

Interim consolidated financial statements of

Cantex Mine Development Corp.

January 31, 2010

(Unaudited – Prepared by Management)

Cantex Mine Development Corp.

January 31, 2010

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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 and six month periods ended January 31, 2010.

Cantex Mine Development Corp.

Interim consolidated statements of operations and comprehensive loss
three and six month periods ended January 31, 2010 and 2009

(Unaudited - Prepared by Management)

	Three months ended		Six months ended	
	January 31,		January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Expenses				
Exploration (Note 3 and Schedule)	189,822	487,200	408,017	695,457
Stock-based compensation	-	256,019	-	256,019
General and administrative	69,311	111,866	92,610	154,874
Amortization	17,859	25,994	43,665	51,987
Loss before other items	(276,992)	(881,079)	(544,292)	(1,158,337)
Other items				
Administration fees earned	31,089	11,155	64,586	11,155
Interest income	236	69	521	124
Foreign exchange gain (loss)	26,744	(14,049)	34,833	(63,858)
	58,069	(2,825)	99,940	(52,579)
Net loss and comprehensive loss	(218,923)	(883,904)	(444,352)	(1,210,916)
Loss per common share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	319,651,445	316,682,019	317,849,744	316,682,019

Cantex Mine Development Corp.

Interim consolidated statement of shareholders' deficiency three and six month periods ended January 31, 2010 and 2009

(Unaudited - Prepared by Management)

	Number of common Shares	Share capital \$	Contributed surplus \$	Deficit \$	Total shareholders' deficiency \$
Balance, July 31, 2008	316,682,019	39,439,987	1,056,085	(41,106,330)	(610,258)
Shares for debt settlement (Note 6 (a)(i))	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)
Shares for debt settlement (Note 6 (a)(ii))	17,047,367	1,022,842	-	-	1,022,842
Share issuance costs	-	(5,614)	-	-	(5,614)
Net loss and comprehensive loss for the period	-	-	-	(444,352)	(444,352)
Balance, January 31, 2010	334,289,945	40,496,454	1,433,572	(43,347,068)	(1,417,042)

Cantex Mine Development Corp.

Interim consolidated balance sheets

as at January 31, 2010

(Unaudited - Prepared by Management)

	January 31, 2010	July 31, 2009
	\$	\$
Assets		
Current assets		
Cash	235,072	243,033
Amounts receivable	240,502	938,773
	475,574	1,181,806
Reclamation bonds	29,219	25,876
Property and equipment (Note 4)	19,128	62,793
	523,921	1,270,475
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	192,502	503,025
Due to related parties (Note 5)	1,748,461	2,757,368
	1,940,963	3,260,393
Shareholders' deficiency		
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		
334,289,945 common shares (July 31, 2009 - 317,242,578)	40,496,454	39,479,226
Contributed surplus	1,433,572	1,433,572
Deficit	(43,347,068)	(42,902,716)
	(1,417,042)	(1,989,918)
	523,921	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 and six month periods ended January 31, 2010 and 2009

(Unaudited - Prepared by Management)

	Three months ended		Six months ended	
	January 31,		January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating activities				
Net loss	(218,923)	(883,904)	(444,352)	(1,210,916)
Items not affecting cash				
Amortization	17,859	25,994	43,665	51,987
Stock-based compensation	-	256,019	-	256,019
Unrealized foreign exchange loss	30,398	14,049	359	63,136
Change in non-cash working capital items				
Decrease (increase) in amounts receivable	(83,540)	(125,669)	698,271	(131,695)
Decrease in accounts payable and accrued liabilities	(25,427)	(46,130)	(296,084)	(39,526)
	(279,633)	(759,641)	1,859	(1,010,995)
Investing activities				
Investment in reclamation bonds	(4,206)	-	(4,206)	-
	(4,206)	-	(4,206)	-
Financing activities				
Share issuance costs	(5,614)	-	(5,614)	-
Advances from related parties	-	737,487	-	1,042,188
	(5,614)	737,487	(5,614)	1,042,188
(Decrease) increase in cash during the period	(289,453)	(22,154)	(7,961)	31,193
Cash, beginning of period	524,525	73,623	243,033	20,276
Cash, end of period	235,072	51,469	235,072	51,469

Cantex Mine Development Corp.

Notes to the interim consolidated financial statements

January 31, 2010

(Unaudited – Prepared by Management)

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 \$43,347,068 and, for the period ended January 31, 2010, has generated positive operating cash flow from continuing operations of \$1,859. At January 31, 2010, the Company has a negative working capital position of \$1,465,389. 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

January 31, 2010

(Unaudited – Prepared by Management)

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
Net expenditures during year	1,168,607	44,835	1,213,442
Cummulative expenditures, July 31, 2009	21,340,603	1,615,207	22,955,810
Net expenditures during period	362,629	45,388	408,017
Cummulative expenditures, January 31, 2010	21,703,232	1,660,595	23,363,827

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

January 31, 2010

(Unaudited – Prepared by Management)

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

				January 31, 2010	July 31, 2009
	Expected useful life	Cost	Accumulated depreciation	Net book value	Net book value
		\$	\$	\$	\$
Field equipment	5 years	504,967	488,073	16,894	59,447
Computer equipment	3 years	14,711	12,477	2,234	3,346
		519,678	500,550	19,128	62,793

5. Related party transactions and balances

	January 31, 2010	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	9,412	21,665
To a company controlled by a director for exploration expenditure advances to the Company	1,124,278	2,171,060
To a company controlled by a director for shared office and administrative charges	128,459	99,899
To a company controlled by a director for shared field expenditures	24,392	11,792
To a company controlled by a director for geological fees	205,856	196,297
To a company with common directors and management for shared administrative charges	3,185	3,776
	1,748,461	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

January 31, 2010

(Unaudited – Prepared by Management)

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:

	Six month period ended January 31,	
	2010	2009
	\$	\$
Amounts paid or accrued		
To a company controlled by a director for laboratory and mineralogical costs	-	206,849
To a director for management and geological consulting fees	8,964	28,461
To a company controlled by a director for office and administrative costs	27,200	19,899
To a company controlled by a director for shared field expenditures	12,000	-
To a company controlled by a director for geological consulting fees	8,819	20,780
To a company with common directors and management for office and administrative costs	3,033	6,259
	60,016	282,248
Recoveries recorded		
From a company with common directors and management for shared field expenditures	-	299
	-	299

6. Share capital and contributed surplus

(a) (i) 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.

(ii) In January 2010, the Company settled indebtedness totaling \$1,022,842 owing to a company controlled by Chares Fipke, Chairman of the Company, by the issuance of 17,047,367 shares with a deemed value of \$0.06 per share. The indebtedness included monies owing for advances received for exploration expenditures.

(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 to a period of up to ten years from the date of grant.

Cantex Mine Development Corp.

Notes to the interim consolidated financial statements

January 31, 2010

(Unaudited – Prepared by Management)

6. Share capital and contributed surplus (continued)

(b) *Stock option plan (continued)*

Details are as follows:

	Number	Exercise price
		\$
Outstanding, July 31, 2009	11,770,000	0.13
Granted	-	-
Expired/Cancelled	(60,000)	0.20
Outstanding, January 31, 2010	11,710,000	0.13

The following stock options were outstanding and exercisable at January 31, 2010:

Number	Exercise price	Expiry date
	\$	
100,000	0.10	November 26, 2012
3,810,000	0.20	March 19, 2013
7,800,000	0.10	January 28, 2019
11,710,000		

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:

	Six month period ended January 31,	
	2010	2009
	\$	\$
Loss		
Canada	57,256	474,814
Yemen	341,708	696,557
United States of America	45,388	39,545
	444,352	1,210,916
	January 31,	July 31,
	2010	2009
	\$	\$
Property and equipment		
Yemen	19,128	62,793
	19,128	62,793

Cantex Mine Development Corp.

Notes to the interim consolidated financial statements

January 31, 2010

(Unaudited – Prepared by Management)

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.

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

January 31, 2010

(Unaudited – Prepared by Management)

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 January 31, 2010, the Company is exposed to currency risk relating to funds held in U.S. dollars and Yemen rials with a value of approximately \$105,493.

(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 January 31, 2010, 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 (January 31, 2010 - \$222,447, 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 and six month periods ended January 31, 2010 and 2009

(Unaudited - Prepared by Management)

	Three months ended		Six months ended	
	January 31,		January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Wages	65,250	109,996	131,776	157,897
Travel, field costs and other	46,701	133,786	106,468	192,861
Consulting and engineering	69,047	233,216	79,160	286,013
Licenses and permits	125	-	73,746	34,707
Living costs	8,699	10,202	16,867	23,979
	189,822	487,200	408,017	695,457