

Consolidated financial statements of

Cantex Mine Development Corp.

July 31, 2009 and 2008

Cantex Mine Development Corp.

July 31, 2009 and 2008

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Auditors' Report

To the Shareholders of
Cantex Mine Development Corp.

We have audited the consolidated balance sheets of Cantex Mine Development Corp. as at July 31, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
November 26, 2009

Cantex Mine Development Corp.

Consolidated statements of operations and comprehensive loss years ended July 31, 2009 and 2008

	2009	2008
	\$	\$
Expenses		
Exploration (Note 4 and Schedule)	1,213,442	829,285
Stock-based compensation (Note 7(c))	377,487	480,085
General and administrative	292,049	65,220
Amortization	103,601	101,224
Loss before other items	(1,986,579)	(1,475,814)
Other items		
Administration fees earned	180,616	-
Interest income	418	952
Foreign exchange gain (loss)	9,159	(20,099)
	190,193	(19,147)
Net loss and comprehensive loss	(1,796,386)	(1,494,961)
Loss per common share, basic and diluted	(0.01)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	316,780,309	308,314,470

Cantex Mine Development Corp.

Consolidated statement of shareholders' deficiency years ended July 31, 2009 and 2008

	Number of common Shares	Share capital	Contributed surplus	Deficit	Total shareholders' deficiency
		\$	\$	\$	\$
Balance, July 31, 2007	302,574,291	38,458,180	576,000	(39,611,369)	(577,189)
Shares for debt settlement (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)
Shares for debt settlement (Note 7 (a)(ii))	560,559	39,239	-	-	39,239
Stock-based compensation expense	-	-	377,487	-	377,487
Net loss and comprehensive loss for the year	-	-	-	(1,796,386)	(1,796,386)
Balance, July 31, 2009	317,242,578	39,479,226	1,433,572	(42,902,716)	(1,989,918)

Cantex Mine Development Corp.

Consolidated balance sheets as at July 31, 2009 and 2008

	2009	2008
	\$	\$
Assets		
Current assets		
Cash	243,033	20,276
Amounts receivable (Note 4 (a))	938,773	29,745
	1,181,806	50,021
Reclamation bonds (Note 4 (b))	25,876	24,557
Property and equipment (Note 5)	62,793	166,394
	1,270,475	240,972
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	503,025	209,067
Due to related parties (Note 6)	2,757,368	642,163
	3,260,393	851,230
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		
317,242,578 common shares (2008 - 316,682,019)	39,479,226	39,439,987
Contributed surplus	1,433,572	1,056,085
Deficit	(42,902,716)	(41,106,330)
	(1,989,918)	(610,258)
	1,270,475	240,972

Nature and continuance of operations (Note 1)

Contingencies (Note 11)

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, 2009 and 2008

	2009	2008
	\$	\$
Operating activities		
Net loss	(1,796,386)	(1,494,961)
Items not affecting cash		
Amortization	103,601	101,224
Stock-based compensation	377,487	480,085
Unrealized foreign exchange (gain) loss	(7,261)	33,801
Change in non-cash working capital items		
Increase in amounts receivable	(909,028)	(21,688)
Increase (decrease) in accounts payable and accrued liabilities	776,658	(41,485)
	(1,454,929)	(943,024)
Investing activities		
Purchase of property and equipment	-	(30,670)
	-	(30,670)
Financing activities		
Share issue costs	-	(5,734)
Advances from related parties	1,677,686	963,078
	1,677,686	957,344
(Decrease) increase in cash during the year	222,757	(16,350)
Cash, beginning of year	20,276	36,626
Cash, end of year	243,033	20,276

Supplemental disclosure with respect to cash flows (Note 10)

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

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 \$42,902,716 and, for the year ended July 31, 2009, has incurred negative operating cash flow from continuing operations of \$1,454,929. At July 31, 2009, the Company has a negative working capital position of \$2,078,587. 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, 2009 and 2008

3. Significant accounting policies

(a) Adoption of new accounting standards

For the year ended July 31, 2008 the Company early adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") which would have come into effect for the Company on August 1, 2008 with respect to financial instruments:

CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, adopted by the Company on August 1, 2007, has been 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.

During the current year, the Company adopted CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*, which was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this new accounting standard had no material effect on the consolidated financial statements for the year ended July 31, 2009.

(b) Recent accounting pronouncements

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company does not believe the adoption of this section will have any impact on its financial statements.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

3. Significant accounting policies (continued)

(b) *Recent accounting pronouncements (continued)*

Business combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, effective for fiscal years beginning on or after January 1, 2011. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. This standard is not expected to have any effect on the Company's financial statements unless and until one or more business combination transactions occur.

(c) Financial instruments

The fair value of the Company's financial instruments consisting of cash, amounts 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.

(d) Property and equipment

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

(e) 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.

(f) 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 uses 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, 2009 and 2008

3. Significant accounting policies (continued)

(g) 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 7) 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.

(h) Stock-based compensation

The Company has a stock option plan that is described in Note 7. All stock-based payments are recorded using the fair value method. Under this 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.

(i) 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, has not recorded any such obligations as at July 31, 2009.

(j) 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.

(k) 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.

(l) Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

4. Mineral property interests

	July 31, 2008		July 31, 2009
	Cumulative expenditures	Current year expenditures	Cumulative expenditures
	\$	\$	\$
Yemen program	20,171,996	1,168,607	21,340,603
West Greenland program	1,694,681	-	1,694,681
Nevada program	1,570,372	44,835	1,615,207
	23,437,049	1,213,442	24,650,491
	July 31, 2007		July 31, 2008
	Cumulative expenditures	Current year expenditures	Cumulative expenditures
	\$	\$	\$
Yemen program	19,424,595	747,401	20,171,996
West Greenland program	1,694,131	550	1,694,681
Nevada program	1,489,038	81,334	1,570,372
	22,607,764	829,285	23,437,049

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 square kilometers ("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 exclusive exploration rights and the right to obtain an exploration contract since 1999. The exploration current license is valid until August 6, 2011 and covers 698 km².

In November 2008, Vale International SA ("Vale"), a wholly-owned subsidiary of Companhia Vale do Rio Doce, signed a letter agreement for the Company's Suwar, Wadi Qutabah and Al Masna 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 October 31, 2009 (incurred). Vale has the right to acquire up to a 60% interest by funding an additional US\$1 million in exploration expenditures in 2010 (committed) and by agreeing to incur the costs necessary to complete a pre-feasibility study prior to July 2012 (notification deadline October 31, 2011). As of July 31, 2009, the Company was owed \$756,489 from Vale as a result of exploration expenditures under the option agreement (subsequently received).

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

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 permit covers 3,876 km² in the Naqub West region, southeast of the capital, Sana'a.

(b) *Nevada program*

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

In 2004, the Company acquired a 100% interest in the nine claim groups and one additional claim group for consideration of US\$125,000, 3,000,000 common shares and a promissory note to Sovereign for US\$33,000 for reimbursement of Sovereign's costs of maintaining the claims in good standing.

As at July 31, 2009, the Company has retained seven of the claim groups comprised of 267 claims over 2,233 hectares.

Reclamation bonds of \$25,876 (US\$23,981) have been posted with the State of Nevada.

5. Property and equipment

	July 31, 2009		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Field equipment	504,967	445,520	59,447
Computer equipment	14,711	11,365	3,346
	519,678	456,885	62,793

	July 31, 2008		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Field equipment	504,967	344,527	160,440
Computer equipment	107,758	101,804	5,954
	612,725	446,331	166,394

During the year, the Company disposed of certain out-dated computer equipment, software and office furniture with an original cost of \$93,047, accumulated depreciation of \$93,047 and a net book value of \$Nil, for no proceeds.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

6. Related party transactions and balances

	July 31, 2009	July 31, 2008
	\$	\$
Due to related parties		
To a company controlled by a director for laboratory and mineralogical costs	252,879	-
To a director and shareholder for geological fees	21,665	-
To a company controlled by a director for exploration expenditure advances to the Company	2,171,060	481,474
To a company controlled by a director for shared office and administrative charges	99,899	21,834
To a company controlled by a director for shared field expenditures	11,792	337
To a company controlled by a director for geological fees	196,297	137,083
To a company with common directors and management for shared administrative charges	3,776	1,229
To a company with common directors and management for shared field expenditures	-	206
	2,757,368	642,163

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

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,	
	2009	2008
	\$	\$
Amounts paid or accrued		
To a company controlled by a director for laboratory and mineralogical costs	240,837	-
To a director for management and geological consulting fees	134,430	-
To a company controlled by a director for office and administrative costs	67,471	33,312
To a company controlled by a director for shared field expenditures	10,910	321
To a company controlled by a director for geological consulting fees	63,557	175,722
To a company with common directors and management for office and administrative costs	22,363	5,932
To a company with common directors and management for shared field expenditures	-	4,168
	539,568	219,455

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

6. Related party transactions and balances (continued)

	Year ended July 31,	
	2009	2008
	\$	\$
Recoveries recorded		
From a company controlled by a director for shared office and administrative costs	849	-
From a company controlled by a director for shared field expenditures	299	-
From a company with common directors and management for shared field expenditures	1,754	570
	2,902	570

7. Share capital and contributed surplus

- (a) (i) In February 2008, 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) In May 2009, the Company settled indebtedness totaling \$39,239 owing to Chad Ulansky, President and CEO of the Company, by the issuance of 560,559 shares with a deemed value of \$0.07 per share. The indebtedness included monies owing for geological consulting services.

(b) *Stock option plan*

On January 29, 2009, shareholders approved and the Company implemented a new stock option plan (the "Plan"). Under the 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 a period of up to ten years from the date of grant.

In January 2009, the Company granted 7,800,000 options to certain officers and directors. Each of these options vested immediately and allow the holder to purchase one common share in the Company at a price of \$0.10 until January 28, 2019. As a condition of these new grants, 6,000,000 options, originally granted to those certain officers and directors, with an exercise price of \$0.10, were cancelled immediately.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

7. Share capital and contributed surplus (continued)

(b) Stock option plan (continued)

Details are as follows:

	Number	Weighted Average Exercise price
		\$
Outstanding, July 31, 2007	7,500,000	0.10
Granted	4,100,000	0.20
Expired	(1,510,000)	(0.10)
Outstanding, July 31, 2008	10,090,000	0.14
Granted	7,800,000	0.10
Expired	(120,000)	(0.20)
Cancelled	(6,000,000)	(0.10)
Outstanding, July 31, 2009	11,770,000	0.13

The following stock options were outstanding and exercisable at July 31, 2009:

Number	Exercise price	Expiry date
	\$	
100,000	0.10	November 26, 2012
3,870,000	0.20	March 19, 2013
7,800,000	0.10	January 28, 2019
11,770,000		

(c) Stock-based compensation

During the year, the Company recognized stock-based compensation of \$377,487 (2008 - \$480,085) 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 \$0.05 per option (2008 - \$0.12) using the Black-Scholes option pricing model. The assumptions used in calculating fair values are as follows:

	2009	2008
Risk-free interest rate	2.1%	2.9%
Expected option life	5 years	5 years
Expected stock price volatility	85%	103%
Expected dividend yield	0%	0%

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

8. Income taxes

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

	2009	2008
	\$	\$
Non-current future tax asset		
Property and equipment	135,500	110,000
Share issue costs	4,200	6,200
Mineral property interests	5,792,800	5,550,700
Capital loss carryforwards	158,900	-
Non-capital loss carryforwards	1,112,926	829,300
	7,204,326	6,496,200
Valuation allowance	(7,204,326)	(6,496,200)
	-	-

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial combined statutory tax rate of 30% (2008 - 31%) to income before income taxes as follows:

	2009	2008
	\$	\$
Loss before income taxes	1,796,386	1,494,961
	30%	31%
Expected income tax recovery	(542,658)	(459,451)
Permanent difference	116,080	148,403
Effect of tax rate changes and other	(281,548)	2,660
Valuation allowance	708,126	308,388
	-	-

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

	\$
Year of expiry	
2010	51,900
2014	2,354,200
2015	129,700
2026	194,100
2027	286,500
2028	161,600
2029	109,500
	3,287,500

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.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

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,	
	2009	2008
	\$	\$
Loss		
Canada	479,343	565,639
Yemen	1,272,208	847,438
United States of America	44,835	81,334
Greenland	-	550
	1,796,386	1,494,961
	2009	2008
	\$	\$
Property and equipment		
Yemen	62,793	166,020
Canada	-	374
	62,793	166,394

10. Supplemental disclosure with respect to cash flows

Significant non-cash transactions for the year ended July 31, 2009 included:

- (a) Issuing 560,559 common shares valued at \$39,239 to the President and CEO of the Company for monies owing for geological consulting services.

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.

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 these companies were involuntarily dissolved in fiscal 2004. 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.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

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.

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 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 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, 2009, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$94,020.

Cantex Mine Development Corp.

Notes to the consolidated financial statements

July 31, 2009 and 2008

13. Financial instruments and risk management (continued)

(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.

At July 31, 2009, the Company has no financial assets that are past due or impaired due to credit risk defaults. The Company's receivables consist mainly of mineral property recoveries due from joint venture partners and GST receivable due from the Federal Government of Canada. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures (July 31, 2009 - \$756,489, subsequently received). Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures.

(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.

Cantex Mine Development Corp.

Consolidated schedules of exploration expenses years ended July 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	\$	\$
Travel, field costs and other	407,576	229,714
Consulting and engineering	377,362	111,567
Wages	349,195	361,001
Living costs	44,602	72,183
Licenses and permits	34,707	54,820
	<u>1,213,442</u>	<u>829,285</u>