

Interim consolidated financial statements of

**Cantex Mine Development Corp.**

October 31, 2009

(Unaudited – Prepared by Management)

# **Cantex Mine Development Corp.**

October 31, 2009

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## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the three month period ended October 31, 2009.

# Cantex Mine Development Corp.

## Interim consolidated statements of operations and comprehensive loss three month period ended October 31, 2009 and 2008

(Unaudited - Prepared by Management)

	October 31, 2009	October 31, 2008
	\$	\$
<b>Expenses</b>		
Exploration (Note 3 and Schedule)	218,195	208,257
General and administrative	23,299	43,008
Amortization	25,806	25,993
<b>Loss before other items</b>	<b>(267,300)</b>	<b>(277,258)</b>
<b>Other items</b>		
Administration fees earned	33,497	-
Interest income	285	(55)
Foreign exchange gain (loss)	8,089	(49,699)
	41,871	(49,754)
<b>Net loss and comprehensive loss</b>	<b>(225,429)</b>	<b>(327,012)</b>
<b>Loss per common share, basic and diluted</b>	<b>(0.00)</b>	<b>(0.00)</b>
Weighted average number of common shares outstanding, basic and diluted	317,242,578	316,682,019

# Cantex Mine Development Corp.

## Interim consolidated statement of shareholders' deficiency three month period ended October 31, 2009 and 2008

(Unaudited - Prepared by Management)

	Number of common Shares	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' deficiency \$
<b>Balance, July 31, 2008</b>	316,682,019	39,439,987	1,056,085	(41,106,330)	(610,258)
Shares for debt settlement (Note 6 (a))	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)
<b>Balance, July 31, 2009</b>	317,242,578	39,479,226	1,433,572	(42,902,716)	(1,989,918)
Net loss and comprehensive loss for the period	-	-	-	(225,429)	(225,429)
<b>Balance, October 31, 2009</b>	317,242,578	39,479,226	1,433,572	(43,128,145)	(2,215,347)

# Cantex Mine Development Corp.

## Interim consolidated balance sheets

as at October 31, 2009

(Unaudited - Prepared by Management)

	October 31, 2009	July 31, 2009
	\$	\$
<b>Assets</b>		
Current assets		
Cash	524,525	243,033
Amounts receivable	156,962	938,773
	<b>681,487</b>	1,181,806
Reclamation bonds	25,334	25,876
Property and equipment (Note 4)	36,987	62,793
	<b>743,808</b>	1,270,475
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	189,906	503,025
Due to related parties (Note 5)	2,769,249	2,757,368
	<b>2,959,155</b>	3,260,393
<b>Shareholders' deficiency</b>		
Share capital (Note 6)		
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 (July 31, 2009 - 317,242,578)	39,479,226	39,479,226
Contributed surplus	1,433,572	1,433,572
Deficit	<b>(43,128,145)</b>	(42,902,716)
	<b>(2,215,347)</b>	(1,989,918)
	<b>743,808</b>	1,270,475

Nature and continuance of operations (Note 1)

Contingencies (Note 8)

Approved by the Board

"Vernon Frolick"

Vernon Frolick, Director

"Chad Ulansky"

Chad Ulansky, Director

# Cantex Mine Development Corp.

## Interim consolidated statements of cash flows three month period ended October 31, 2009 and 2008

(Unaudited - Prepared by Management)

	October 31, 2009	October 31, 2008
	\$	\$
<b>Operating activities</b>		
Net loss	(225,429)	(327,012)
Items not affecting cash		
Amortization	25,806	25,993
Unrealized foreign exchange (gain) loss	(30,039)	49,087
Change in non-cash working capital items		
Decrease (increase) in amounts receivable	781,811	(6,026)
Increase (decrease) in accounts payable and accrued liabilities	(270,657)	6,604
	<b>281,492</b>	<b>(251,354)</b>
<b>Investing activities</b>		
	-	-
<b>Financing activities</b>		
Advances from related parties	-	304,701
	-	304,701
Increase in cash during the period	<b>281,492</b>	53,347
Cash, beginning of period	<b>243,033</b>	20,276
<b>Cash, end of period</b>	<b>524,525</b>	73,623

# Cantex Mine Development Corp.

## Notes to the interim consolidated financial statements

(Unaudited – Prepared by Management)

October 31, 2009

### 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 \$43,128,145 and, for the period ended October 31, 2009, has generated positive operating cash flow from continuing operations of \$281,492. At October 31, 2009, the Company has a negative working capital position of \$2,277,668. 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 interim consolidated financial statements  
(Unaudited – Prepared by Management)  
October 31, 2009

## 2. Basis of presentation (continued)

### (c) Adoption of new accounting standards

#### *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 became effective for the Company on August 1, 2009 and its adoption did not have a material impact on the financial statements.

### (d) Recent accounting pronouncements

#### *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.

## 3. Mineral property interests

	Yemen	Nevada	Total
	\$	\$	\$
Cummulative expenditures, July 31, 2008	20,171,996	1,570,372	21,742,368
<u>Net expenditures during year</u>	<u>1,168,607</u>	<u>44,835</u>	<u>1,213,442</u>
Cummulative expenditures, July 31, 2009	21,340,603	1,615,207	22,955,810
<b><u>Net expenditures during period</u></b>	<b><u>173,478</u></b>	<b><u>44,717</u></b>	<b><u>218,195</u></b>
Cummulative expenditures, October 31, 2009	21,514,081	1,659,924	23,174,005

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

# Cantex Mine Development Corp.

## Notes to the interim consolidated financial statements (Unaudited – Prepared by Management October 31, 2009)

### 3. Mineral property interests (continued)

#### Yemen

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 Outabah and Al Masna nickel, copper, cobalt and platinum group element projects in Yemen.

Vale may earn a 40% participating interest in the Suwar project if US\$3 million is spent on the Suwar project, a pre-feasibility study is completed on or before July 31, 2012 and a US\$1 million option payment is made to Cantex. An additional 20% can be earned by completing a feasibility study, financing mine development and achieving commercial production. To date, Vale have met the US\$2 million exploration expenditure commitment in 2009 and have committed to spending an additional US\$1 million in 2010.

### 4. Property and equipment

				October 31, 2009	July 31, 2009
	Expected useful life	Cost	Accumulated depreciation	Net book value	Net book value
		\$	\$	\$	\$
Field equipment	5 years	504,967	470,772	34,195	59,447
Computer equipment	3 years	14,711	11,919	2,792	3,346
		519,678	482,691	36,987	62,793

### 5. Related party transactions and balances

	October 31, 2009	July 31, 2009
	\$	\$
Due to related parties		
To a company controlled by a director for laboratory and mineralogical costs	252,879	252,879
To a director and shareholder for geological fees	7,019	21,665
To a company controlled by a director for exploration expenditure advances to the Company	2,169,972	2,171,060
To a company controlled by a director for shared office and administrative charges	111,979	99,899
To a company controlled by a director for shared field expenditures	11,792	11,792
To a company controlled by a director for geological fees	208,755	196,297
To a company with common directors and management for shared administrative charges	6,853	3,776
	2,769,249	2,757,368

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 interim consolidated financial statements  
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## 5. Related party transactions and balances (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:

	2009	2008
	\$	\$
Amounts paid or accrued		
To a director for management and geological consulting fees	6,685	-
To a company controlled by a director for office and administrative costs	11,505	16,897
To a company controlled by a director for shared field expenditures	6,000	-
To a company controlled by a director for geological consulting fees	5,865	6,183
To a company with common directors and management for office and administrative costs	2,930	1,234
	<b>32,985</b>	<b>24,314</b>
Recoveries recorded		
From a company with common directors and management for shared field expenditures	-	299
	-	299

## 6. Share capital and contributed surplus

(a) 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*

In January 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.

Details are as follows:

	Number	Exercise price
		\$
Outstanding, July 31, 2009	11,770,000	0.13
<b>Granted</b>	-	-
<b>Expired</b>	-	-
Outstanding, October 31, 2009	11,770,000	0.13

# Cantex Mine Development Corp.

Notes to the interim consolidated financial statements  
(Unaudited – Prepared by Management  
October 31, 2009

## 6. Share capital and contributed surplus (continued)

### (b) Stock option plan (continued)

The following stock options were outstanding and exercisable at October 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
<b>11,770,000</b>		

## 7. 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:

	Three month period ended October 31,	
	2009	2008
	\$	\$
Loss		
Canada	(18,753)	92,762
Yemen	199,285	195,909
United States of America	44,717	38,341
	<b>225,249</b>	<b>327,012</b>
	October 31,	July 31,
	2009	2009
	\$	\$
Property and equipment		
Yemen	36,987	62,793
Canada	-	-
	<b>36,987</b>	<b>62,793</b>

## 8. Contingencies

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 interim consolidated financial statements

(Unaudited – Prepared by Management

October 31, 2009

## 9. 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.

## 10. 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.

# Cantex Mine Development Corp.

## Notes to the interim consolidated financial statements (Unaudited – Prepared by Management October 31, 2009)

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

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 October 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 \$50,185.

(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 October 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 (October 31, 2009 - \$146,270, 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 9 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.

### 11. Comparative figures

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

# Cantex Mine Development Corp.

## Interim consolidated schedules of exploration expenses three month period ended October 31, 2009 and 2008

(Unaudited - Prepared by Management)

	<b>October 31, 2009</b>	October 31, 2008
	\$	\$
Licenses and permits	<b>73,621</b>	34,707
Wages	<b>66,526</b>	47,900
Travel, field costs and other	<b>59,767</b>	59,076
Consulting and engineering	<b>10,113</b>	52,796
Living costs	<b>8,168</b>	13,778
	<b>218,195</b>	208,257