

CANTEX ENERGY CORP.
ANNUAL FINANCIAL STATEMENTS
MAY 31, 2009

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May 31, 2009 and 2008

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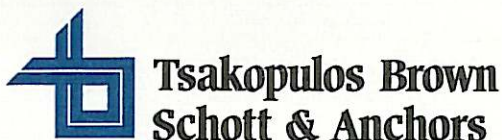
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ACCOUNTANTS' COMPILATION REPORT

February 15, 2010

To the Board of Directors
Cantex Energy Corp.
San Antonio, Texas

We have compiled the accompanying balance sheets of Cantex Energy Corp. (a Nevada corporation) (a development stage company) as of May 31, 2009 and 2008, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended May 31, 2009 and 2008 and the period September 13, 2002 (date of inception) to May 31, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to Cantex Energy Corp.

Tsakopoulos Brown Schott & Anchors
Tsakopoulos Brown Schott & Anchors

Balance Sheets

CANTEX ENERGY CORP. (a development stage company)

	May 31, 2009	May 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,120	\$ 248
Accounts receivable	6,718	5,222
Due from operators	48,497	199,284
Prepaid expenses	-	5,750
Total Current Assets	<u>62,335</u>	<u>210,504</u>
OIL AND GAS PROPERTIES (Successful Efforts)		
Unproved properties	446,907	504,593
Proved properties	<u>144,912</u>	<u>144,912</u>
	591,819	649,505
Less accumulated depreciation, depletion and amortization	<u>(71,346)</u>	<u>(42,357)</u>
Net Oil and Gas Properties	<u>520,473</u>	<u>607,148</u>
TOTAL ASSETS	<u>\$ 582,808</u>	<u>\$ 817,652</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 27,023	\$ 18,525
Accounts payable - related party	36,000	24,000
Accrued interest payable	44,973	42,050
Payroll taxes payable	2,764	-
Due to stockholder	265,967	207,092
Stock purchase prepayment	<u>-</u>	<u>100,000</u>
TOTAL LIABILITIES	376,727	391,667
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.0001; 50,608,381 and 47,558,381 shares issued and outstanding as of May 31, 2009 and 2008, respectively	5,061	4,756
Additional paid-in capital	2,005,865	1,840,170
Retained deficit	<u>(1,804,845)</u>	<u>(1,418,941)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>206,081</u>	<u>425,985</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 582,808</u>	<u>\$ 817,652</u>

Statements of Operations

CANTEX ENERGY CORP. (a development stage company)

	For the Years Ended		September 13, 2002 (date of inception) to
	May 31, 2009	May 31, 2008	May 31, 2009
REVENUES	\$ 2,262	\$ 16,133	\$ 25,419
OPERATING EXPENSES			
Lease operating expenses	38,771	6,012	55,264
Impairment and abandonments	-	-	383,143
Depreciation, depletion and amortization	28,988	28,423	71,346
Selling, general and administrative	317,484	725,961	1,278,038
Total Expenses	<u>385,243</u>	<u>760,396</u>	<u>1,787,791</u>
Loss from Operations	(382,981)	(744,263)	(1,762,372)
OTHER INCOME (EXPENSE)			
Other income	-	-	2,500
Interest expense	(2,923)	(3,900)	(44,973)
Total Other Expense	<u>(2,923)</u>	<u>(3,900)</u>	<u>(42,473)</u>
Loss Before Income Taxes	(385,904)	(748,163)	(1,804,845)
INCOME TAXES	-	-	-
NET LOSS	<u>\$ (385,904)</u>	<u>\$ (748,163)</u>	<u>\$ (1,804,845)</u>
Net Loss Per Share			
Basic	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	
Weighted average shares outstanding			
Basic	<u>50,438,381</u>	<u>39,533,067</u>	
Diluted	<u>52,687,013</u>	<u>39,533,067</u>	

Statement of Changes in Stockholders' Equity

CANTEX ENERGY CORP. (a development stage company)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Stockholders' Equity
	Shares	Amount			
Balance at September 13, 2002 (date of inception)	-	\$ -	\$ -	\$ -	\$ -
Shares issued for cash	11,100,000	1,110	1,510	-	2,620
Balance at May 31, 2003	11,100,000	1,110	1,510	-	2,620
Shares issued for cash	150,000	15	4,185	-	4,200
Balance at May 31, 2004	11,250,000	1,125	5,695	-	6,820
Shares issued for cash	19,275,000	1,928	117,573	-	119,501
Net loss	-	-	-	7,550	7,550
Balance at May 31, 2005	30,525,000	3,053	123,268	7,550	133,871
Shares issued for cash	300,000	30	27,970	-	28,000
Net loss	-	-	-	(399,942)	(399,942)
Balance at May 31, 2006	30,825,000	3,083	151,238	(392,392)	(238,071)
Shares issued for cash	2,018,381	202	896,797	-	896,999
Shares issued for services	240,000	24	67,176	-	67,200
Net loss	-	-	-	(278,386)	(278,386)
Balance at May 31, 2007	33,083,381	3,309	1,115,211	(670,778)	447,742
Shares issued for cash	4,325,000	432	219,568	-	220,000
Shares issued for services	10,150,000	1,015	505,391	-	506,406
Net loss	-	-	-	(748,163)	(748,163)
Balance at May 31, 2008	47,558,381	4,756	1,840,170	(1,418,941)	425,985
Shares issued for cash	2,750,000	275	129,725	-	130,000
Shares issued for services	300,000	30	35,970	-	36,000
Net loss	-	-	-	(385,904)	(385,904)
Balance at May 31, 2009	<u>50,608,381</u>	<u>\$ 5,061</u>	<u>\$ 2,005,865</u>	<u>\$ (1,804,845)</u>	<u>\$ 206,081</u>

Statements of Cash Flows

CANTEX ENERGY CORP.

	For the Years Ended		September 13, 2002
	May 31, 2009	May 31, 2008	(date of inception) to May 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (385,904)	\$ (748,163)	\$ (1,804,845)
Depreciation, depletion and amortization	28,989	28,423	71,346
Common stock issued for services	36,000	506,406	609,606
Adjustments to reconcile net loss to net cash used by operating activities:			
Change in operating assets and liabilities			
Accounts receivable	(1,496)	(5,222)	(6,718)
Due from operators	150,787	(199,284)	(48,497)
Prepaid expenses	5,750	5,750	-
Accounts payable - trade	8,498	(17,591)	27,023
Accounts payable - related party	12,000	12,000	36,000
Accrued interest payable	2,923	3,900	44,973
Payroll taxes payable	2,764	-	2,764
Due to stockholder	58,875	74,403	265,967
Net Cash Used By Operating Activities	<u>(80,814)</u>	<u>(339,378)</u>	<u>(802,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows			
Net proceeds from sale of assets	161,462	-	161,462
Outflows			
Purchase oil and gas properties	<u>103,776</u>	<u>15,567</u>	<u>753,281</u>
Net Cash Provided (Used) by Investing Activities	57,686	(15,567)	(591,819)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows			
Stock purchase prepayment	-	100,000	-
Issuance of common stock	<u>30,000</u>	<u>220,000</u>	<u>1,401,320</u>
Net Cash Provided By Financing Activities	<u>30,000</u>	<u>320,000</u>	<u>1,401,320</u>
NET INCREASE (DECREASE) IN CASH	6,872	(34,945)	7,120
CASH, beginning of period	<u>248</u>	<u>35,193</u>	<u>-</u>
CASH, end of period	<u><u>\$ 7,120</u></u>	<u><u>\$ 248</u></u>	<u><u>\$ 7,120</u></u>
Supplemental Cash Flow Information			
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Noncash Investing and Financing Activity			
Common stock issued for services	<u><u>\$ 36,000</u></u>	<u><u>\$ 506,406</u></u>	<u><u>\$ 609,606</u></u>

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Cantex Energy Corp. (“Cantex”) was incorporated under the laws of the State of Nevada on September 13, 2002. Cantex is currently engaged in the acquisition, development and rehabilitation of oil and gas properties with a strategic focus in the continental United States, primarily in the State of Texas.

Development Stage Enterprise

Cantex is a development stage enterprise as defined by Statement of Financial Accounting Standards (“SFAS”) No. 7, *Accounting and Reporting by Development Stage Enterprises*. Cantex devotes substantially all of its present efforts to developing and acquiring oil and gas properties. All losses accumulated since inception have been considered as part of Cantex’s development stage activities. Cantex produced revenues of approximately \$25,419 from inception through May 31, 2009, but will continue to report as a developmental stage company until significant revenues are produced.

Basis of Presentation

The financial statements of Cantex have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

For purposes of the statements of cash flows, Cantex considers all highly liquid instruments purchased with a maturity date of three months or less to be cash equivalents. There were no cash equivalents at May 31, 2009 and 2008.

Accounts Receivable

Accounts receivable are carried at the expected net realizable value. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivables. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than historical experience, our estimates of the recoverability of the amounts due to us could be overstated, which could have a negative impact on operations. Management believes no allowance for doubtful accounts was necessary at May 31, 2009 and 2008.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments which potentially subject Cantex to concentrations of credit risk, consist of cash. Cantex maintains cash accounts at one financial institution. Cantex periodically evaluates the credit worthiness of financial institutions, and maintains cash accounts only in large high quality financial institutions.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets or the lesser of the lease term, as applicable. Repairs and maintenance which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation is removed from the accounts and the resulting gain or loss is reflected in operations.

Long-lived Assets

Cantex reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used or disposed of other than by sale are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell.

Income Taxes

Cantex follows SFAS No. 109, *Accounting for Income Taxes*, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are computed using the liability method based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

A valuation allowance is provided, if necessary, to reserve the amount of net operating loss and tax credit carryforwards, which Cantex may not be able to use as a result of the expiration of maximum carryover periods allowed under applicable tax codes.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), an interpretation of FAS 109, *Accounting for Uncertainty in Income Taxes*, effective for years beginning after December 15, 2006. FIN 48 establishes a more-likely-than-not threshold for recognizing the benefits of tax return positions in the financial statements. In addition, FIN 48 implements a process for measuring those tax positions which meet the recognition threshold of being ultimately sustained upon examination by the taxing authorities. The adoption of FIN 48 had no material impact to Cantex's financial statements.

Fair Value of Financial Instruments

Cantex's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate fair values due to the short maturity of those instruments.

Revenue Recognition

Cantex is currently an exploration stage company and as of the date of these financial statements has not commenced production on any of the oil and gas properties where Cantex is the operator. It will recognize oil and gas revenues from its interests in producing wells as oil and gas is produced and sold from these wells and collection is reasonably assured.

Earnings Per Share

Cantex presents earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is similar to the previously reported fully diluted earnings per share. Basic income (loss) per common share is computed based on the weighted average number of common shares outstanding during the respective years. Stock options, stock warrants and convertible preferred stock are included in the calculation of diluted income (loss) per common share.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions are included in Cantex's financial statements and accompanying notes. The more significant areas requiring the use of management estimates relate to evaluating the outcome of uncertainties involving claims against or on behalf of Cantex, determining useful lives for depreciation and amortization purposes, cash flow projections and fair values used in the determination of asset impairment. While management believes current estimates are reasonable and appropriate, actual results could differ materially from current estimates.

Oil and Gas Properties

Cantex utilizes the successful efforts method of accounting for oil and gas activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on Cantex's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Gas Properties (Continued)

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Asset Retirement Obligations

Cantex follows SFAS No. 143, *Accounting for Asset Retirement Obligations*, which requires companies to record the present value of obligations associated with the retirement of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, Cantex increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized as an operating expense and the capitalized cost is amortized over the expected useful life of the related asset. Upon settlement of the liability, Cantex either settles the obligation for its recorded amount or incurs a gain or loss. This standard requires Cantex to record a liability for the fair value of the dismantlement and plugging and abandonment costs, excluding salvage values.

As of May 31, 2009, Cantex had minimal producing oil and gas wells and its oil and gas properties were all considered unevaluated. Accordingly, no asset retirement obligation had been recognized as of that date.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared assuming Cantex will continue as a going concern. As shown in the accompanying financial statements, Cantex has accumulated a deficit of \$1,804,845 since inception and has no established source of significant income, which raises substantial doubt about Cantex's ability to continue as a going concern. Accordingly, Cantex is dependent on equity and debt financing from officers and stockholders to provide sufficient working capital to continue operations. There can be no assurance that additional stock can be sold or that the officers and directors will continue to make financing available to Cantex in the future. The officers and stockholders are under no legal obligation to provide additional loans to Cantex. In the event that the officers do not continue to make such loans, a source of recurring revenues is not created, or if Cantex is not able to raise funds from other sources, Cantex may be unable to continue to operate as a going concern. The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts and classifications of liabilities that might be necessary should Cantex be unable to continue as a going concern.

NOTE 3. INCOME (LOSS) PER COMMON SHARE

Cantex computes earnings per share by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution of securities, if any, that could share in the earnings of Cantex and is calculated by dividing net income (loss) by the diluted weighted average number of common shares. The diluted weighted average number of common shares is computed using the treasury stock method for common stock that may be issued for outstanding stock options. The following table sets forth the computation of basic and diluted earnings per share:

	For the Years Ended	
	<u>May 31, 2009</u>	<u>May 31, 2008</u>
Numerator		
Net loss available to common stockholders	\$ (385,904)	\$ (748,163)
Denominator		
Weighted average shares - basic	<u>50,438,381</u>	<u>39,533,067</u>
Net Loss Per Share - Basic	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 3. INCOME (LOSS) PER COMMON SHARE (CONTINUED)

	For the Years Ended	
	<u>May 31, 2009</u>	<u>May 31, 2008</u>
Numerator		
Convertible debt (interest)	\$ 2,248,632	\$ -
Denominator		
Weighted average shares - diluted	<u>52,687,013</u>	<u>39,533,067</u>
Net Loss Per Share - Diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

All warrants and convertible debts issued and outstanding were included in the computation of diluted earnings per share for the year ended May 31, 2009 and were not applicable for the year ended May 31, 2008.

NOTE 4. OIL AND GAS PROPERTIES

Cantex has participated in several oil and gas exploration projects in Wyoming and Texas. The properties are as follows:

	<u>May 31, 2009</u>	<u>May 31, 2008</u>
Big Canyon Prospect	\$ 446,907	\$ 504,593
Brawner Well	77,498	77,498
Roberson Well	<u>67,414</u>	<u>67,414</u>
	591,819	649,505
Less accumulated depreciation, depletion and amortization	<u>(71,346)</u>	<u>(42,357)</u>
Net Oil and Gas Properties	<u>\$ 520,473</u>	<u>\$ 607,148</u>

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 4. OIL AND GAS PROPERTIES (CONTINUED)

Big Canyon Prospect (Terrell County, Texas)

In January 2006, Cantex agreed to participate in a seismic program in West Texas. Cantex agreed to pay up to \$500,000 toward an estimated \$1,600,000 geophysical review in order to earn a 31% working interest in the four potential pay zones within this prospect known as the "Big Canyon Prospect." The Big Canyon Prospect is comprised of approximately 13,560 net mineral acres and is nine miles from transcontinental lines of the Waha gas hub. Along with the other working interest partners, Cantex holds an option for the right of way through the lands that connects it to downstream pipelines.

Cantex has an option to earn an additional 20% working interest by paying the total costs of the first exploratory well on any or all of the four potential pay zones. In order to fund this commitment, Cantex will need to sell new equity, borrow sufficient funds or seek partners.

In April 2006, Cantex agreed to farm-out up to 25% of its working interest to a private Nevada company for their help in funding the cost of the seismic program. The Nevada company has the option to pay up to \$166,000 of the cost of the seismic program, which represents one-third of Cantex's \$500,000 commitment in the geophysical report. \$47,000 of the potential \$166,000 was paid in the farm-out agreement which provides that Cantex has granted the Nevada company approximately 7% of its share of the working interest, or 2.2% of the total working interest. Seismic work was completed in June 2007.

In May 2006, Cantex accepted a private placement from the Nevada company that funded the farm-out agreement. Cantex received \$400,000 for 400,000 shares of common stock. In connection with the shares issued to the private Nevada company, which were issued at a premium to the current market price, Cantex also pledged a 1% gross overriding royalty from its interest in the Big Canyon Prospect.

Notwithstanding the good faith intentions of the parties, both have recognized that Cantex is not able to grant the gross overriding royalty, since they are not the prospect operator. Cantex and the Nevada company agree that the equivalent to the gross overriding royalty approximates a carried working interest of 1.33%.

Notes to the Financial Statements

CANTEX ENERGY CORP.
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NOTE 4. OIL AND GAS PROPERTIES

Big Canyon Prospect (Terrell County, Texas) (Continued)

On November 24, 2008, Cantex and other participants in the joint operating agreement in Terrell County, agreed to sell 50% of its working interest in the Big Canyon Prospect and other associated rights to Slawson Exploration, a private Kansas company, at a price of \$330 per net mineral acre. As a result of this transaction, Cantex received net sales proceeds of \$161,462, which reduced the basis of its investment and Cantex's working interest in the Big Canyon Prospect to 15.625%.

Since Cantex's working interest and rights were reduced, the working interest pledged to the Nevada company for funding a portion of the seismic program was reduced to 1.1% and the carried working interest obligation correspondingly to 0.67%. In December 2008, Cantex paid the Nevada company their pro-rata share of the proceeds from the sale totaling \$4,751.

Barnett Shale (Hood County, Texas)

In October and November of 2006, Cantex purchased a 2% working interest in each of two wells in the Barnett Shale region of Texas. The two wells, known as Robertson and Brawner, were drilled in 2006, but were determined to be uneconomic wells in late 2008. The operators of the wells have not made the decision to abandon the wells. As such, these assets are included in the accompanying balance sheet with appropriate amortization.

West Ant Hills Prospect (Niobrara County, Wyoming)

In March 2005, Cantex entered into a purchase agreement for the acquisition of 30% interest in the rights to participate in the drilling, completion and production of an oil prospect in the State of Wyoming, which will be owned up to 60% by a significant stockholder pursuant to the participation agreement. Cantex received the right to participate in the development of up to eight wells in the West Ant Hills Prospect situated in Niobrara County, Wyoming, thereby earning 30% of a 60% working interest. Cantex paid \$1,000 and issued five million shares of common stock valued at \$100,000 as consideration for the right to participate in the prospect and is required to pay 30% of all drilling and completion costs. Permitting was finalized in June 2005 and drilling was completed during 2006. After evaluating the results, Cantex and its partners decided to abandon the wells and write-off acquisition and drilling costs totaling \$383,143.

Notes to the Financial Statements

CANTEX ENERGY CORP.
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NOTE 5. STOCKHOLDERS' EQUITY

Upon incorporation, Cantex authorized 25,000,000 shares of common stock with a par value of \$0.0001. On September 30, 2006, Cantex increased the number of authorized shares to 200,000,000. As of May 31, 2009, 50,608,321 shares of common stock were issued and outstanding.

On September 13, 2002, Cantex issued 11,100,000 shares valued at \$2,620 to its initial stockholders.

On October 1, 2003, Cantex issued 50,000 shares of common stock valued at \$1,200 to Escondido Operating, Inc. for the purchase of four overriding royalties. An additional 100,000 shares were later issued to Escondido Operating, Inc. when Cantex approved a 3:1 stock split on September 30, 2005.

On March 15, 2005, Cantex issued 5,000,000 shares of common stock valued at \$100,000 to TJ Oil and Gas as consideration for the rights to participate in the drilling of an oil prospect in Wyoming. An additional 10,000,000 shares were issued to TJ Oil and Gas when Cantex approved a 3:1 stock split on September 30, 2005.

On April, 11, 2005, Cantex issued 1,400,000 shares of common stock valued at \$14,000 to Sawinder Hayre. An additional 2,800,000 shares were later issued to Sawinder Hayre when Cantex approved a 3:1 stock split on September 30, 2005.

On May 25, 2005, Cantex issued 25,000 shares of common stock valued at \$2,500 to Altres Group. An additional 50,000 shares were later issued to Altres Group when Cantex approved a 3:1 stock split on September 30, 2005.

On June 27, 2005, Cantex issued 100,000 shares of common stock valued at \$25,000 to Shane Yamamoto. An additional 200,000 shares were later issued to Shane Yamamoto when Cantex approved a 3:1 stock split on September 30, 2005.

On May 30, 2006, Cantex received subscriptions from Epsilon Energy to purchase 400,000 shares of common stock for \$400,000. The shares were issued on March 13, 2007.

On July 14, 2006, Cantex issued 240,000 shares of common stock valued at \$67,200 to Gross Capital in exchange for investor relations services, which was capitalized as a prepaid expense and amortized over the six-month period ended January 31, 2007.

Notes to the Financial Statements

CANTEX ENERGY CORP.
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NOTE 5. STOCKHOLDERS' EQUITY (CONTINUED)

On March 1, 2007, Cantex issued 300,000 shares of common stock valued at \$30,000 to Mazuma Corp.

On March 13, 2007, Cantex issued 482,667 shares of common stock valued at \$362,000 to eight private investors in conjunction with the conversion of convertible debentures originally received in January and February 2006. See discussion in Note 8.

On March 14, 2007, Cantex issued 300,000 shares of common stock valued at \$30,000 to Mazuma Corp.

On May 14, 2007, Cantex issued 535,714 shares of common stock valued at \$75,000 to Mazuma Corp.

On June 27, 2007, Cantex issued 375,000 shares of common stock valued at \$30,000 to Mazuma Corp.

On September 6, 2007, Cantex issued 600,000 shares of common stock valued at \$30,000 to Mazuma Corp.

On September 20, 2007, Cantex issued 2,000,000 shares of common stock valued at \$100,000 to Raul Guerra.

On February 4, 2008, Cantex issued 1,500,000 shares of common stock valued at \$60,000 to Newport Capital Consultants for services rendered.

On February 15, 2008, Cantex issued 600,000 shares of common stock valued at \$30,000 to Mazuma Corp.

On May 14, 2008, Cantex issued 750,000 shares of common stock valued at \$30,000 to Mazuma Corp.

During the year ended May 31, 2008, Cantex issued a total of 8,650,000 shares of common stock valued at \$446,406 in exchange for investor relations services to World Stock Exchange, LLC. Cantex sued World Stock Exchange, LLC and one of the recipients in U.S. District Court for fraud and non-performance under the contract which resulted in the return of 5,000,000 shares of common stock in December 2009. See discussion in Note 9.

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 5. STOCKHOLDERS' EQUITY (CONTINUED)

On June 1, 2008, Cantex issued 300,000 shares of common stock valued at \$36,000 to Gross Capital in exchange for investor relations services which was capitalized as a prepaid expense and amortized over the six-month period ended January 31, 2009.

On June 13, 2008, Cantex issued 750,000 shares of common stock to valued at \$30,000 Mazuma Corp.

On June 26, 2008, Cantex issued 2,000,000 shares of common stock valued at \$100,000 to Charles E. Foster Trust.

NOTE 6. PROVISION FOR INCOME TAX

Deferred income taxes are recorded at the expected tax rate of 35%. SFAS No. 109 *Accounting for Income Taxes*, requires that deferred tax assets be reduced by a valuation allowance if it is more or likely than not that some portion or all of the deferred tax asset will not be realized. The effective income tax expense differed from the computed "expected" federal income tax expense on earnings before income taxes for the following reasons:

	For the Years Ended	
	May 31, 2009	May 31, 2008
Provision for federal income tax (benefit)	\$ (135,067)	\$ (261,857)
Increase in valuation allowance	135,067	261,857
	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes are provided to reflect temporary differences in the basis of net assets for income tax and financial reporting purposes. The tax-effected temporary differences and tax loss carryforwards which comprise deferred taxes are as follows:

	For the Years Ended	
	May 31, 2009	May 31, 2008
Deferred Tax Assets		
Net operating loss carryforward	\$ 631,696	\$ 496,629
Less valuation allowance	(631,696)	(496,629)
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 6. PROVISION FOR INCOME TAX (CONTINUED)

At May 31, 2009, Cantex had net operating loss carryforwards of \$1,804,845 that expire between 2021 through 2028. No tax benefit was reported in the May 31, 2009 financial statements since the potential tax benefit is offset by the valuation allowance. Due to the change in the Tax Reform Act of 1986, net operating loss carryforwards for federal income tax reporting purposes may be subject to annual limitations in the event of certain changes in ownership. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

NOTE 7. RELATED PARTY TRANSACTIONS

The President is providing services to Cantex for no cash consideration. An amount has been included as a general and administrative expense and as a contribution of capital. Commencing June 1, 2006, Cantex recorded a non-cash accounting expense in the amount of \$1,000 per month for a total of \$36,000 through the period ended May 31, 2009.

On October 1, 2003, Cantex issued 150,000 shares of common stock to Escondido Operating, Inc. which is owned by the Cantex President, to acquire four overriding royalty interests valued at \$1,200. In 2006, Cantex agreed to return the four overriding royalty interests to Escondido Operating, Inc. in exchange for all 150,000 shares of common stock issued. The shares were returned to Cantex's treasury in 2010.

A significant interest in the Big Canyon Prospect is owned by Big Canyon Energy, LLC, which is 50% owned by the Cantex President. The December 2008 transaction divesting 50% of Cantex's working interest in the Big Canyon Prospect was brokered by Big Canyon Energy, LLC.

The total amount due to a stockholder is as follows:

	For the Years Ended	
	<u>May 31, 2009</u>	<u>May 31, 2008</u>
Due to Stockholder	<u>\$ 265,967</u>	<u>\$ 207,092</u>

Notes to the Financial Statements

CANTEX ENERGY CORP.
May 31, 2009 and 2008

NOTE 8. DEBENTURES PAYABLE

Cantex issued convertible debentures totaling \$362,000 to eight private investors during January and February 2006. The debentures bore interest at 10% and were convertible into common shares at the rate of \$0.75 of debenture principal for each common share and one non-transferable purchase warrant entitling the holder to purchase an additional common share for \$0.80 for one year from the date of conversion. The notes are convertible at any time at the option of the lender, but will automatically convert on the loan anniversary date if Cantex has not previously converted or repaid. The notes were all converted to common shares during the period from January to February 2007.

Interest on the convertible debentures was recorded from February 2007 to date with no penalty. In May 2009, the private investors agreed to convert the outstanding interest to common shares at the May 31, 2009 market spot price of \$0.02 per share, resulting in the issuance of 2,248,632 shares of common stock valued at \$44,973 in August 2009.

NOTE 9. COMMITMENTS AND CONTINGENCIES

In 2007, Cantex entered into agreements with Worldwide Stock Exchange (“WSE”) to provide investment relation services to Cantex for the main purpose of raising additional capital. In the agreements, Cantex was to pay WSE a total fee of \$720,800 consisting of cash in the amount of \$176,400 and common stock valued at \$543,600. In conjunction with the agreements, 8,650,000 shares of common stock were issued.

In April 2009, Cantex filed suit against WSE and its principal, Bret Reiss, for fraud and non-performance of contracted services. The suit was filed in the Western District Court of Texas (C.A. NO. 09-cv-00218-XR).

In December 2009, the case was settled out of court with the full and irrevocable release of claims by Mr. Reiss and WSE, and the return of 5,000,000 shares of common stock held by WSE.