Cantex Mine Development Corp.

Condensed Consolidated Interim Financial Statements

Unaudited

Expressed in Canadian dollars

January 31, 2023

Cantex Mine Development Corp.
January 31, 2023

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NOTICE TO READER

These condensed consolidated interim financial statements of Cantex Mine Development Corp. ("the Company") for the six months ended January 31, 2023 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by International Financial Reporting Standards for a review of interim financial statements by an entity's auditor.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - prepared by management)
(Stated in Canadian dollars)

As at	Note		January 31, 2023		July 31, 2022
Assets					
Current assets					
Cash		$	513,651	$	3,540,996
Receivables and prepaids	3		141,333		274,913
			654,984		3,815,909
Non-current assets					
Reclamation bonds	4(c)		66,227		63,617
Equipment	5		406,287		451,487
Right-of-use assets	6		258,488		349,719
		$	1,385,986	$	4,680,732
Liabilities					
Current liabilities					
Trade and other payables		$	128,313	$	732,487
Due to related parties	7		795,387		569,598
Current portion of lease obligations	6		183,702		154,476
			1,107,402		1,456,561
Non-current liabilities					
Lease obligations	6		43,918		175,213
Asset retirement obligation	8		363,000		363,000
			1,514,320		1,994,774
Shareholders' equity (deficit)					
Share capital	9		86,179,175		84,792,280
Equity reserve	9		4,723,976		4,693,976
Deficit			(91,031,485)		(86,800,298)
			(128,334)		2,685,958
		$	1,385,986	$	4,680,732

Nature and continuance of operations (Note 1)
Subsequent event (Note 10)
Commitments (Note 9(b))
Contingencies (Note 10)

Approved by the Board of Directors:

"Vernon Frolick"
Vernon Frolick

"Chad Ulansky"
Chad Ulansky

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

		Three month periods ended January 31,		Six month periods ended January 31,	
	Note	**2023**	2022	**2023**	2022
Expenses					
Accretion	8	**$ 7,038**	$ -	**$ 14,075**	$ -
Depreciation	5,6	**61,178**	61,687	**122,356**	123,374
Exploration expenditures	4	**1,183,113**	1,303,170	**4,122,717**	3,987,973
Office and administrative		**60,354**	31,351	**131,394**	62,579
Professional fees		**9,973**	13,708	**12,275**	14,780
Transfer agent and filing fees		**22,134**	16,050	**37,979**	23,671
		(1,343,790)	(1,425,966)	**(4,440,796)**	(4,212,377)
Other items					
Flow through premium recovery	9(b)	**156,000**	80,821	**156,000**	165,011
Foreign exchange gain		**13,895**	15,994	**25,731**	23,629
Interest income		**7,224**	4,283	**27,878**	7,575
Miscellaneous income		**-**	-	**-**	1,050
		177,119	101,098	**209,609**	197,265
Loss and comprehensive loss		**$ (1,166,671)**	$ (1,324,868)	**$ (4,231,187)**	$ (4,015,112)
Loss per common share, basic and diluted		**$ (0.01)**	$ (0.02)	**$ (0.05)**	$ (0.07)
Weighted average number of common shares outstanding, basic and diluted		**85,485,550**	64,626,868	**82,906,850**	60,985,778

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Note	**Number of common shares**	**Share capital**	**Equity reserve**	**Deficit**	**Total**
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	9(b)	8,400,000	4,200,000	-	-	4,200,000
Share issuance costs	9(b)	-	(235,598)	-	-	(235,598)
Flow through premium	9(b)	-	(293,000)	-	-	(293,000)
Loss and comprehensive loss for the period		-	-	-	(4,015,112)	(4,015,112)
Balance, January 31, 2022		64,626,868	79,589,876	4,765,776	(82,955,084)	1,400,568
Shares issued for cash - private placement	9(b)	14,865,212	5,360,032	-	-	5,360,032
Shares issued for services rendered	9(b)	836,069	267,541	-	-	267,541
Share issuance costs	9(b)	-	(492,169)	104,000	-	(388,169)
Reserves transferred on expired options		-	-	(108,800)	108,800	-
Reserves transferred on expired warrants		-	67,000	(67,000)	-	-
Loss and comprehensive loss to year end		-	-	-	(3,954,014)	(3,954,014)
Balance, July 31, 2022		80,328,149	84,792,280	4,693,976	(86,800,298)	2,685,958
Shares issued for cash - private placement	9(b)	6,003,852	1,605,040	-	-	1,605,040
Shares issued for services rendered	9(b)	322,560	80,640	-	-	80,640
Share issuance costs	9(b)	-	(142,785)	30,000	-	(112,785)
Flow through premium	9(b)	-	(156,000)	-	-	(156,000)
Loss and comprehensive loss for the period		-	-	-	(4,231,187)	(4,231,187)
Balance, January 31, 2023		86,654,561	$ 86,179,175	$ 4,723,976	$(91,031,485)	$ (128,334)

See accompanying notes to the condensed consolidated interim financial statements.

Cantex Mine Development Corp.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Prepared by Management)
(Stated in Canadian dollars)

	Six month periods ended January 31, 2023	2022
Operating activities		
Loss for the year	**$ (4,231,187)**	$ (4,015,112)
Items not involving cash		
Flow through premium recovery	**(156,000)**	(165,011)
Accretion	**14,075**	-
Depreciation	**122,356**	123,374
Interest on lease obligations	**12,306**	2,836
Unrealized foreign exchange gain	**(2,610)**	(1,275)
Changes in operating assets and liabilities		
Receivables and prepaids	**133,580**	201,375
Trade and other payables and due to related parties	**(378,385)**	(753,897)
	(4,485,865)	(4,607,710)
Investing activities		
	-	-
Financing activities		
Issuance of common shares	**1,605,040**	4,200,000
Share issue costs	**(32,145)**	(235,598)
Lease liability for right-of-use assets	**(114,375)**	(124,125)
	1,458,520	3,840,277
Change in cash during the period	**(3,027,345)**	(767,433)
Cash, beginning of period	**3,540,996**	2,117,966
Cash, end of period	**$ 513,651**	$ 1,350,533
Supplemental disclosure:		
Taxes paid	**$ -**	$ -
Interest paid	**$ -**	$ -
Flow through premium liability	**$ 156,000**	$ 165,011
Shares issues as share issuance costs	**$ 80,640**	$ -
Finder's warrants issued as fees on private placement	**$ 30,000**	$ -
Transfer of reserves on expired warrants	**$ -**	$ 108,800

See accompanying notes to the condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared by management on a going concern basis, which assumes the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge is liabilities in the normal course of business. The ability of the Company to continue operations is dependent upon the existence of economically recoverable reserves, successful development of the Company's mineral properties (Note 4), completion of equity financings (Note 9), and generating profitable operations in the future. It is not possible to predict whether economically recoverable reserves exist, the Company's financing efforts will be successful, or if the Company will attain a profitable level of operations.

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

As at January 31, 2023, the Company has incurred cumulative losses of $91,031,485 (July 31, 2022 – $86,800,298) and has working capital deficit of $452,418 (July 31, 2022 – positive working capital of $2,359,348). 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, 2022.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2022 annual consolidated financial statements. These interim financial statements do not include all the necessary annual disclosure in accordance with IFRS.

These condensed consolidated interim financial statements were approved for issue by the Audit Committee on March 23, 2023.

(Stated in Canadian dollars)

2. Basis of presentation (continued)

(b) *Basis of presentation*

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

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest January 31, 2023	Proportion of Ownership Interest July 31, 2022
Cantex Gold Corp.	USA	100%	100%

3. Receivables and prepaids

	January 31, 2023	July 31, 2022
GST receivables	**$ 90,176**	$ 154,793
Prepaid expenses	**51,157**	120,120
	$ 141,333	$ 274,913

4. Mineral property interests

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

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

(Stated in Canadian dollars)

4. Mineral property interests (continued)

	Yukon (a)	Yemen (b)	Nevada (c)	Total
Cumulative expenditures to July 31, 2021	$ 34,379,713	$ 26,508,739	$ 3,275,646	$ 64,164,098
Consulting and engineering	398,202	2,687	32,934	433,823
Licenses and permits	14,280	-	19,770	34,050
Travel, field and other	2,098,014	62,067	4,326	2,164,407
Wages	1,310,725	44,968	-	1,355,693
Net expenditures during the period	3,821,221	109,722	57,030	3,987,973
Cumulative expenditures to January 31, 2022	38,200,934	26,618,461	3,332,676	68,152,071
Net expenditures to year end	3,631,688	99,899	2,198	3,733,785
Cumulative expenditures to July 31, 2022	41,832,622	26,718,360	3,334,874	71,885,856
Consulting and engineering	619,348	8,375	5,495	633,218
Licenses and permits	16,685	-	20,345	37,030
Travel, field and other	2,128,321	69,659	1,787	2,199,767
Wages	1,204,923	47,779	-	1,252,702
Net expenditures during the period	3,969,277	125,813	27,627	4,122,717
Cumulative expenditures to January 31, 2023	$ 45,801,899	$ 26,844,173	$ 3,362,501	$ 76,008,573

(a) *Yukon program*

As of January 31, 2023, 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.

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 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. During the six month period ended January 31, 2023, 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 January 31, 2023, the Company had four gold exploration claims in the state of Nevada. Reclamation bonds of $66,227 (July 31, 2022 - $63,617) have been posted with the State of Nevada.

(Stated in Canadian dollars)

5. Equipment

	Field equipment	Computer equipment	Total
Cost			
Balance July 31, 2021 and January 31, 2022	$ 707,762	$ 7,913	$ 715,675
Additions	-	2,567	2,567
Adjustment to Asset Retirement Obligation (Note 8)	(70,432)	-	(70,432)
Balance July 31, 2022	$ 637,330	$ 10,480	$ 647,810
Adjustment to Asset Retirement Obligation (Note 8)	(14,075)	-	(14,075)
Balance January 31, 2023	$ 623,255	$ 10,480	$ 633,735
Accumulated depreciation			
Balance July 31, 2021	$ 130,942	$ 3,561	$ 134,503
Depreciation	30,076	791	30,867
Balance January 31, 2022	161,018	4,352	165,370
Depreciation	30,076	877	30,953
Balance July 31, 2022	191,094	5,229	196,323
Depreciation	30,077	1,048	31,125
Balance October 31, 2022	$ 221,171	$ 6,277	$ 227,448
Carrying amounts:			
As at July 31, 2021	$ 576,820	$ 4,352	$ 581,172
As at January 31, 2022	$ 546,744	$ 3,561	$ 550,305
As at July 31, 2022	$ 446,236	$ 5,251	$ 451,487
As at January 31, 2023	$ 402,084	$ 4,203	$ 406,287

6. Right-of-use assets and lease obligations

	Field equipment
Balance July 31, 2021	$ 169,593
Depreciation	(92,507)
Balance January 31, 2022	77,086
Additions	364,924
Depreciation	(92,291)
Balance July 31, 2022	349,719
Depreciation	(91,231)
Balance January 31, 2023	$ 258,488

In July 2020, the Company entered into a lease agreement with Kel-Ex Developments Ltd. ("Kel-Ex"), a related party (Note 7), 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.

(Stated in Canadian dollars)

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

In July 2022, the Company renewed the lease with Kel-Ex for the three drills and excavator. The 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.

Interest expense on lease obligations for the six month period ended January 31, 2023 was $12,306 (six month period ended January 31, 2022 – $2,836), 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, 2021	$	168,413
Principal payments		(124,125)
Interest on lease obligation		2,836
Lease obligation, January 31, 2022		47,124
2022-2024 lease obligation		364,924
Principal payments		(86,500)
Interest on lease obligation		4,141
Lease obligation, July 31, 2022		329,689
Principal payments		(114,375)
Interest on lease obligation		12,306
Lease obligation, Janaury 31, 2023	$	227,620
Current portion of lease obligation	$	183,702
Long-term portion of lease obligation		43,918
Lease obligation, January 31, 2023	$	227,620

Total minimum future lease payments for the equipment over the next three years are: 2023 – $83,750; 2024 – $160,000; 2025 - $nil.

7. Related party transactions and balances

During the three and six month periods ended January 31, 2023 and 2022, 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.

(Stated in Canadian dollars)

7. Related party transactions and balances (continued)

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

(a) Related party expenses

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

	Three month periods ended January 31, 2023	Three month periods ended January 31, 2022	Six month periods ended January 31, 2023	Six month periods ended January 31, 2022
Laboratory and mineralogical costs, including storage fees	**$ 306,623**	$ 145,038	**$ 364,789**	$ 226,020
Geological consulting fees	**119,810**	61,031	**143,540**	162,837
Consulting fees	**14,145**	11,375	**28,017**	24,325
Shared field expenditures	**526,079**	258,768	**1,228,346**	1,107,188
Shared office and administrative costs	**11,840**	8,332	**23,081**	15,749
	$ 978,497	$ 484,544	**$ 1,787,773**	$ 1,536,119

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

	Three month periods ended January 31, 2023	Three month periods ended January 31, 2022	Six month periods ended January 31, 2023	Six month periods ended January 31, 2022
C.F. Mineral Research Ltd.	**$ 306,623**	$ 145,038	**$ 364,789**	$ 226,020
Element 29 Ventures Ltd.	**370,936**	136,782	**502,564**	473,699
FourIrons Consulting	**14,145**	11,375	**28,017**	24,325
Kel-Ex Development Ltd.	**268,567**	180,951	**842,937**	791,703
Metalex Ventures Ltd.	**18,226**	10,398	**49,466**	20,372
	$ 978,497	$ 484,544	**$ 1,787,773**	$ 1,536,119

(b) Related party liabilities

The liabilities of the Company include the following amounts due to related parties, which are due on demand and unsecured. Overdue amounts due to C.F. Mineral Research Ltd. may be charged a service charge of 1.5% per month; the remaining balances are non-interest bearing:

	January 31, 2023	July 31, 2022
C.F. Mineral Research Ltd.	**$ 220,241**	$ 86,404
Element 29 Ventures Ltd.	**15,706**	170,531
FourIrons Consulting	**4,558**	3,439
Kel-Ex Development Ltd.	**550,019**	289,761
Metalex Ventures Ltd.	**4,863**	19,463
	$ 795,387	$ 569,598

(Stated in Canadian dollars)

7. Related party transactions and balances (continued)

(c) Key management personnel compensation

	Three month periods ended January 31,		Three month periods ended January 31,	
	2023	2022	**2023**	2022
Wages and benefits (1)	**$ 87,878**	$ 95,812	**$ 125,480**	$ 155,090

(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; financial consulting fees are paid to FourIrons for the services of the Chief Financial Officer.

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 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, 2022 - $685,000). The discounted amount of estimated cash flow required to settle the asset retirement obligation as at July 31, 2022 and January 31, 2023 using discounted at a rate of 9.5% (January 31, 2022 – 6.5%) is $363,000.

	North Rackla camp and equipment
Asset retirement obligation, July 31, 2020	$ 374,000
Addition - Change in estimate	33,000
Asset retirement obligation, July 31, 2021 and January 31, 2022	407,000
Accretion expense	26,432
Adjustment - Change in estimate (note 5)	(70,432)
Asset retirement obligation, July 31, 2022 and January 31, 2023	$ 363,000

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.

9. Share capital and reserves (continued)

(b) *Issued share capital*

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 and recognized the recovery of flow through premium of $293,000 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. There was no premium recorded on these flow through funds. As at January 31, 2023, the Company had fulfilled its commitment to spend these flow through funds.

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 $14,432 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 valued at $30,000 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 73.81%, a risk free rate of 3.97% and dividend rate of 0%; the finder's warrants are also exercisable at $0.35/share, expiring November 17, 2024. A flow through premium liability of $156,000 was recorded on these flow through funds; as at January 31, 2023, the Company had fulfilled its commitment to spend these flow through funds and recovered the full amount in the Statement of Loss and Comprehensive Loss.

(Stated in Canadian dollars)

9. Share capital and reserves (continued)

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

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
Exercisable and outstanding, July 31, 2021	2,046,000	$	2.24	5,791,500	$	1.50
Granted	-		-	4,200,000		0.65
Expired	(200,000)		0.80	-		-
Exercisable and outstanding, January 31, 2022	1,846,000	$	2.40	9,991,500	$	1.14
Granted	-	$	-	16,756,102	$	0.48
Expired	-	$	-	(5,791,500)	$	1.50
Exercisable and outstanding, July 31, 2022	1,846,000	$	2.40	20,956,102	$	0.51
Granted	-	$	-	3,538,406	$	0.35
Exercisable and outstanding, January 31, 2023	1,846,000	$	2.40	24,494,508	$	0.49

The following stock options and warrants were outstanding as at January 31, 2023:

	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
	3,538,406	$	0.35	November 17, 2024
	24,494,508			

(Stated in Canadian dollars)

10. Contingencies

As at January 31, 2023, the Company has accrued $103,252 ($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 in October 2022; no response has been received to date. As the Company believes that the Notice of Assessments 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.

Subsequent to January 31, 2023, in March 2023, the Company received a Notice of Assessment from the Government of Yemen in the amount of $12,565USD. The Company is in the process of filing an objection to this.

11. Segmented information

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

	Six month periods ended January 31, **2023**	2022
Loss		
Canada	**$ 4,077,747**	$ 3,848,360
Yemen	**125,813**	109,722
United States of America	**27,627**	57,030
	$ 4,231,187	$ 4,015,112

	January 31, 2023	July 31, 2022
Reclamation bonds		
United States of America	**$ 66,227**	$ 63,617
Equipment		
Canada	**406,287**	451,487
Right-of-use assets		
Canada	**258,488**	349,719
	$ 731,002	$ 864,823

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.

13. Financial instruments and risk management

As at January 31, 2023, 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.

13. Financial instruments and risk management (continued)

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

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

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

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

At January 31, 2023, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately $117,453 (July 31, 2022: $100,525). 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.

At January 31, 2023, 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. As at January 31, 2023, there was $214,022 in amounts due to CF Minerals that may be charged interest (July 31, 2022 – nil); no interest charges have been indicated to date.

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.