

Consolidated financial statements of

Cantex Mine Development Corp.

July 31, 2008 and 2007

Cantex Mine Development Corp.

July 31, 2008 and 2007

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Auditors' report

To the Shareholders of
Cantex Mine Development Corp.

We have audited the consolidated balance sheet of Cantex Mine Development Corp. as at July 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
November 27, 2008

Cantex Mine Development Corp.

Consolidated statements of operations and comprehensive loss
years ended July 31, 2008 and 2007

	2008	2007
	\$	\$
Expenses		
Exploration (Note 4 and Schedule)	775,981	706,575
General and administrative	598,609	286,824
Amortization	101,224	98,827
Interest income and foreign exchange	19,147	(23,105)
Net loss and comprehensive loss	(1,494,961)	(1,069,121)
Loss per common share, basic and diluted	0.00	0.00
Weighted average number of common shares outstanding, basic and diluted	308,314,470	291,933,766

Cantex Mine Development Corp.
 Consolidated statements of shareholders' deficiency
 years ended July 31, 2008 and 2007

	Number of common Shares	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' deficiency \$
Balance, July 31, 2006					
(Note 7 (a) (ii))	281,947,473	37,231,985	576,000	(38,542,248)	(734,263)
Shares issued in full and final settlement of liabilities	20,626,818	1,259,660	-	-	1,259,660
Share issuance costs	-	(33,465)	-	-	(33,465)
Loss for the year	-	-	-	(1,069,121)	(1,069,121)
Balance, July 31, 2007	302,574,291	38,458,180	576,000	(39,611,369)	(577,189)
Shares issued in full and final settlement of liabilities (Note 7 (a)(i))	14,107,728	987,541	-	-	987,541
Stock-based compensation expense	-	-	480,085	-	480,085
Share issuance costs	-	(5,734)	-	-	(5,734)
Net loss and comprehensive loss for the year	-	-	-	(1,494,961)	(1,494,961)
Balance, July 31, 2008	316,682,019	39,439,987	1,056,085	(41,106,330)	(610,258)

Cantex Mine Development Corp.

Consolidated balance sheets
as at July 31, 2008 and 2007

	2008	2007
	\$	\$
Assets		
Current assets		
Cash	20,276	36,626
Amounts receivable	29,745	8,057
	50,021	44,683
Reclamation bonds (Note 4 (c))	24,557	25,556
Property and equipment (Note 5)	166,394	236,948
	240,972	307,187
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	209,067	250,552
Due to related parties (Note 6)	642,163	633,824
	851,230	884,376
Shareholders' deficiency		
Share capital (Note 7)		
Authorized		
Unlimited number of preferred shares without nominal or par value, issuable in series		
Unlimited number of common shares without nominal or par value		
Issued		
316,682,019 common shares (2007 - 302,034,291)	39,439,987	38,458,180
Contributed surplus	1,056,085	576,000
Deficit	(41,106,330)	(39,611,369)
	(610,258)	(577,189)
	240,972	307,187

Nature and continuance of operations (Note 1)

Contingencies (Note 11)

Subsequent event (Note 14)

Approved by the Board

"Vernon Frolick"

Vernon Frolick, Director

"Chad Ulansky"

Chad Ulansky, Director

Cantex Mine Development Corp.

Consolidated statements of cash flows years ended July 31, 2008 and 2007

	2008	2007
	\$	\$
Operating activities		
Net loss	(1,494,961)	(1,069,121)
Items not affecting cash		
Amortization	101,224	98,827
Stock-based compensation	480,085	-
Unrealized foreign exchange loss (gain)	33,801	(19,810)
Change in non-cash working capital items		
Increase in amounts receivable	(21,688)	(671)
Decrease in prepaid expenses	-	3,393
(Decrease) increase in accounts payable and accrued liabilities	(41,485)	25,138
	(943,024)	(962,244)
Investing activities		
Increase in reclamation bonds	-	(21,049)
Purchase of property and equipment	(30,670)	-
	(30,670)	(21,049)
Financing activities		
Share issue costs	(5,734)	(6,798)
Advances from related parties	963,078	1,013,150
	957,344	1,006,352
(Decrease) increase in cash during the year	(16,350)	23,059
Cash, beginning of year	36,626	13,567
Cash, end of year	20,276	36,626

Supplemental disclosure with respect to cash flows (Note 10)

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

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 its principal business activity is the exploration and development of its mineral properties, either directly or indirectly through joint exploration and development ventures and other arrangements. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course of business. Since inception, the Company has incurred cumulative losses of \$41,106,330 and, for the year ended July 31, 2008, has incurred negative operating cash flow from continuing operations of approximately \$943,000. At July 31, 2008, the Company has a negative working capital position of approximately \$801,000. Additional financing will be required for the Company to continue operations. The ability of the Company to continue operations is dependent upon continued financial support of its shareholders, other investors and lenders, and the successful development of the Company's mineral property interests. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiaries, 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. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of presentation

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements are expressed in the Company's functional currency, Canadian dollars, except where noted.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cantex Gold Corp. All significant intercompany balances and transactions have been eliminated.

(b) Economic uncertainty

The Company's principal property and its primary exploration and development activities are taking place in the Republic of Yemen and, as such, the Company is exposed to a number of possible risks over which it has no control. These risks include, but are not necessarily limited to: changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings, civil unrest, civil war and acts of terrorism. The likelihood of these events occurring cannot be predicted at this time. There are no assurances that the current economic and political conditions will continue in Yemen.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

3. Significant accounting policies

(a) *Adoption of new accounting standards*

(i) Comprehensive income

Effective August 1, 2007, the Company adopted new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") under Section 1530 for reporting comprehensive income.

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized. The adoption of Section 1530 had no impact on the opening equity or balance sheet of the Company.

(ii) For the year ended July 31, 2008 the Company early adopted the following new accounting standards issued by the CICA with respect to financial instruments:

Effective August 1, 2007, the Company adopted new accounting standards issued by the CICA under Section 3855. Section 3855 requires that all financial assets, except those classified as held to maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at amortized costs. The adoption of Section 3855 had no impact on the opening equity or balance sheet of the Company. Additionally, the Company adopted CICA Section 3861, *Financial Instruments - Disclosure and Presentation*, which was then superseded by Sections 3862 and 3863 below.

Section 3862, *Financial Instruments - Disclosures*. This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, *Financial Instruments - Presentation*. This section establishes standards for presentation of financial instruments and non-financial derivatives.

Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section requires disclosure with respect to compliance with capital requirements and if not, the consequences of such non-compliance.

The impact of the adoption of these new standards is disclosed in Notes 12 and 13 of the consolidated financial statements of the Company.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

3. Significant accounting policies (continued)

(b) *Financial instruments*

The fair value of the Company's financial instruments consisting of cash, accounts receivable, reclamation bonds, accounts payable and accrued liabilities and amounts due to related parties approximate their carrying value due to the short-term nature of those instruments.

(c) *Concentration of credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, accounts receivable and reclamation bonds. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

(d) *Future accounting changes*

CICA Section 1400, *General Standards on Financial Statement Presentation*, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This new standard will become effective for the Company on August 1, 2008. The Company is currently assessing the impact of this new accounting standard on its financial statements.

(e) *Property and equipment*

Property and equipment is recorded at cost. Amortization is provided over the expected useful life of the assets, which is expected to be three to five years, on a straight-line basis.

(f) *Mineral property interests*

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.

(g) *Foreign currency translation*

The Company's functional currency is the Canadian dollar. The Company's foreign subsidiaries are considered to be integrated operations. Accordingly, the Company utilizes the temporal method to translate the financial statements of these subsidiaries into Canadian dollars.

All foreign currencies are translated into Canadian dollars using average rates for the period for items included in the consolidated statements of operations, the rate in effect at the balance sheet date for monetary assets and liabilities, and historical rates for other assets included in the consolidated balance sheets. Translation gains or losses are included in the determination of income.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

3. Significant accounting policies (continued)

(h) *Loss per share*

The Company follows the treasury stock method of calculating diluted loss per share. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of all stock options and warrants (Note 6) is applied to repurchase common shares at the average market price for the year. As the Company has a loss in both years presented, the effect of the options and warrants is anti-dilutive and basic and diluted loss per share are the same.

(i) *Stock-based compensation*

The Company has a stock option plan that is described in Note 6. The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured and are amortized over the vesting period. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(j) *Asset retirement obligation*

The Company recognizes the fair value of an asset retirement obligation as a liability in the period in which it is incurred, if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. The Company has determined that there are no significant asset retirement obligations related to its assets and, therefore, the Company has not recorded any asset retirement obligations as at July 31, 2008 and 2007.

(k) *Income taxes*

The Company follows the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities expected to be recovered or settled are measured using enacted or substantively enacted tax rates. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) *Measurement uncertainties*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the valuation allowance for future income taxes, asset retirement obligations, the fair value estimate of stock options issued in exchange for services and contingent liabilities. Actual results could differ from those estimates.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

4. Mineral property interests

	2007		2008
	Cumulative expenditures	Current year expenditures	Cumulative expenditures
	\$	\$	\$
Yemen program	19,424,595	694,097	20,118,692
West Greenland program	1,694,131	550	1,694,681
Nevada program	1,489,038	81,334	1,570,372
	22,607,764	775,981	23,383,745

	2006		2007
	Cumulative expenditures	Current year expenditures	Cumulative expenditures
	\$	\$	\$
Yemen program	18,870,979	553,616	19,424,595
West Greenland program	1,624,964	69,167	1,694,131
Nevada program	1,405,246	83,792	1,489,038
	21,901,189	706,575	22,607,764

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.

(a) *Yemen program*

During 1996, the Company applied for and was granted a 52,000 km² prospecting permit in the Republic of Yemen. With continued exploration the Company was able to focus its efforts on progressively smaller areas showing the potential for economic mineralization. The Company has held an exploration license granting the Company exclusive exploration rights and the right to obtain an exploration contract since 1999. The current license is valid until July 31, 2010 and covers 698 km².

The Yemen exploration license provides that upon completion of three years of commercial production the Government of the Republic of Yemen is entitled to receive a 1% net smelter royalty and 36% of the net profits derived by the Company from commercial production of mineral resources within the exploration license area. The foregoing royalty and interest in net profits is in lieu of any other royalty, tax, production share, or other payment related to the Company's mining operations in the exploration license area with the exception of employee-related taxes.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

4. Mineral property interests (continued)

(a) *Yemen program (continued)*

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 the Company's exploration licenses in the Republic of Yemen.

An additional prospecting permit was acquired by the Company in February 2007. The new permit covers 3,876 km² in the Naqub West region, southeast of the capital, Sana'a. The Company will be exploring for uranium within the permit area.

(b) *West Greenland program*

In June 2004, the Company was granted a 151 km² license in West Greenland. A second exploration license of 2,518 km² was acquired on February 1, 2005.

An agreement was reached on January 19, 2005 with Metalex Ventures Ltd. ("Metalex"), a company related by virtue of common directors and management, on the Company's two aforementioned Greenland properties. Cantex's licenses were transferred to Metalex. Under the terms of the agreement, Metalex funded exploration through to January 20, 2008. Cantex had the option to acquire a 25% interest in not only the 2,669 km² transferred to Metalex but also Metalex's 100% owned 751 km² license adjacent to the Cantex licenses. This option was exercisable between January 1 and 20, 2008 for a payment of \$120,000. Cantex declined to execute the option in January 2008, relinquishing all interests in the project.

(c) *Nevada program*

During 2002, the Company entered into a joint venture with Sovereign Gold Corp. ("Sovereign") with respect to nine claim groups in the state of Nevada. Cantex had a 51% interest in these claim groups and was the operator of the joint venture.

During 2003, the Company entered into negotiations with Sovereign with respect to purchasing the above nine claim groups and one additional claim group. Under the proposed terms of the property purchase agreement, the Company was required to pay US\$125,000, issue 3,000,000 common shares and issue a promissory note to Sovereign for US\$33,000 for reimbursement of Sovereign's costs of maintaining the claims in good standing. This agreement was approved by the TSX Venture Exchange and executed on July 16, 2004. This property purchase agreement supersedes the above joint venture agreement with Sovereign. Cantex now owns 100% of the claim groups.

Reclamation bonds of \$24,557 (US\$23,981) have been posted with the State of Nevada.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

5. Property and equipment

	2008		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Field equipment	504,967	344,527	160,440
Equipment and leaseholds	107,758	101,804	5,954
	612,725	446,331	166,394

	2007		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Field equipment	476,806	246,350	230,456
Equipment and leaseholds	105,249	98,757	6,492
	582,055	345,107	236,948

6. Related party transactions and balances

	2008	2007
	\$	\$
Due to related parties		
To a director and shareholder for geological fees	-	185
To directors and shareholders for advances to the Company	-	86,494
To a company controlled by a director for shared office and administrative charges	21,834	22,180
To a company controlled by a director for shared field expenditures	337	-
To a company controlled by a director for exploration expenditures advances to the Company	481,474	383,863
To a company controlled by a director for geological fees	137,083	54,808
To a company with common directors and management for shared administrative charges	1,229	11,606
To a company with common directors and management for shared field expenditures	206	74,688
	642,163	633,824

Amounts due to related parties have no fixed terms of repayment, are unsecured and are non-interest bearing.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

6. Related party transactions (continued)

The following transactions were in the normal course of operations and measured at the exchange value which represented the amount of consideration established and agreed to by the related parties:

	Year ended July 31,	
	2008	2007
	\$	\$
Amounts paid or accrued		
To a director for management and geological consulting fees	-	16,838
To a company controlled by a director for office and administrative costs	33,312	49,577
To a company controlled by a director for shared field expenditures	321	26,533
To a company controlled by a director for geological consulting fees	175,722	69,168
To a company with common directors and management for office and administrative costs	5,932	10,645
To a company with common directors and management for shared field expenditures	4,168	85,031
To a company controlled by a director for laboratory and mineralogical costs	-	11,885
To a company controlled by a director for management and administrative expenses	-	16,726
	219,455	286,403

	Year ended July 31,	
	2008	2007
	\$	\$
Recoveries recorded		
From a company controlled by a director for office and administrative costs	-	12,291
From a company with common directors and management for office and administrative costs	-	514
From a company with common directors and management for shared field expenditures	570	4,309
	570	17,114

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

7. Share capital and contributed surplus

- (a) (i) On February 26, 2008 the Company completed an issuance of shares for debt. The Company settled indebtedness totaling \$987,541 owing to Dr. Charles Fipke, the Chairman of the Company, and a related company by the issuance of 14,107,728 shares with a deemed value of \$0.07 per share. The indebtedness included monies advanced to the Company as well as monies owing for geological and other consulting services.
- (ii) Also during the year, the Company recognized an error from a prior period in the reported amount of issued common shares. The Company had been previously informed that certain shareholders had returned share certificates to the treasury for cancellation. However, further investigation by the Company determined this was not the case. A request to the Company's transfer agent confirmed the shares are still currently issued and outstanding with \$Nil value. Therefore, in accordance with CICA Handbook Section 1506, the reported amount of shares outstanding has been increased by 540,000 by adding these shares to the opening balance reported at July 31, 2006. This error had no impact on previously reported basic and diluted loss per share calculations.

(b) *Stock option plan*

Under the Company's plan, the total number of options outstanding is not to exceed 5% of the aggregate issued and outstanding common shares. The exercise price of the options issued under the plan is determined by the Board of Directors at the time the options are granted. The options vest immediately upon grant, except as determined by the Board of Directors, and are exercisable for up to five years from the date the option is granted. Details are as follows:

	Number	Exercise price
		\$
Outstanding, July 31, 2006 and 2007	7,500,000	0.10
Granted	4,100,000	0.20
Cancelled	(1,510,000)	(0.10)
Outstanding, July 31, 2008	10,090,000	0.14

The following incentive stock options were outstanding and exercisable at July 31, 2008:

Number	Exercise price	Expiry date
	\$	
6,000,000	0.10	June 16, 2009
100,000	0.10	November 26, 2012
3,990,000	0.20	March 19, 2013
10,090,000		

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

7. Share capital and contributed surplus (continued)

(c) Stock based compensation

During the period, the Company recognized stock-based compensation of \$480,049 (2007 - \$Nil) in the statement of operations as a result of the issuance of incentive stock options granted and vested. The weighted average fair value of options granted was valued at \$0.12 per option (2007 - \$Nil) using the Black-Scholes option pricing model with an expected volatility of 103%, a risk free interest rate of 2.9%, an expected life of 5 years and an expected dividend yield of 0%.

(d) Warrants

The Company currently has no warrants outstanding. On August 21, 2002, 2,666,666 share purchase warrants were issued to a non-related party in connection with a private placement. The warrants entitled the holder to purchase of common share of the Company for \$0.10 and expired, unexercised, on August 21, 2007.

8. Income taxes

The tax effects of temporary differences that give rise to the Company's future income tax asset are presented below:

	2008	2007
	\$	\$
Non-current future tax asset		
Property and equipment	110,000	134,000
Share issue costs	6,200	14,000
Mineral property interests	5,550,700	6,320,000
Non-capital loss carryforwards	829,300	188,000
	<u>6,496,200</u>	<u>6,656,000</u>
Valuation allowance	<u>(6,496,200)</u>	<u>(6,656,000)</u>
	-	-

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial combined statutory tax rate of 30% (2007 - 31%) to income before income taxes as follows:

	2008	2007
	\$	\$
Loss before income taxes	<u>(1,494,961)</u>	<u>(1,069,121)</u>
	<u>31%</u>	<u>31%</u>
Expected income tax recovery	(459,451)	(331,428)
Permanent difference	148,403	-
Impact of lower tax rate in foreign jurisdictions	2,660	-
Valuation allowance	<u>308,388</u>	<u>331,428</u>
	-	-

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

8. Income taxes (continued)

The Company has the following non-capital losses carried forward that are available to reduce future years taxable income.

	\$
Year of expiry	
2009	127,200
2010	51,900
2011	2,354,200
2014	129,800
2015	194,100
2016	286,500
2027	160,400
	3,304,100

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filing by the tax authorities may result in material adjustments to net income or loss and operating loss carryforwards.

9. 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,	
	2008	2007
	\$	\$
Loss		
Canada	708,944	265,256
Yemen	704,133	650,906
United States of America	81,334	83,792
Greenland	550	69,167
	1,494,961	1,069,121
	2008	2007
	\$	\$
Property and equipment		
Yemen	166,020	235,519
Canada	374	1,429
	166,394	236,948

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

10. Supplemental disclosure with respect to cash flows

Significant non-cash transactions for the year ended July 31, 2008 included:

- (a) Issuing 14,107,728 common shares valued at \$987,541 to the Chairman of the Company and a related company for monies advanced to the Company as well as for monies owing for geological and other consulting services.

Significant non-cash transactions for the year ended July 31, 2007 included:

- (a) Issuing 200,000 common shares valued at \$18,000 pursuant to the settlement of services included in accounts payable and accrued liabilities.
- (b) Issuing 19,804,457 common shares valued at \$1,188,267 to certain directors pursuant to the settlement of debt for monies advances and for past consulting and other services provided to the Company by them and related companies.
- (c) Issuing 76,924 common shares valued at \$10,000 to two individuals in connection with services provided for the acquisition of the new uranium license in Yemen.
- (d) Issuing 278,770 common shares valued at \$16,726 to a director for past services provided to the Company.
- (e) Issuing 266,667 common shares valued at \$26,667 pursuant to the settlement of finder's fees on a past private placement.

11. Contingencies

- (a) The Company has not paid filing fees and the CTC exemption fees for subsidiaries incorporated under the Income Tax (Jersey) Act in the Channel Islands and consequently during fiscal 2004 these companies were involuntarily dissolved. The Income Tax (Jersey) Act includes provisions to assess penalties and, due to the loss of tax-exempt status of these subsidiaries, additional income taxes for instances of non-compliance. It is not possible at this time to make an estimate of the amount, if any, of taxes, fees or penalties that may result and accordingly, no provision has been made for any additional income taxes or related costs.
- (b) The Company is from time to time involved in various claims, legal proceedings and tax assessments arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

12. Capital management

The Company includes cash and equity, comprising of issued common shares, contributed surplus and deficit, in the 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.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

12. Capital management (continued)

The Company expects its current capital resources will not be sufficient to complete its exploration and development plans and operations through its current operating period and 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 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.

The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration and development 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.

13. Financial instruments and risk management

The Company has classified each financial instrument into the following categories: held-for-trading assets and liabilities, loans and receivables, held-to-maturity investments, available-for-sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification.

The Company has made the following classifications:

- Cash is classified as financial assets held-for-trading and are measured on the balance sheet at fair value;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method; and
- Accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value and subsequent periodic revaluations are recorded at amortized cost using the effective interest rate method.

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

(a) *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, 2008, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$10,000.

(b) *Credit risk*

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

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2008 and 2007

13. Financial instruments and risk management (continued)

(c) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12 to the consolidated financial statements.

Accounts payable and accrued liabilities are due within the current operating period.

(d) *Price risk*

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

14. Subsequent event

On November 20, 2008, the Company announced that Vale International SA ("Vale"), a wholly-owned subsidiary of Companhia Vale do Rio Doce, had signed a letter agreement for the Company's Suwar, Wadi Qutabah nickel, copper, cobalt and platinum group element projects in Yemen. Vale's minimum exploration commitment under the agreement is US\$2 million to be spent prior to August 31, 2009. Vale has the right to acquire up to a 60% interest through a series of progressive expenditure and activity thresholds.

Cantex Mine Development Corp.

Consolidated schedules of exploration expenses
years ended July 31, 2008 and 2007

	2008	2007
	\$	\$
Wages	357,778	221,690
Travel, field costs and other	184,026	192,867
Consulting and engineering	107,174	193,529
Living costs	72,183	61,045
Licenses and permits	54,820	37,444
	775,981	706,575