	$ 27,356,682	$ 26,279,439	$ 2,276,717	$ 55,912,838
Consulting and engineering	989,735	5,252	210,390	1,205,377
Licenses and permits	14,280	-	20,935	35,215
Travel, field and other	3,643,861	134,175	380,471	4,158,507
Wages	2,375,155	89,873	387,133	2,852,161
Net expenditures during the year	7,023,031	229,300	998,929	8,251,260
Cumulative expenditures to July 31, 2021	34,379,713	26,508,739	3,275,646	64,164,098
Consulting and engineering	905,034	5,492	34,970	945,496
Licenses and permits	14,280	-	19,770	34,050
Travel, field and other	3,954,357	114,067	4,488	4,072,912
Wages	2,579,238	90,062	-	2,669,300
Net expenditures during the year	7,452,909	209,621	59,228	7,721,758
Cumulative expenditures to July 31, 2022	$ 41,832,622	$ 26,718,360	$ 3,334,874	$ 71,885,856

(a) *Yukon program*

As of July 31, 2022, the Company holds certain claim blocks, which are located 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 prospecting permit in the Republic of Yemen. 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.

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 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.

(ii) Agreement for Al Hariqah property

In December 2011, the Company entered into an agreement with Piedmont Lithium Limited ("Piedmont", formerly known as WCP Resources Ltd) 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 ("Lantern"), an affiliate and subsidiary of Piedmont. Subsequent to July 31, 2022, the Company received notice that Lantern was selling its interest in Al Hariqah to a third party; negotiations to determine and settle the percentages of ownership for the project have not been completed to date.

(c) *Nevada program*

As at July 31, 2022, the Company had four gold exploration claims in the state of Nevada. Reclamation bonds of $63,617 (July 31, 2021 - $61,821) have been posted with the State of Nevada.

(Stated in Canadian dollars)

6. Equipment

	Field equipment	Computer equipment	Total
Cost			
Balance July 31, 2020	$ 674,762	$ 7,913	$ 682,675
Additions	33,000	-	33,000
Balance July 31, 2021	707,762	7,913	715,675
Additions	-	2,567	2,567
Adjustment to Asset Retirement Obligation (Note 9)	(70,432)	-	(70,432)
Balance July 31, 2022	$ 637,330	$ 10,480	$ 647,810
Accumulated depreciation			
Balance July 31, 2020	$ 70,789	$ 1,979	$ 72,768
Depreciation	60,153	1,582	61,735
Balance July 31, 2021	130,942	3,561	134,503
Depreciation	60,152	1,668	61,820
Balance July 31, 2022	$ 191,094	$ 5,229	$ 196,323
Carrying amounts:			
As at July 31, 2021	$ 576,820	$ 4,352	$ 581,172
As at July 31, 2022	$ 446,236	$ 5,251	$ 451,487

7. Right-of-use assets and lease obligations

	Field equipment
Balance July 31, 2020	$ 354,606
Depreciation	(185,013)
Balance July 31, 2021	169,593
Additions	364,924
Depreciation	(184,798)
Balance July 31, 2022	$ 349,719

In July 2022, the Company entered into a lease agreement with Kel-Ex Developments Ltd. ("Kel-Ex"), a related party (Note 8), for the lease of three drills and an excavator for a two-year term, which ended June 30, 2022. Payments over the term of the lease totaled $393,375 plus GST; monthly payments varied based on the timing of the drill program and whether the equipment is in use or not.

A new lease agreement with Kel-Ex was entered into in July 2022, for the lease of three drills and an excavator. The new lease is for a two-year term, ending June 30, 2024. Lease payments over the term of the lease total $396,250 plus GST; monthly payments vary based on the timing of when the equipment is in use.

(Stated in Canadian dollars)

7. Right-of-use assets and lease obligations (continued)

Interest expense on lease obligations for the years ended July 31, 2022 was $6,977 (year ended July 31, 2021 – $17,259), and is included in Exploration expenditures. There are no variable lease payments not included in the measurement of lease obligations.

		Lease obligation
Lease obligation, July 31, 2020	$	365,029
Principal payments		(213,875)
Interest on lease obligation		17,259
Lease obligation, July 31, 2021		168,413
2022-2024 lease obligation		364,924
Principal payments		(210,625)
Interest on lease obligation		6,977
Lease obligation, July 31, 2022	$	329,689
Current portion of lease obligation	$	154,476
Long-term portion of lease obligation		175,213
Lease obligation, July 31, 2022	$	329,689

Total minimum future lease payments for the equipment over the next three years are: 2023 – $198,125; 2024 – $160,000; 2025 - $nil.

8. Related party transactions and balances

During the years ended July 31, 2022 and 2021, 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

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

(Stated in Canadian dollars)

8. Related party transactions and balances (continued)

(a) Related party expenses

The Company's related party expenses (net of recoveries) consist of the following amounts:

	Year ended July 31, **2022**	2021
Laboratory and mineralogical costs, including storage fees	**$ 399,342**	$ 429,647
Geological consulting fees	**348,798**	387,899
Consulting fees	**52,225**	54,375
Shared field expenditures	**2,195,292**	2,151,207
Shared office and administrative costs	**52,895**	38,428
	$ 3,048,552	$ 3,061,556

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

	Years ended July 31, **2022**	2021
C.F. Mineral Research Ltd.	**$ 399,342**	$ 429,647
Element 29 Ventures Ltd.	**993,295**	969,125
FourIrons Consulting	**52,225**	44,375
Kel-Ex Development Ltd.	**1,535,987**	1,571,727
Metalex Ventures Ltd.	**67,703**	36,682
Thomas Obradovich	**-**	10,000
	$ 3,048,552	$ 3,061,556

(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:

	July 31, 2022	July 31, 2021
C.F. Mineral Research Ltd.	**$ 86,404**	$ 124,549
Element 29 Ventures Ltd.	**170,531**	168,925
FourIrons Consulting	**3,439**	2,966
Kel-Ex Development Ltd.	**289,761**	304,107
Metalex Ventures Ltd.	**19,463**	3,620
	$ 569,598	$ 604,167

(Stated in Canadian dollars)

8. Related party transactions and balances (continued)

(c) Key management personnel compensation

	Years ended July 31,	
	2022	2021
Wages and benefits (1)	**$ 232,458**	$ 271,916

(1) Wages and benefits include amounts paid or accrued for geological consulting fees 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.

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 will eventually need to be removed. Management estimated 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 7 years. The undiscounted amount of estimated cash flow required to settle the asset retirement obligation is $685,000 (July 31, 2021 - $673,000). The discounted amount of estimated cash flow required to settle the asset retirement obligation as at July 31, 2022 discounted at a rate of 9.5% (July 31, 2021 – 6.5%) is $363,000 (July 31, 2021 –$407,000).

	North Rackla camp and equipment
Asset retirement obligation, July 31, 2020	$ 374,000
Addition - Change in estimate (note 6)	33,000
Asset retirement obligation, July 31, 2021	407,000
Accretion expense	26,432
Adjustment - Change in estimate (note 6)	(70,432)
Asset retirement obligation, July 31, 2022	$ 363,000

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.

10. Share capital and reserves (continued)

(b) *Issued share capital*

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. The Company incurred a flow-through premium of $1,239,000 associated with this flow-through share issuance. As at July 31, 2021, the Company had fulfilled its commitment to spend these flow through funds; as such, there was no resulting Flow-through premium liability. We have recognized the recovery of flow through premium of $1,239,000 as a recovery in the Statement of Loss and Comprehensive Loss.

In October 2021, the Company received proceeds of $4,200,000 from the issuance of 8,400,000 common shares, which were issued as units, comprising of one flow-through common share and one-half non-flow through warrant. The Company paid commissions of $203,400 and other share issuance costs of $32,198 in conjunction with this deal. The Company incurred a flow-through premium of $293,000 associated with this flow-through share issuance. As at July 31, 2022, the Company had fulfilled its commitment to spend these flow through funds; as such, the Company has recognized the recovery of flow through premium of $293,000 (year ended July 31, 2021 – $1,481,200 from August 2019 and August 2020 private placements) as a recovery in the Statement of Loss and Comprehensive Loss.

In April 2022, the Company received proceeds of $5,360,032 from the issuance of 14,865,212 common shares, which were issued as a combination of units and flow through units ("FT Units"); 4,812,475 units were issued at $0.32/unit, comprising of one non-flow through share and one non-flow through warrant, and 10,052,737 FT units were issued at $0.38/unit, comprising of one flow through share and one non-flow through warrant. A total of 14,865,212 warrants were issued as part of the private placement, with each whole warrant exercisable at $0.48/share, for a period of two years. The Company paid cash commissions of $83,440 and other share issuance costs of $37,188 in conjunction with this deal. In addition to cash commissions paid, the Company issued 836,069 units, each unit comprised of one non-flow through common share and one non-flow through warrant at a fair value of $267,541. As part of the commission agreement, the Company issued 1,054,821 finder's warrants valued at $104,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 76.61%, a risk free rate of 2.34% and dividend rate of 0%; the finder's warrants are also exercisable at $0.48/share, expiring March 29, 2024. As at July 31, 2022, there is $2,050,055 in unspent flow through funds that the Company has committed to spend in the Yukon. There was no premium recorded on these flow through funds.

During the year ended July 31, 2021, the Company recognized a recovery of flow through premium of $242,200 related an earlier financing. In August 2020, the Company fulfilled its commitment to spend the remainder of these flow through funds and recognized the recovery.

During the year ended July 31, 2021, the Company issued 5,765,834 shares upon the exercising of warrants; total proceeds received was $1,153,166.

(Stated in Canadian dollars)

10. Share capital and reserves (continued)

(b) *Issued share capital (continued)*

Subsequent to July 31, 2022, in November 2022, the Company received proceeds of $1,605,040 from the issuance of 6,003,852 common shares, which were issued as a combination of units and flow through units ("FT Units"); 800,000 units were issued at $0.25/unit, comprising of one non-flow through share and one half of a non-flow through warrant, and 5,203,852 FT Units were issued at $0.27/unit, comprising of on flow through share and one non-flow through warrant. A total of 3,001,926 warrant were issued as part of the private placement, with each whole warrant exercisable at $0.35/share, for a period of two years. The Company paid cash commissions of $17,713 and has incurred other share issuance costs of $10,902 in conjunction with this deal. In additional to cash commissions paid, the Company settled $80,640 in commissions through the issuance of 322,560 units, each unit comprised of one non-flow through common share and one-half of a non-flow through warrant. As part of the commission agreement, the Company issued 375,200 finder's warrants; the finder's warrants are also exercisable at $0.35/share, expiring November 17, 2024. A flow through premium of $156,000 was recorded on these flow through funds.

(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 7% of the aggregate issued and outstanding common shares (5% prior to the 2022 AGM). 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, 2020	2,046,000	$ 2.24	11,557,334	$ 0.85
Exercised	-	-	(5,765,834)	0.20
Exercisable and outstanding, July 31, 2021	2,046,000	2.24	5,791,500	1.50
Granted	-	-	20,956,102	0.51
Expired	(200,000)	0.80	(5,791,500)	1.50
Exercisable and outstanding, July 31, 2022	1,846,000	$ 2.40	20,956,102	$ 0.51

(Stated in Canadian dollars)

10. Share capital and reserves (continued)

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

The following stock options and warrants were outstanding at July 31, 2022:

	Number		Exercise 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
	50,000	$	0.80	March 9, 2025
	1,846,000			
Warrants	2,610,000	$	0.65	October 19, 2023
	1,590,000	$	0.65	October 21, 2023
	16,756,102	$	0.48	March 29, 2024
	20,956,102			

11. Contingencies

As at July 31, 2022, the Company has accrued $97,011 ($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.

In April 2022, the Company received a Notice of Assessment from the Government of Yemen in the amount of $271,186USD. As with the assessment received in 2014, the Company prepared an objection to the assessment using the argument that the bases used to calculate the assessment were incorrect. A notice of objection was filed with the Government of Yemen subsequent to July 31, 2022, in October 2022. As the Company believes that the Notice of Assessment will be reversed or reduced after the objection is reviewed, this tax amount has not been accrued as the eventual amount of the taxes owed is not known as this time.

(Stated in Canadian dollars)

12. 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:

	Year ended July 31, 2022	2021
Loss		
Canada	**$ 7,700,277**	$ 5,990,228
Yemen	**209,621**	229,300
United States of America	**59,228**	998,929
	$ 7,969,126	$ 7,218,457

	July 31, 2022	July 31, 2021
Reclamation bonds		
United States of America	**$ 63,617**	$ 61,821
Equipment		
Canada	**451,487**	581,172
Right-of-use assets		
Canada	**349,719**	169,593
	$ 864,823	$ 812,586

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:

	2022	2021
Loss before income taxes	**$ 7,969,126**	$ 7,218,457
Expected income tax recovery	**(2,142,000)**	(1,948,000)
Change in statutory, foreign tax, foreign exchange rates and other	**1,000**	(63,000)
Permanent differences	**(63,000)**	(63,000)
Impact of flow through shares	**1,612,000**	1,117,000
Share issue cost	**(96,000)**	(64,000)
Adjustment to prior years provision	**837,000**	-
Changes in unrecognized deductible temporary differences	**(149,000)**	1,021,000
	$ -	$ -

(Stated in Canadian dollars)

13. Income Taxes

(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:

	2022	2021
Temporary differences		
Exploration and evaluation assets	**$ 35,192,000**	$ 34,856,000
Property and equipment	**574,000**	471,000
Right-of-use assets/Lease liability	**(20,000)**	-
Share issue costs	**770,000**	917,000
Asset retirement obligation	**363,000**	407,000
Allowable capital losses	**636,000**	636,000
Non-capital losses available for future period	**3,637,000**	2,848,000

(i) The Company has income tax loss carry-forwards of approximately $3,637,000 (2021 - $2,848,000) for Canadian tax purposes. These un-recognized tax losses will expire between 2024 to 2042.
(ii) The Company has net-capital loss carry-forwards of approximately $636,000 (2021 - $636,000) for Canadian tax purposes. These un-recognized tax losses are carried forward indefinitely.
(iii) The Company has income tax loss carry-forwards of approximately $1,751,848 (2021 - $752,919) for United States tax purposes. These un-recognized tax losses will expire between 2026 and 2042.

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

14. 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.

15. Financial instruments and risk management

As at July 31, 2022, the Company's financial instruments are cash, receivables, reclamation bonds, trade and other payables and amounts due to related parties. Except for reclamation bonds, the amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. The reclamation bonds amount reflected in the statement of financial position is its carrying amount, adjusted for foreign exchange rate, and approximated its fair value due to the fixed nature of the asset.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, are classified as fair value through profit and loss, and are measured at their original cost on the statement of financial position at fair value;

- Receivables are classified at amortized cost using the effective interest method; and

- Trade and other payables and amounts due to related parties are classified 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 July 31, 2022, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $100,525 (July 31, 2021: $88,648). 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.

15. Financial instruments and risk management (continued)

At July 31, 2022, the Company has no financial assets that are past due or impaired due to credit risk defaults. The Company's receivables consist mainly of GST receivable due from the Federal Government of Canada. The Company is subject to the risk that its partners will default on amounts owing for their portion of exploration expenditures.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14 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. All payables to CF Minerals are current as at July 31, 2022 and 2021, and have not incurred any interest charge.

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.