
CANEX Metals Inc.
Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2018 and 2017

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Independent Auditor's Report

To the Shareholders of CANEX Metals Inc.:

We have audited the accompanying consolidated financial statements of CANEX Metals Inc., which comprise the consolidated statement of financial position as at September 30, 2018 and 2017 and the consolidated statements of income and comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CANEX Metals Inc. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants
Calgary, Alberta
December 17, 2018

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CANEX Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at September 30

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash (Note 4)	\$ 242,750	\$ 289,930
Accounts receivable (Note 5)	1,187	4,645
Mining exploration tax credit receivable (Note 16)	29,598	25,816
Prepaid expenses	10,352	8,377
Short-term investments (Note 6)	245,950	178,163
	<u>529,837</u>	<u>506,931</u>
Non-current Assets		
Exploration and evaluation asset advances and deposits (Note 7)	10,000	10,000
Exploration and evaluation assets (Note 7)	190,832	163,177
Equipment (Note 8)	132	227
	<u>200,964</u>	<u>173,404</u>
TOTAL ASSETS	\$ 730,801	\$ 680,335
EQUITY AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 33,449	\$ 38,682
Non-current Liabilities		
Decommissioning obligation (Note 10)	15,000	15,000
TOTAL LIABILITIES	48,449	53,682
EQUITY		
Share capital (Note 11)	13,835,176	13,837,209
Reserves	1,983,697	1,983,697
Deficit	(15,136,521)	(15,194,253)
TOTAL EQUITY	682,352	626,653
TOTAL EQUITY AND LIABILITIES	\$ 730,801	\$ 680,335

Nature of operations (Note 1)

Commitments (Note 18)

Approved by the Board

"Shane Ebert"
_____ Director

"Lesley Hayes"
_____ Director

See accompanying notes to consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of (Loss) Income and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)
For the years ended September 30

	<u>2018</u>		<u>2017</u>
Expenses			
General and administrative (Note 13)	\$ (100,520)	\$	(133,386)
Reporting to shareholders	(17,291)		(20,726)
Professional fees	(33,451)		(35,524)
Stock exchange and transfer agent fees	(9,039)		(15,871)
Depreciation	(95)		(176)
Recovery	-		342,923
Pre-acquisition costs	-		(4,369)
(Loss) income before other items	<u>(160,396)</u>		<u>132,871</u>
Other items			
Interest and other	290		211
Dividend income	-		11,340
Gain (loss) from short-term investments	217,838		(280,078)
	<u>218,128</u>		<u>(268,527)</u>
Net income (loss) and comprehensive income (loss) for the year	\$ 57,732	\$	(135,656)
Basic and diluted income (loss) per share (Note 15)	\$ 0.00	\$	(0.01)
Weighted average shares outstanding - basic and diluted (Note 15)	<u>22,586,425</u>		<u>21,880,603</u>

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)
For the years ended September 30

	2018	2017
Decrease in cash and cash equivalents		
Operating activities		
Cash paid to suppliers and contractors (Note 19)	\$ (164,051)	\$ (136,429)
Cash used in operating activities	<u>(164,051)</u>	<u>(136,429)</u>
Investing activities		
Interest and other income received	290	211
Cash received on sale of short-term investments	150,051	6,600
Cash received on mineral property recoveries	-	342,923
Cash expended on exploration and evaluation assets	(31,437)	(92,613)
Cash expended on exploration advances and deposits	-	(10,000)
Cash provided by investing activities	<u>118,904</u>	<u>247,121</u>
Financing activities		
Cash share issuance and transactions costs	(2,033)	(9,093)
Cash provided by financing activities	<u>(2,033)</u>	<u>(9,093)</u>
(Decrease) increase in cash and cash equivalents	(47,180)	101,599
Cash (Note 4):		
Beginning of period	289,930	188,331
End of period	\$ <u>242,750</u>	\$ <u>289,930</u>

Supplementary information: Interest and taxes

No cash was expended on interest or taxes during the years ended September 30, 2018 and September 30, 2017.

Non-cash transactions

2018

During the year ended September 30, 2018, there were no non-cash transactions.

2017

During the year ended September 30, 2017, the Company issued 1,125,000 common shares valued at \$78,750 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" for more information. In addition, Exploration and evaluation assets include a non-cash charge of \$15,000 for decommissioning obligations.

The Company granted stock options to officers, directors and consultant and recorded a non-cash charge for stock-based payments of \$64,500 that is included in general and administrative expenses (Note 13). The options were valued at \$64,500 using the Black-Scholes Option Pricing model and assuming a 5 year term, volatility of 289.75%, a risk-free discount rate of 1.12% and a dividend rate of 0%.

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.
Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)
As at September 30

	Reserves						Total
	Common share capital	Equity settled share based payments	Warrants	Other Reserves*	Total Reserves	Deficit	
	\$	\$	\$	\$	\$	\$	\$
Balance, September 30, 2016	13,767,552	5,000	33,120	1,881,077	1,919,197	(15,058,597)	628,152
Net and comprehensive loss for the year	-	-	-	-	-	(135,656)	(135,656)
Share issuance - property acquisition (Note 7)	78,750	-	-	-	-	-	78,750
Share issue and transaction costs	(9,093)	-	-	-	-	-	(9,093)
Options expired	-	(5,000)	-	5,000	-	-	-
Options issued	-	64,500	-	-	64,500	-	64,500
Balance, September 30, 2017	13,837,209	64,500	33,120	1,886,077	1,983,697	(15,194,253)	626,653
Net and comprehensive income for the year	-	-	-	-	-	57,732	57,732
Share issuance and transactions costs	(2,033)	-	-	-	-	-	(2,033)
Balance, September 30, 2018	13,835,176	64,500	33,120	1,886,077	1,983,697	(15,136,521)	682,352

*Other reserves is comprised of the aggregate of options and warrants that expired or were forfeited without exercise. These values were relieved from common share capital, share based payment reserve and warrants reserve respectively upon the expiry of the equity instrument.

See accompanying notes to the consolidated financial statements

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2018 and 2017

1. Nature of operations

CANEX Metals inc. ("CANEX" or the "Company") is engaged in the business of mineral exploration and development in Canada. The Company was originally incorporated under the laws of the Province of Quebec, Canada and has been continued under the Alberta Business Corporations Act, Canada. The address of its primary office is Suite 815, 808 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 3E8. The Company's common shares are listed on the TSX Venture Exchange under the trading symbol CANX.

Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and has not determined whether its mineral exploration properties contain ore reserves that are economically recoverable.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in *Note 3 (f) "Exploration and evaluation assets"*. Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and impairments. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain necessary financing to complete the development of properties where necessary, and upon future profitable operations; or alternatively, upon the Company's ability to recover its costs through a disposition of its interests in its mineral exploration properties.

2. Basis of presentation

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee ("IFRIC"), effective for the periods ended September 30, 2018 and 2017, using the significant accounting policies outlined in Note 3. The consolidated statements were authorized for issue by the board of directors on December 17, 2018.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments described in Note 12 and decommissioning obligation described in Note 10. In addition, these statements have been prepared using the accrual basis of accounting except for cash flow information.

The presentation and functional currency of the Company is the Canadian dollar.

b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its now dormant, wholly-owned US subsidiary, NAMCOEX Inc. ("NAMCOEX") which was incorporated by the Company during the year ended September 30, 2005 to acquire Nevada mineral property interests. All intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are those entities that the Company controls through its power to govern the financial and operating policies of the subsidiary. Subsidiaries are fully consolidated from the date control is obtained and are non-consolidated from the date control ceases.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

3. Significant accounting policies

a) New accounting policies

The Company did not adopt any new accounting policies during the year ended September 30, 2018.

b) New accounting standards and interpretations

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods subsequent to those disclosed in these financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded from below. Relevant pronouncements include the following:

IFRS 9 - Financial instruments

IFRS 9 - Financial instruments, and consequential amendments to other related standards, is effective for accounting periods commencing on or after January 1, 2018. However, new amendments related to IFRS 9 were issued in November 2013 and were applied prospectively in the financial statements for the 2014 year, as the Company has early adopted this section. The amendments relate to hedging and own credit risk, to which the Company is not exposed, therefore these amendments did not have a significant impact on its financial reporting.

IFRS 16 - Leases

IFRS 16 introduces a new definition for what qualifies as a lease. Once an arrangement is determined to meet the definition of a lease, an entity will then recognize a right-of-use asset and a lease liability on its balance sheet. The standard includes certain exemptions for items where the lease term is less than 12 months or for low value items. The effective date of this standard is for annual reporting periods beginning on or after January 1, 2019, with options for early adoption. The Company has not yet determined the impact of adopting IFRS 16 on the financial statements.

c) Financial Instruments

The Company's financial instruments consist of the following:

Financial Assets

Cash
Accounts receivable
Short-term investments

Classification

Financial asset measured at amortized cost
Financial asset measured at amortized cost
Financial asset measured at fair value

Financial Liabilities

Accounts payable and accrued liabilities

Classification

Financial liabilities measured at amortized cost

The Company records financial assets initially at fair value and subsequently measures these financial assets at either amortized cost or fair value on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following conditions are met:

- 1) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and,
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the financial asset is not measured at amortized cost as per the above, the financial asset is measured at fair value.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

3. Significant accounting policies (continued)

c) Financial Instruments (continued)

Financial asset measured at fair value

Financial assets measured at fair value are carried at fair value at each period end, with the related gains and losses recognized in profit or loss. The sale of equity investments is accounted for using trade date accounting.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are recorded at fair value upon initial recognition, plus any applicable transaction costs that are directly attributable to the acquisition of the financial asset, and subsequently carried at amortized cost, using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost is recognized in profit or loss when the financial asset is derecognized, impaired, or reclassified.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are recorded at fair value upon initial recognition, less any applicable transaction costs that are directly attributable to the acquisition of the financial liability, and are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial liability that is measured at amortized cost is recognized in profit or loss when the financial liability is derecognized.

Cash

Cash includes cash held in current accounts, highly liquid Canadian dollar denominated investments in bankers' acceptances or term deposits, with terms to maturity of 90 days or less when acquired and cash held in short-term investment accounts. The counter-parties are financial institutions.

Impairment of financial assets

Financial assets carried at amortized cost are assessed for indicators of impairment at the end of each reporting period. These financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.

The carrying amount of financial assets is reduced by any impairment loss directly except in the case of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of accounts receivable previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal is recognized in profit or loss and is limited to the carrying amount that would have been determined had no impairment loss been recognized in prior years.

d) Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted using the pre-tax, risk-free rate, updated at each reporting date.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2018 and 2017

3. Significant accounting policies (continued)

e) Decommissioning obligations

Decommissioning obligation includes obligations related to future removal of property and equipment, and site restoration costs. A liability, for the fair value of environmental and site restoration obligations, is recorded in accordance with the broader policy described in "d) Provisions" above. Provisions for restoration costs do not include any additional obligations that are expected to arise from future disturbance. The amortization or unwinding of the discount applied in establishing the net present value of provisions is charged to earnings in a systematic manner. Other movements in the provision, including those from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalized to exploration and evaluation assets. The amounts included in capitalized costs are depleted using the unit-of-production method at such point that the mineral property achieves commercial production, or the costs will be written-off at such time that management considers that the value of the related property has been impaired.

f) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into Cash Generating Units ("CGU's"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that an impairment had occurred. An example of such a situation might include, but not be limited to, the re-commencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2018 and 2017

3. Significant accounting policies (continued)

f) Exploration and evaluation assets (continued)

shares. The value of these share-based payments is calculated using the closing price of the shares on the date of issue as determined by the public exchange upon which they are listed as this is the most readily determinable value.

When the Company enters the development stage for a CGU, the exploration and evaluation costs are transferred into mine development costs and all subsequent expenditures on the construction, installation or completion of infrastructure net of incidental revenue, is capitalized. Upon commencement of commercial production, all mine development assets for the relevant CGU are transferred to producing mine assets at which point the costs will commence being charged to earnings on a unit-of-production basis.

g) Equipment

On initial recognition, equipment assets are valued at cost, being the purchase price plus the directly attributable costs of acquisition to bring the assets to the location and condition necessary for the assets to be put into use. Subsequent to acquisition, these assets are recorded at cost less accumulated depreciation. Depreciation methods and rates by significant categories of property and equipment that are calculated to write off the cost of the assets, less estimated residual values, over their useful lives. The method and rates used by category are as follows:

	<u>Depreciation method</u>	<u>Depreciation rate</u>
Computer equipment and software	Declining balance	50%

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to estimated residual values or useful lives are accounted for prospectively as a change in estimates.

Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being the net present value of expected future cash flows of the relevant cash generating unit ("CGU"), or "fair value less costs to sell." Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the assets in an arm's length transaction.

The discount rate applied in calculating net present value of expected future cash flows, is based upon pre-tax discount rates that reflect current market assessments of the time value of money and the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

If the carrying amount of the asset exceeds its recoverable amount, the asset impairment loss is charged to earnings and reduces the carrying amount of the asset. A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally precipitated the impairment. This reversal is recognized in profit or loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

Gains or losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in other gains and losses in the statements of profit or loss.

h) Gains and losses on short-term investments

The Company maintains an investment portfolio of publicly traded securities. These investments are recorded at fair value at year end and differences are recorded in income.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

3. Significant accounting policies (continued)

i) Foreign currencies

Both the presentation currency and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the date of the statements of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are carried at fair value and were measured in a foreign currency are translated at the rate prevailing at the date when the fair value was determined. Foreign exchange gains and losses on the foregoing transactions are recorded in profit or loss.

j) Critical accounting judgements and estimates

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. Circumstances could arise over the years that would require material revisions to these estimates. Changes in assumptions could have a material effect on the fair value of estimates.

These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Adjustments resulting from revisions to accounting estimates are recognized in the period in which the estimate is revised, and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Critical estimates include:

- a) the carrying values of exploration and evaluation assets that are included in the balance sheet, including the assumptions that are incorporated into the impairment assessments, and the amount of impairments that are included in the statement of profit or loss. (Refer to Note 1 - "Nature of operations")
- b) the estimate of the amount of asset retirement obligation and the inputs used in determining the net present value of the liabilities for asset retirement obligations included in the balance sheet.
- c) the estimated fair value of share purchase options requires determining the most appropriate model as well as the applicable inputs.
- d) Judgement is required in determining whether or not deferred tax assets are recognized on the statement of financial position.
- e) Estimates are required in determining the amount of government incentives. Judgment is also required to determine the recoverability of the government incentives.

k) Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity-settled share based payment reserve in equity. Employees, for the purpose of this calculation, also include individuals who provide services similar to those performed by a direct employee, including directors and consultants of the Company. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. Consideration received on the exercise of stock options is recorded as share capital and the related equity-settled share based payment amount is transferred to share capital. If options expire without being exercised, the value associated therewith is transferred from equity-settled share based payment reserve to other reserves.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2018 and 2017

3. Significant accounting policies (continued)

l) Loss per share

Basic loss per common share is computed by dividing the net earnings loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Only "in-the-money" dilutive instruments impact the dilution calculations and potentially dilutive instruments shall only be treated as dilutive when their conversion increases loss per share. Refer to Note 11 for a summary of options and warrants outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the calculation in the periods disclosed because their effect was anti-dilutive.

m) Income taxes

Income tax on net earnings or loss for the periods presented is comprised of current and deferred tax as applicable. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings. Income tax pertaining to earnings or loss is recognized in earnings or loss; income taxes pertaining to items recognized directly in equity is recorded through equity. Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill, not deductible for tax purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

n) Leases

The Company leases office space pursuant to a sublease agreement that does not transfer substantially all the risks and rewards incidental to ownership. Consequently the lease is classified as an operating lease. The lease obligations are recognized as an expense on a straight-line basis over the term of the lease.

o) Government incentives

Through its exploration, the Company has benefited from government grants. These incentives are not repayable provided that the Company meets the requirements of the agreement, the most significant of which is that the incentives apply to qualifying expenditures. Qualifying expenditures are defined broadly within the agreement as all reasonable expenses for contracted services, machinery rental, transportation of machinery, personnel and supplies or other approved costs in connection with specific exploration programs. The government grants are recognized when there is reasonable assurance that the Company will comply with the conditions of the grant and the grants will be received. The incentives reduce the mineral property costs to which they pertain in the period that the qualifying exploration expenditures are incurred or when collectability is reasonably assured if this is later. These government incentives are subject to review by the relevant granting authorities, and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period during which the final grant payment amount is assessed by the governing agency.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

4. Cash

Cash is comprised of:

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Current bank accounts	\$ 80,229	\$ 277,480
Cash investment accounts	162,521	12,450
	<u>\$ 242,750</u>	<u>\$ 289,930</u>

5. Accounts receivable

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Due from related parties	\$ 332	\$ 460
Sales tax receivables	855	4,185
	<u>\$ 1,187</u>	<u>\$ 4,645</u>

6. Short-term investments

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Spruce Ridge Resources Ltd.		
Common shares (Sept 30, 2018 - 6,000,000, Sept 30, 2017 - 11,000,000)	\$ 240,000	\$ 165,000
Commander Resources Ltd.		
Common shares (Sept 30, 2018 - 100,000, Sept 30, 2017 - 100,000)	2,800	4,500
Maple Gold Mines Ltd. (formerly Aurvista Gold Corporation)		
Common shares (Sept 30, 2018 - 31,500, Sept 30, 2017 - 31,500)	3,150	8,663
	<u>\$ 245,950</u>	<u>\$ 178,163</u>

The common shares of Spruce Ridge Resources Ltd., Commander Resources Ltd. and Maple Gold Mines Ltd. were valued at their fair value, based on their respective period-end trading prices, at September 30, 2018 and September 30, 2017.

The Company sold 5 million shares of Spruce Ridge Resources Ltd. for cash proceeds of \$150,000, to an arm's length party ("Purchaser"). It also approved the granting of an option to the Purchaser to sell an additional 3 million shares of Spruce Ridge Resources Ltd. at a set price of \$0.06 per share until September 21, 2019 exercisable at the option of the Purchaser. The term is accelerated to expire within 2 weeks in the event that Spruce Ridge shares trade above \$0.09 for 30 consecutive days. The fair value of option was at initial recognition and year end was determined to be immaterial, using the Black-Scholes model and the following assumptions: risk free rate of 1%, volatility of 57%, and dividend yield of nil.

On November 21, 2017 Aurvista Gold Corporation changed its name to "Maple Gold Mines Ltd."

7. Exploration and evaluation assets

Gibson Prospect, British Columbia

On April 4, 2017, the Company announced it had signed a Letter of Intent to acquire a 100% interest in the Gibson property from Altius Resources Inc. ("Altius"), a wholly held subsidiary of Altius Minerals (TSX:ALS), which is an arm's length party. Gibson is 887 Ha in size and located in central British Columbia, approximately 95 kilometres northwest of Fort St. James. The option purchase agreement (the "Agreement") was executed on May 12, 2017; and received Exchange approval on May 17, 2017. The Company also assumed the obligations of an underlying option agreement with Steven Scott, an arm's length party (the "Underlying Agreement").

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

7. Exploration and evaluation assets (continued)

Gibson Prospect, British Columbia (continued)

Under the terms of the Agreement, the Company is committed to issue a maximum of 3,545,000 common shares to Altius in three stages plus incur minimum exploration expenditures up to \$500,000 within 18 months, and make \$90,000 in cash payment to Steven Scott. Upon approval of the Underlying Agreement, the Company issued 1,125,000 common shares to Altius valued at \$78,750 and paid \$5,000 to Steven Scott. On February 14, 2018, the Company paid \$15,000 to Steven Scott pursuant to the Underlying Agreement. On November 12, 2018, the Company was granted an extension to meet its minimum exploration expenditures of \$500,000 by November 12, 2018 to July 15, 2019, as lack of access during 2018, in part, prevented the Company from completing the required expenditures within the allotted time. All other terms of the Agreement remain unchanged. The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2018 are \$177,234 and \$nil, respectively (September 30, 2017 - \$158,987 and \$nil).

As at September 30, 2018, under the terms of the Agreement, the Company is committed to the following share issuances, cash payments and minimum exploration expenditures:

The terms of the Agreement are as follows:	Altius		Underlying option agreement with Steven Scott	
	Share issues	Minimum Exploration Expenditures (\$)	Cash or share equivalent payments (\$)	Minimum exploration expenditures* (\$)
Upon signing the Definitive Agreements and subject to Exchange approval ("Closing date")	1,125,000	-	5,000	-
On or before March 9, 2018	-	-	15,000	10,000
Following Phase 1 trenching but prior to drilling on the Property	1,180,000	-	-	-
Expenditure Commitment on or before July 15, 2019	-	500,000	-	-
Following the completion of the Expenditure Commitment	1,240,000	-	-	-
On or before March 9, 2019	-	-	20,000	20,000
On or before March 9, 2020	-	-	25,000	30,000
On or before March 9, 2021	-	-	25,000	50,000
Total	3,545,000	500,000	90,000	110,000

* - included in total minimum exploration expenditure commitments

Shane Ebert through his company, Vector Resources Inc. (see Note 17 - "Related parties and transactions and key management remuneration"), provides consulting services to Altius regarding British Columbia project generation activities. Vector Resources Inc. is entitled to 5% of the compensation, 177,250 shares, due to Altius under the Gibson agreement.

In addition, Altius will retain a right to purchase an underlying 1.5% Net Smelter Royalty ("NSR") and preferential rights on any future royalties or streams granted on the Property. If the Company achieves a measured and indicated mineral resources in excess of 1 million gold equivalent ounces, a Milestone Payment of 1,275,000 shares will be issued to Altius. Altius will have a pro rata right to participate in future equity financings of the Company for two years. Pursuant to the underlying option agreement, Steven Scott is also entitled to the additional milestone bonuses 1) \$25,000 in cash or securities upon a Bankable Feasibility Study; and 2) \$50,000 in cash or securities upon Commercial Production.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

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7. Exploration and evaluation assets (continued)

Gibson Prospect, British Columbia (continued)

Subsequent to September 30, 2018 and before the date of these financial statements were authorized by the board of directors, the Company issued 1,180,000 common shares to Altius pursuant to the agreement. Refer to Note 23 "Subsequent events" for more information relating to this transaction.

Echo, Fulton, Read and Beal properties, British Columbia

On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corp. (TSX:ALS). The five properties are named Ace, Echo, Fulton, Red and Beal. Pursuant to the Definitive Agreement, the acquisition of the Ace property was conditional upon satisfactory resolution of a property access issue by August 15, 2018. Since the access issue remained unresolved, the Ace Property was dropped from the Definitive Agreement. All other terms of the agreement remain unchanged. There are no financing obligations attached to the Definitive Agreement.

The terms of the agreement are summarized below:

To acquire a 100% interest in the Echo, Fulton, Beal and Red properties, the Company must spend a minimum of \$30,000 on exploration within 15 months (on or before September 21, 2019) of closing the definitive agreement and issue to Altius 500,000 common shares for each project. In addition, Altius will retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieves a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares will be issued to Altius.

The Company has continued to move forward with evaluations of the Echo, Beal, Fulton and Red properties. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2018 are \$7,690 and \$nil, respectively (September 30, 2017 - \$nil and \$nil).

Cariboo Gold Property, British Columbia

During the year ended September 30, 2015, the Company staked the Cariboo Gold Property located in central British Columbia. The Cariboo Gold Property is 30 kilometres southeast of Quesnel, B.C. with good road access, located in the heart of the Cariboo gold fields which have produced several million ounces of gold from both placer and lode deposits. Major deposits located south and southeast of the Cariboo Gold Property include the QR Mine, the Gibraltar Mine, the Mt. Polley Mine, and the Spanish Mountain and Woodjam projects. The Cariboo Gold Property has seen significant historic exploration including geophysical and geochemical surveys and drilling. The property is known to contain gold skarn style mineralization similar to the nearby QR deposit, along with epithermal Au mineralization. Historic drilling has also encountered high temperature potassic alteration along with intrusive rocks and breccias indicating potential for Cu-Au porphyry style mineralization. The gross costs and impairments recorded to the Cariboo Gold Property as at September 30, 2018 are \$5,908 and \$nil, respectively (September 30, 2017 - \$4,190 and \$nil).

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
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7. Exploration and evaluation assets (continued)

Cariboo Gold Property, British Columbia (continued)

A summary of exploration and evaluation expenditures by category for the years ended September 30, 2018 and 2017 appear below:

Year ended September 30, 2018	British Columbia				
	Total	Gibson Property	Cariboo Gold Property	Echo Property	Fulton Property
	\$	\$	\$	\$	\$
Exploration expenditures:					
Balance, September 30, 2017	75,762	75,237	525	-	-
Geological consulting	9,735	4,700	1,585	1,200	2,250
Field costs	663	-	-	663	-
Travel	531	-	302	88	141
Geochemical	380	(62)	399	-	43
Equipment rental	1,011	-	141	258	612
Fuel	261	-	-	-	261
Expediting	27	-	27	-	-
BC Mining exploration tax credit	(3,782)	(1,391)	(736)	(663)	(992)
Balance, September 30, 2018	84,588	78,484	2,243	1,546	2,315
Property acquisition costs					
Balance, September 30, 2017	87,415	83,750	3,665	-	-
Acquisition costs incurred	18,829	15,000	-	3,307	522
Balance, September 30, 2018	106,244	98,750	3,665	3,307	522
Total exploration and evaluation assets, September 30, 2018	190,832	177,234	5,908	4,853	2,837

Year ended September 30, 2017	British Columbia		
	Total	Gibson Prospect	Cariboo Gold Property
	\$	\$	\$
Exploration expenditures:			
Balance, September 30, 2016	525	-	525
Geological consulting	29,213	29,213	-
Field	3,724	3,724	-
Travel	7,043	7,043	-
Geochemical	12,903	12,903	-
Excavating	26,690	26,690	-
Equipment rental	6,480	6,480	-
Decommissioning obligation	15,000	15,000	-
BC mining exploration tax credit	(25,816)	(25,816)	-
Balance, September 30, 2017	75,762	75,237	525
Property acquisition costs			
Balance, September 30, 2016	2,106	-	2,106
Acquisition costs incurred	85,309	83,750	1,559
Balance, September 30, 2017	87,415	83,750	3,665
Total exploration and evaluation assets, September 30, 2017	163,177	158,987	4,190

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interest. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. At September 30, 2018, the Company held \$10,000 in respect of the Gibson Prospect in exploration and evaluation asset advances and deposits (September 30, 2017 - \$10,000).

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

8. Equipment

	<u>Computer equipment and software</u>
Cost	
Balance at September 30, 2018 and 2017	\$ <u>9,685</u>
Accumulated depreciation	
Balance, September 30, 2017	9,458
Depreciation	95
Balance September 30, 2018	\$ <u>9,553</u>
Net book value	
September 30, 2017	\$ <u>227</u>
September 30, 2018	\$ <u>132</u>

9. Accounts payable and accrued liabilities

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Trade payables	\$ <u>762</u>	\$ 716
Due to related parties	9,671	17,618
Accrued liabilities	23,000	20,327
Commodity taxes payable	16	21
	\$ <u>33,449</u>	\$ <u>38,682</u>

10. Decommissioning obligation

Changes in the decommissioning obligation:

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Balance, beginning of year	\$ <u>15,000</u>	\$ -
Gibson property additions	-	15,000
Balance, end of year	\$ <u>15,000</u>	\$ <u>15,000</u>

The provision noted above represents estimated costs to restore the Company's mineral property which includes the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal obligations as at the respective year end dates for current and future decommissioning obligations. The year end present value of the decommissioning obligation was determined using a risk-free rate of 2.21% (September 30, 2017 - 1.52%). The estimated total undiscounted amount, using an inflation rate of 2.36% (September 30, 2017 - 1.5%) for the year ended September 30, 2018 is \$17,500 (2017 - \$17,500). The timing of future decommissioning costs is uncertain, as the costs will not be incurred until the Company gives up its legal right to explore the property or the current land use permits expire, at which time the reclamation has to have been completed. No accretion expense has been recorded in the current year because the amount is considered to be immaterial.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

11. Share capital, stock options and warrants

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding common share capital

	Shares	Value \$
Balance, as at September 30, 2017	22,586,425	13,837,209
Share issuance costs	-	(2,033)
Balance, as at September 30, 2018	22,586,425	13,835,176

	Shares	Value \$
Balance, as at September 30, 2016	107,309,126	13,767,552
Share consolidation 5:1, April 3, 2017	(85,847,701)	-
Share transaction costs	-	(6,852)
Share issuance - Gibson option, May 17, 2017	1,125,000	78,750
Share issuance costs	-	(2,241)
Balance, as at September 30, 2017	22,586,425	13,837,209

On March 23, 2017, the Company announced its intention to consolidate its issued and outstanding common shares on the basis of five (5) pre-Consolidation shares for one (1) post-Consolidation share pending the approval from the TSX Venture Exchange ("Exchange"), as well as a name change from "Northern Abitibi Mining Corp." to "CANEX Metals Inc.". The transaction included the outstanding Stock Options and Warrants to be adjusted by the consolidation ratio and the respective exercise prices of the outstanding stock options and warrants accordingly. The Company received approval from the Exchange on March 31, 2017. Effective at the opening of trading on April 3, 2017, the Company's pre-Consolidation shares were delisted and the post-Consolidation shares commenced trading under the name CANEX Metals Inc. The Corporation's trading symbol was changed to CANX. The effect of this transaction is summarized in the table below:

	Pre-Consolidation March 31, 2017		Post-Consolidation April 3, 2017	
	Number of Units	Exercise Price	Number of Units	Exercise Price
Common shares, issued and outstanding	107,309,126		21,461,425	
Warrants	2,300,000	\$0.05	460,000	\$0.25

No fractional shares were issued and all fractional shares resulting from the consolidation were rounded down to the nearest whole number with no cash consideration being paid in respect of fraction shares. After fractional rounding of the shares upon consolidation, 400 shares were cancelled.

During the year ended September 30, 2018, there were no shares issued or cancelled and returned to treasury.

During the year ended September 30, 2017, the Company issued 1,125,000 common shares valued at \$78,750 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" and for more information.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

11. Share capital, stock options and warrants (continued)

c) Stock options outstanding

<u>Expiry</u>	<u>Number of options</u>		<u>Exercise price</u>
	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>	
June 26, 2022	<u>1,175,000</u>	<u>1,175,000</u>	\$0.06

The Company has an option plan ("the Plan"), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date on which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than that from time to time permitted under the rules of the stock exchange or exchanges on which the shares are then listed, which price reflects trading values at that time. All of the options outstanding at the respective period ends have vested.

d) Stock option transactions

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance, September 30, 2016	500,000	\$0.10
Expired	(500,000)	\$0.10
Issued	1,175,000	\$0.06
Balance, September 30, 2017 and September 30, 2018	<u>1,175,000</u>	<u>\$0.06</u>

Refer to Note 14 - "Share-based payment transactions" for more information regarding the options issued during the year.

Subsequent to September 30, 2018 and up to the approval date of these financial statements, there were no stock options granted.

e) Warrant transactions and warrants outstanding

The warrants summarized below may be exercised to acquire an equal number of common shares.

Year ended September 30, 2018:

<u>Exercise Price</u>	<u>Expiry</u>	<u>Balance Sept 30, 2017</u>	<u>Warrants Issued</u>	<u>Warrants Expired</u>	<u>Balance Sept 30, 2018</u>
\$0.25	March 23, 2021	460,000	-	-	460,000

Year ended September 30, 2017

<u>Exercise Price</u>	<u>Expiry</u>	<u>Balance Sept 30, 2016</u>	<u>Balance, April 3, 2017 Post-consolidation</u>	<u>Warrants Issued</u>	<u>Warrants Expired</u>	<u>Balance Sept 30, 2017</u>
(a) \$0.05/ \$0.25	March 23, 2021	2,300,000	460,000	-	-	460,000

(a) The exercise price was \$0.10 per share and \$0.25 per share on a pre-consolidation and post-consolidation basis respectively.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

11. Share capital, stock options and warrants (continued)

f) Warrant transactions and warrants outstanding (continued)

On October 16, 2018, the Company closed a non-brokered private placement for 2,300,000 common shares and warrants for gross aggregate proceeds of \$115,000. Refer to Note 23 - "Subsequent events" for more information related to this transaction.

12. Financial instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value are summarized below:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities either directly, (i.e. prices), or indirectly, (i.e. derived from prices); and
- Level 3 - Inputs that are not based on observable market data.

Level 1 has been utilized to value common shares included in short-term investments. The option disclosed in short-term investments are categorized as Level 2.

The following summarizes the categories of the various financial instruments:

	Sept 30, 2018	Sept 30, 2017
	<u>Carrying Value</u>	
Financial Assets		
Financial assets measured at fair value:		
Short-term investments	\$ 245,950	\$ 178,163
Financial assets measured at amortized cost:		
Cash	242,750	289,930
Accounts receivable	332	460
	\$ 243,082	\$ 290,390
Financial Liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 33,433	\$ 38,661

The above noted financial instruments are exclusive of any sales tax. The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments.

13. General and administrative

	Sept 30, 2018	Sept 30, 2017
Administrative consulting fees	\$ 35,580	\$ 12,228
Stock-based compensation (Note 14)	-	64,500
Occupancy costs	18,600	21,469
Office, secretarial, supplies and other	25,219	21,631
Insurance	8,663	8,772
Directors' fees	2,100	2,400
Computer network and website maintenance	6,051	1,231
Travel and promotion	4,307	1,155
	\$ 100,520	\$ 133,386

CANEX Metals Inc.

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14. Share-based payment transactions

During the year ended September 30, 2018, there were no share-based payment transactions.

During the year ended September 30, 2017, the Company granted 1,175,000 options that may be exercised at \$0.06 per share to June 26, 2022. The options were valued at \$64,500 using the Black-Scholes Option Pricing model assuming a 5 year term, volatility of 289.75%, a risk-free discount rate of 1.12% and a dividend rate of 0%.

Subsequent to September 30, 2018 and before the date of these financial statements were authorized by the board of directors, there were no share-based payment transactions.

15. Income (loss) per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

The following adjustments were made in arriving at diluted weighted average number of common shares for the years ended September 30:

Weighted average number of common shares:	<u>2018</u>	<u>2017</u>
Basic	22,586,425	21,880,603
Effect of dilutive securities:		
Stock options	-	-
Warrants	-	-
Basic and Diluted	<u>22,586,425</u>	<u>21,880,603</u>
Income (loss) per share		
Basic	\$ 0.00	\$ (0.01)
Diluted	\$ 0.00	\$ (0.01)

16. Income tax information

Rate reconciliation:

The combined provision for taxes in the consolidated statement of income (loss) and other comprehensive income (loss) reflects an effective tax rate which differs from the expected statutory rate as follows:

	<u>2018</u>	<u>2017</u>
Income (loss) before income taxes	\$ <u>57,732</u>	\$ <u>(135,656)</u>
Computed expected expense (recovery) based on a combined rate of 27.00% (2017 - 27.00%)	15,588	(36,627)
Change resulting from:		
Non-deductible (taxable) items and other	(29,377)	55,290
Unrecognized deferred tax asset	21,676	(28,286)
Change in prior year estimates	<u>(7,887)</u>	<u>9,623</u>
Income tax expense	\$ -	\$ -

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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September 30, 2018 and 2017

16. Income tax information (continued)

The combined statutory rate is 27.00% for 2018 (2017 - 27.00%). The deferred combined statutory rate is expected to be 27.00% for 2019 and subsequent years (2018 - 27.00%).

Temporary differences and tax loss not recognized for accounting purposes:

	<u>2018</u>		<u>2017</u>
Non-capital loss carry-forwards	\$ 2,659,631	\$	2,480,819
Capital loss carry-forwards	782,935		480,486
Share issuance costs	17,749		23,290
US net operating loss	354,758		314,959
Property and equipment	18,198		18,103
Mineral properties	5,037,364		5,058,822
Short-term investments	157,445		417,589
Total	\$ 9,028,080	\$	8,794,068

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2018, the Company had unused non-capital loss carry forwards of approximately \$2.66 million that expire between the years 2026 and 2038. Capital loss carry-forwards may be carried forward indefinitely. The Company has unused US net operating loss carry forwards of approximately \$274,000 USD that expire between the years 2025 and 2038.

During the year ended September 30, 2018, the Company applied for a British Columbia mining exploration tax credit in the amount of \$3,782 (2017 - 25,816) for qualified expenditures made in 2018 totalling \$12,806 (2017 - \$86,054) relating to its British Columbia properties (see Note 7 - Exploration and evaluation assets).

17. Related party balances and transactions and key management remuneration

The Company is considered a related party to Jade Leader Corp. ("Jade Leader") (formerly Manson Creek Resources Ltd.) because of its common directors, officers and key management personnel that have some direct financial interest in both the Company and Jade Leader. In addition, related parties include members of the board of directors, officers and their close family members. Vector Resources Inc., a company controlled by Shane Ebert, President and director, is considered a related party. The Company incurred the following amounts charged to (by) related parties:

		<u>Sept 30, 2018</u>		<u>Sept 30, 2017</u>
Key management remuneration				
President and director	a \$	(33,700)	\$	(25,125)
Corporate Secretary	b	(16,628)		(10,339)
Directors' fees	c	(2,100)		(2,400)
Total Management remuneration	\$	(52,428)	\$	(37,864)
		<u>Sept 30, 2018</u>		<u>Sept 30, 2017</u>
Other related party transactions				
Jade Leader				
Office rent and operating costs paid	d \$	(18,527)	\$	(22,335)
General and administrative and secretarial costs paid	d \$	(5,653)	\$	(3,833)
General and administrative and secretarial costs received	d \$	2,955	\$	2,200

CANEX Metals Inc.

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17. Related party balances and transactions and key management remuneration (continued)

The following amounts were due to or receivable from related parties at the respective year ends:

Balances Receivable (Owing)		Sept 30, 2018		Sept 30, 2017
Consulting fees:				
President and director	a \$	(4,500)	\$	(3,365)
Corporate secretary	b \$	(1,485)	\$	(1,654)
General and administrative and secretarial costs:				
Jade Leader	d \$	(1,280)	\$	(887)
Jade Leader	d \$	332	\$	436

Management compensation payable to "key management personnel" during the years ended September 30, 2018 and 2017 is reflected in the table above and consists of consulting fees paid to the President, the CFO, salary for the Corporate Secretary and directors' fees. Officers and directors are also compensated through the granting of options from time-to-time. There were no options granted to officers and directors during the year ended September 30, 2018. During the year ended September 30, 2017, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$64,500 that is included in general administrative expenses (Note 14 - "Share based payment transactions"). Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

- a) The President and director of the Company billed for consulting services that were either expensed or, when his services related directly to mineral property exploration, capitalized to exploration and evaluation assets. During the year ended September 30, 2018, \$24,475 (2017 - \$2,375) was expensed through administrative expenses, \$9,225 (2017 - \$17,250) was capitalized to exploration and evaluation assets, \$nil (2017 - \$3,750) was expensed through pre-acquisition and evaluation asset expenditures and \$nil was expensed to impairments (2017 - \$1,750).
- b) The Corporate Secretary provides services to the Company on a contract basis.
- d) The Company pays directors who are not officers of the Company \$500 for meeting attendance in person and \$300 for meeting attendance by telephone. There are two directors who are not officers and the amounts above reflect directors fees paid/payable for meetings attended during the above-noted periods.
- e) Jade Leader incurred certain administrative expenses on the Company's behalf that were subsequently billed to the Company on a quarterly basis. Further, the Company incurred certain administrative costs on behalf of Jade Leader that were billed on a quarterly basis. Effective April 1, 2015, the Company commenced to lease office space from Jade Leader. Jade Leader and the Company share two common officers and two common directors.

Related party receivables pertain to billings plus applicable sales taxes for which payment has not been received and related party payables reflect billings plus applicable sales taxes that were not yet paid by the Company at the respective period ends. Related party transactions were measured at the amounts agreed to by the transacting parties.

CANEX Metals Inc.

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18. Commitments

Pursuant to a lease agreement for office space, the Company is committed to pay \$1,566 per month until April 30, 2020. As at September 30, 2018, the committed base lease costs to the termination of the lease are as follows:

October 1, 2018 - September 30, 2019	\$	18,792
October 1, 2019 - April 30, 2020		<u>10,962</u>
Total to lease termination	\$	<u>29,754</u>

19. Supplemental disclosure statement of cash flows

Reconciliation of cash used in operating activities to operating loss for the years ended:

	<u>Sept 30, 2018</u>	<u>Sept 30, 2017</u>
Income (loss) and comprehensive income (loss)	\$ 57,732	\$ (135,656)
Depreciation	95	176
Stock-based compensation	-	64,500
Recovery	-	(342,923)
Interest and other income	(290)	(211)
Dividend income	-	(11,340)
Loss (gain) on short-term investments	(217,838)	280,078
Changes in assets and liabilities pertaining to operations:		
Accounts receivable	3,458	(2,737)
Prepaid expenses	(1,975)	414
Accounts payable and accrued liabilities	(5,233)	11,270
Cash paid to suppliers and contractors	\$ (164,051)	\$ (136,429)

20. Segment disclosures

During the years ended September 30, 2018 and 2017, the Company was only engaged in mineral exploration and all exploration activities were undertaken in Canada. Consequently, segmented information is not presented in these financial statements.

21. Capital

The Company's objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Capital is defined as capital stock, warrants, contributed surplus and deficit. The Company has traditionally financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options will be investigated.

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers' Acceptances and Term Deposits until such time as it required to pay operating expenses and mineral property costs, including option payments (Note 7). The Company objective is to manage its capital to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2018 and 2017

22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, excluding sales tax. The Company has had a history of prompt receipt of its receivables and considers credit risk to be low on these instruments as at September 30, 2018 and September 30, 2017.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 - "Nature of operations".

The Company's significant remaining contractual maturities for financial liabilities as September 30, 2018 and 2017 as followings:

- Accounts payable and accrued liabilities are due within the less than one year.

f) Market risk

The Company's equity investments are subject to market price risk. The investments in common shares are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings.

The price value of these investments can vary from period to period. During the year ended September 30, 2018, the market price fluctuation on the investments held resulted in a net gain of \$520,288 (2017 - net loss of \$243,146) on short-term investments. In 2018 at 10% change in fair value of the Company's marketable investments would result in a charge to income of \$24,595 (2017 - \$17,816). The Company does not intend to hold these investments for more than one year.

The Company has not yet developed producing mineral interests and as a result it is not exposed to commodity price risk associated with developed properties at this time.

d) Interest rate risk

The Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time. All market risk is associated with the Company's investments in common shares, which are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings.

e) Foreign exchange risk

There were no foreign currency denominated transactions during the periods disclosed and the Company did not hold cash balances in foreign currencies. As a result the Company is not exposed to foreign currency exchange risk at this time.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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23. Subsequent events

On October 4, 2018, the Company announced that it would commence drill testing on the Gibson Prospect (see Note 7 - "Exploration and evaluation assets") in early October 2018 with an approved budget of \$250,000. The drill program was completed on October 25, 2018, and the results of which remain pending and will be announced once available.

On October 5, 2018, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" for more information.

On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. The placement was comprised of 2,300,000 common units at \$0.05 per unit. Each common unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share until October 16, 2020. In valuing the warrants, the Company used a proration of proceeds method to the components including the use of the Black-Scholes Pricing model assuming a volatility of 242.39%, a risk free rate of 2.15% , a two year warrant life and a 0% dividend rate.

CANEX Metals Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

The following management discussion and analysis (MD&A) is management's assessment of the results and financial condition of CANEX Metals Inc. ("CANEX" or "the Company") for the year ended September 30, 2018. The information included in this MD&A, with an effective date of December 17, 2018, should be read in conjunction with the Consolidated Financial Statements as at and for the year ended September 30, 2018 and related notes thereto. CANEX Metal's common shares trade on the TSX Venture Exchange under the symbol "CANX". The Company's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com.

The Company's Consolidated Financial Statements for the year ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as at and for the year ended September 30, 2018. The Company has consistently applied the same accounting policies throughout all periods presented. The Company's accounting policies are provided in Note 3 "Summary of significant accounting policies" to the annual Consolidated Financial Statements as at September 30, 2018. All dollar amounts are in Canadian dollars, unless otherwise noted.

The "Qualified Person" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for CANEX Metals' exploration projects in the following MD&A is Dr. Shane Ebert, P. Geo., a Professional Geologist, registered in the Province of British Columbia and the President and Director of CANEX Metals. The scientific and technical information concerning such properties contained herein has been reviewed by Dr. Ebert.

Statements and/or financial forecasts that are unaudited and not historical, including without limitation, exploration budgets, data regarding potential mineralization, exploration results and future plans and objectives, are to be regarded as forward-looking statements that are subject to risks and uncertainties that can cause actual results to differ materially from those anticipated. Such risks and uncertainties include risks related to the Company's business including, but not limited to: general market and economic conditions, limited operating history, continued industry and public acceptance, regulatory compliance, potential liability claims, additional capital requirements and uncertainty of obtaining additional financing and dependence on key personnel. Actual exploration and administrative expenditures can differ from budget due to unforeseen circumstances, changes in the market place that will cause suppliers' prices to change, and additional findings that will dictate that the exploration plan be altered to result in more or less work.

All forward-looking information is stated as of the effective date of this document, and is subject to change after this date. There can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

1. Principal Business of the Company

The Company, including its wholly owned subsidiary, NAMCOEX Inc., is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations and no earnings there from, is considered to be in the exploration stage. The recoverability of the amounts comprising exploration and evaluation assets is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the mineral properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The Company's philosophy is to acquire projects at the grass roots level and advance them to a point where partners can be brought in to further the properties to the stage where a mine is commercially feasible or the property can be sold outright.

The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares and warrants. None of the Company's mineral properties are in production. Consequently, the Company's net income is a limited indicator of its performance and potential.

2. Highlights – year ended September 30, 2018

- On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corp (TSX:ALS). For more information relating to this transaction, refer to News Release 18-3, June 25, 2018 and section 3) Mineral Properties, Echo, Fulton, Red and Beal properties, British Columbia below. Acquisition of the property named "Ace" was conditional upon satisfactory resolution of a property access issue by August 15, 2018. The issue remained unresolved and the Ace property was dropped from the agreement, with all other terms remaining unchanged.
- The Company completed its summer 2018 drilling program on the Gibson Prospect, British Columbia, in October 2018, which consisted of 10 holes for 1001 metres of drilling and excavation of two trenches. The drill core has been logged and sampled with assay results expected in 8 to 10 weeks. (Refer to News Release 18-9 dated October 25, 2018 and Section 3) Mineral properties, Gibson Prospect of this document for more information). Prior to drilling, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to the option agreement on the Gibson property. Refer to Section 7) Contractual Obligations of this document and Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements for more information.
- During Q4 2018, the Company began conducting field work on the four newly acquired properties, including geologic mapping, prospecting, and soil sampling. The field work is designed to identify and refine exploration targets for more advanced work.
- On August 30, 2018, the Company announced a proposed non-brokered private placement financing of up to 3,000,000 Common units and 2,857,143 Flow-through units. For more details refer to News Release 18-5 dated August 30, 2018. The financing closed on October 16, 2018 for gross aggregate proceeds of \$115,000, and was comprised of 2,300,000 Common units. Refer to Section 6) Financing for more details regarding this transaction.
- On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. Refer to Section 6) Financing of this document for further information regarding this transaction.
- During Q1 2018 the Company spent 2 days at the Cariboo Property evaluating the geologic setting and taking soil samples. The Company will continue to evaluate and interpret all available historic exploration data from the Cariboo Gold Property and design an appropriate exploration program for 2019.
- The Company continues to actively search for new early stage exploration opportunities and avenues for growth in stable jurisdictions within North America. The Company has not entered into any business combination, acquisition or similar agreements except as noted above.

3. Mineral Properties

Gibson Prospect, British Columbia

The Gibson prospect ("Gibson") is 887 hectares in size and located in central British Columbia, approximately 95 kilometres northwest of Fort St. James. The area is accessible via a network of all weather logging roads. Gibson contains mesothermal gold-silver mineralization hosted in highly altered volcanic rocks adjacent to the Hogem Batholith. The zone was discovered and explored by Noranda Exploration Company from 1989 to 1991. Following soil sampling and induced polarization geophysical surveys, Noranda exposed precious metal mineralization in hand trenches with surface samples returning 12.86 g/t gold and 144.7 g/t silver over 1.5 meters and 5.35 g/t gold and 2136 g/t silver over 1.7 meters. Noranda subsequently drilled 9 holes with 8 and 9 holes intersecting significant gold and silver mineralization. The best drill intercept returned 4.26 meters grading 6.77 g/t gold and 1828 g/t silver and the mineralized zone appeared to be about 4.5 metres wide and at least 400 metres long and remains open in all directions.

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The Noranda hand trenching and drill results are reported in BC Assessment report 21762 for Noranda Exploration Company by Stewart and Walker 1991. This drilling was done prior to NI 43-101 and should be considered historic in nature. The results have not been verified by CANEX Metals and should not be relied upon.

On April 4, 2017, the Company announced it had signed a Letter of Intent to acquire a 100% interest in the Gibson property from Altius Resources Inc. ("Altius"), a wholly held subsidiary of Altius Minerals (TSX:ALS). The Option agreement was executed on May 12, 2017; and received Exchange approval on May 17, 2017.

CANEX Metals can earn a 100% interest in the Gibson prospect from Altius by issuing 3,545,000 common shares in three stages, spending \$500,000 on exploration within 18 months, and taking over the obligations of an underlying option agreement with Steven Scott. Altius will retain a right to purchase an underlying 1.5 Net Smelter Royalty ("NSR") and preferential right on any future royalties or streams granted on the Property. Altius will also have a pro rata right to participate in future equity financings of CANEX Metals for two years. For more information relating to this transaction, see News Release 17-1 issued April 4, 2017 and Section 7) Contractual obligations in this report. Upon approval of the option agreement, the Company issued 1,125,000 common shares to Altius valued at \$78,750 and paid \$5,000 to Steven Scott pursuant to the underlying option agreement. On February 14, 2018, the Company paid \$15,000 to Steven Scott pursuant to the underlying option agreement. On November 12, 2018, the Company was granted an extension to meet its minimum exploration expenditures of \$500,000 by November 12, 2018 to July 15, 2019, as lack of access during 2018, in part, prevented the Company from completing the required expenditures within the allotted time. All other terms of the agreement remain unchanged. Refer to Section 7) Contractual obligations of this document for the remaining commitments under the terms of this agreement.

Shane Ebert through his company, Vector Resources (see Note 17 - "Related parties and transactions and key management remuneration" to the Consolidated Financial Statements for the year ended September 30, 2018 which accompany this MD&A) is involved in British Columbia project generation activities for Altius. Vector Resources is entitled to 5% of the compensation, up to 177,250 shares, due to Altius under the Gibson agreement.

In addition, Altius will retain a right to purchase an underlying 1.5% Net Smelter Royalty ("NSR") and preferential rights on any future royalties or streams granted on the Property. If the Company achieves a measured and indicated mineral resources in excess of 1 million gold equivalent ounces, a Milestone Payment of 1,275,000 shares will be issued to Altius. Altius will have a pro rata right to participate in future equity financings of the Company for two years.

Pursuant to the underlying option agreement, Steven Scott is also entitled to the additional milestone bonuses of: 1) \$25,000 in cash or securities upon a Bankable Feasibility Study; and 2) \$50,000 in cash or securities upon Commercial Production.

Exploration permits for Gibson have been received allowing the Company to establish an access road into the zone and conduct trenching and drilling. During August 2017 the Company completed an access trail into Gibson and excavated 8 trenches, uncovering considerable zones of alteration and silver-gold mineralization. Detailed trench mapping and sampling was conducted with 161 surface rock samples and 464 soils collected. Highlights of the trenching results 4.0 g/t gold equivalent (Au Eq) over 12 metres, 24.1 g/t Au Eq over 1 metre, 5.9 g/t Au Eq over 3 metres, 10.7 g/t Au Eq over 1 metre, 1.3 g/t Au Eq over 16 metres, and 5.5 g/t Au Eq over 3 metres. As a condition of permitting, the Company has issued a \$10,000 reclamation security deposit to British Columbia Ministry of Energy and Mines.

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On October 5, 2018, prior to drilling, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to the option agreement on the Gibson property. Refer to Section 7) Contractual Obligations of this document and Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements for more information. The Company completed its summer 2018 drilling program in October 2018, which consisted of 10 holes for 1001 metres of drilling and excavation of two trenches. The drill core has been logged and sampled with assay results expected in 8 to 10 weeks. (Refer to News Release 18-9 dated October 25, 2018 for more information). The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2018 are \$178,625 and \$nil, respectively (September 30, 2017 - \$158,987 and \$nil).

Echo, Fulton, Red and Beal properties, British Columbia

On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corp. (TSX:ALS). The 5 properties are named Ace, Echo, Fulton, Red and Beal. Refer to News Release 18-3, June 25, 2018 for more information. The terms of the agreement are summarized below:

To acquire a 100% interest in the Echo, Fulton, Beal and Red properties, the Company must spend a minimum of \$30,000 on exploration within 15 months of closing (on or before September 21, 2019) the definitive agreement and issue to Altius 500,000 common shares for each project. In addition, Altius will retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieves a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares will be issued to Altius.

Pursuant to the Definitive Agreement, the acquisition of the Ace property was conditional upon satisfactory resolution of a property access issue by August 15, 2018. Since the access issue remained unresolved, the Ace Property was dropped from the Definitive Agreement. All other terms of the agreement remain unchanged. The Company has continued to move forward with evaluations of the Echo, Beal, Fulton and Red properties. During Q4 2018, the Company began conducting field work on the four newly acquired properties, including geologic mapping, prospecting, and soil sampling. The fieldwork is designed to identify and refine exploration targets for more advanced work. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2018 are \$9,345 and \$nil, respectively (September 30, 2017 - \$nil and \$nil).

There are no financing obligations attached to the Definitive Agreement.

Refer to News Release 18-3, dated June 25, 2018 and News Release 18-4, dated August 20, 2018.

Cariboo Gold Property, British Columbia

During the year ended September 30, 2015, the Company staked the Cariboo Gold Property located in central British Columbia.

The Cariboo Gold Property is 30 kilometres southeast of Quesnel, B.C. with good road access, located in the heart of the Cariboo gold fields which have produced several million ounces of gold from both placer and lode deposits. Major deposits located south and southeast of the Cariboo Gold Property include the QR Mine, the Gibraltar Mine, the Mt. Polley Mine, and the Spanish Mountain and Woodjam projects.

The Cariboo Gold Property has seen significant historic exploration including geophysical and geochemical surveys and drilling. The property is known to contain gold skarn style mineralization similar to the nearby QR deposit, along with epithermal Au mineralization. Historic drilling has also encountered high temperature potassic alteration along with intrusive rocks and breccias indicating potential for Cu-Au porphyry style mineralization.

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Historic drilling by Placer Dome and Cross Lake Minerals encountered strong gold mineralization including intercepts of 11 metres grading 1.41 g/t Au, 6 metres grading 2.18 g/t Au, 6 metres grading 1.72 g/t Au, and individual assays up to 4.5 g/t Au. An induced polarization geophysical survey conducted in 2003 for Cross Lake Minerals defines an area 800 metres by 350 metres with anomalous chargeability that remains open to the southwest, west and northeast, with a coincident resistivity high that is 200 metres by 500 metres and appears open to the west and northeast. The known mineralized zones have not been fully drill tested or delineated and significant geophysical and geological targets on the property remain untested.

During Q1 2018, the Company spent 2 days at the Cariboo Property evaluating the geologic setting and taking soil samples. The Company will continue to evaluate and interpret all available historic exploration data from the Cariboo Gold Property and design an appropriate exploration program for 2019. The gross costs and impairments recorded to the Cariboo Gold Property as at September 30, 2018 are \$6,644 and \$nil, respectively (September 30, 2017 - \$4,190 and \$nil).

4. Operating results

Year ended September 30, 2018 compared to the year ended September 30, 2017:

A summarized statement of operations appears below to assist in the discussion that follows:

	Three months ended		Year ended	
	September 30		September 30	
	2018	2017	2018	2017
General and administrative expenses	\$ (19,310)	\$ (16,485)	\$ (100,520)	\$ (133,386)
Reporting to shareholders	-	-	(17,291)	(20,726)
Professional fees	(24,548)	(20,707)	(33,451)	(35,524)
Stock exchange and transfer agent fees	(2,054)	(1,441)	(9,039)	(15,871)
Depreciation	(23)	(44)	(95)	(176)
Recovery (impairment charges)	-	(327)	-	342,923
Pre-acquisition costs	-	-	-	(4,369)
Interest and other	28	38	290	211
Dividend income	-	-	-	11,340
Gain (loss) from short-term investments	113,290	(55,288)	217,838	(280,078)
Net and comprehensive income (loss)	\$ 67,383	\$ (94,254)	\$ 57,732	\$ (135,656)

The Company continues to tightly manage costs as a strategy to conserve resources; however, activity in the junior mining sector has picked up and is reflected in the operations above. Variances in general and administrative expenditures and professional fees are examined in further detail in the chart below. The most significant changes in other expenditures follow:

- Reporting to shareholders expenditures relate to the filing and dissemination of the annual audited financial statements for which there was no significant variance, as well as the Annual General Meeting ("AGM") which was held in Q2 2018 and Q2 2017. The \$3,400 decrease in expenditures relates to reduction of printing and postage costs in the current year due to the share consolidation in Q3 2017.
- Stock exchange and transfer agent fees are lower by \$6,800 during the current year. The comparative periods' fees include fees for the stock option plan for 2015, 2016, and 2017, as well as the share consolidation and name change transactions. Other than 2018 stock option plan fees, similar fees were not incurred in the current period.

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- The recovery reported in Q2 2017 relates to agreements entered into with Maple Gold Mines Ltd. ("Maple Gold") (formerly Aurvista Gold Corporation). During the three month period ended March 31, 2017, the Company received \$325,000 in cash from Maple Gold for its 1.5% royalty interest in the Douay property in Quebec. Additionally, the Company received \$20,000 in cash from Maple Gold to terminate obligations under a price adjustment clause of an agreement dated August 18, 2010 with respect to the Property. During the year ended September 30, 2004, the Company wrote the Douay property off as impaired as it determined that there were insufficient financial resources to continue exploration on the property. As there were no property costs against which the payments from Maple Gold could be offset, all of these payments, net of related expenses were recognized as income in the period of receipt. There were no similar transactions in the current period.
- In Q2 2017, the Company incurred pre-acquisition costs of \$4,369 with respect to the acquisition of the Gibson Prospect and primarily include costs of negotiating the Option agreement executed May 12, 2017. (Refer to Section 3) Mineral Properties, Gibson Prospect, British Columbia for further details.
- During the three month period ended September 30, 2018, the Company recognized a net gain on short-term investments of \$113,290; over the twelve month period, the company recognized a net gain of \$217,838. The net gain at September 30, 2018 includes a realized loss of \$302,450 on the sale of 5,000,000 Spruce Ridge Resources Ltd. shares in Q4 2018 resulting in a cash inflow of \$150,051. The remainder of the gain results from adjusting the Company's holdings in common shares to fair value at the respective period ends.
- At September 30, 2018, the Spruce Ridge Resources Ltd. shares were trading at \$0.040 versus \$0.015 at September 30, 2017, resulting in a gain of \$150,000. At September 30, 2016 these shares were trading at \$0.040 resulting in a loss of \$275,000 at September 30, 2017. The Maple Gold shares were trading at \$0.10 per share at September 30, 2018 versus \$0.275 at September 30, 2017 resulting in a loss of \$5,513. The value of the Maple Gold shares decreased in value from the date of acquisition of \$0.36 per share to \$0.0275 at September 30, 2017, resulting in a loss of \$2,677. On March 22, 2017, the Company received a share dividend from Société d'Exploration Minière Vior Inc. ("Vior") of 31,500 shares of Aurvista Gold Corporation (now Maple Gold) valued at \$0.36 per share (the last reported closing price on March 16, 2017, before the issuance of the stock dividend) totalling \$11,340. During the three month period ended June 30, 2017, the Company sold its remaining 75,000 shares in Vior, realizing a loss of \$36,932. On May 18, 2018, Commander Resources Inc. consolidated their outstanding common shares on the basis of five pre-Consolidation shares to one post-Consolidation share reducing the Company's holdings from 100,000 shares to 20,000 shares. At September 30, 2018, the Commander Resources Ltd. ("Commander") shares were trading at \$0.14 per share versus \$0.225 per share (on a post-Consolidation basis) at September 30, 2017 resulting in a loss of \$1,700. The value of the Commander shares at September 30, 2016 was \$0.045 per resulting in a loss of \$500 at September 30, 2017. These market price changes result in significant valuation adjustments from period to period.

General and administrative expenses

	Three months ended		Year ended	
	September 30		September 30	
	2018	2017	2018	2017
Administrative consulting fees	\$ 5,283	\$ 2,275	\$ 35,580	\$ 12,228
Stock-based compensation	-	-	-	64,500
Occupancy costs	4,697	4,708	18,600	21,469
Office, secretarial and supplies	5,934	6,380	25,219	21,631
Travel and promotion	-	-	4,307	1,155
Insurance	2,166	2,166	8,663	8,772
Directors' fees	600	600	2,100	2,400
Computer network and website maintenance	630	356	6,051	1,231
Total	\$ 19,310	\$ 16,485	\$ 100,520	\$ 133,386

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- Administrative consulting fees, which consist of fees for the CFO, the controller and geological consulting, are up by \$23,300 year over year. At September 30, 2018, geological consulting fees, which primarily relate to various administrative obligations that are not related to mineral properties, are \$24,475 (2017 - \$2,375). The increase in geological consulting fees reflects the increased activity in the sector, the administration time required to pursue option agreements to acquire mineral properties described in Section 3) Mineral properties, and promotional and administrative activities for financing arrangements. At September 30, 2018, controller fees were \$11,105 (2017 - \$9,853). There were no fees for the services provided by the CFO in either the current period or comparative period.
- During the three month period ended June 30, 2017, the Company granted, pursuant to its stock option plan, a total of 1,175,000 incentive options to directors, officers and consultants of the Company, exercisable at a price of \$0.06 per share for five years. The options were valued at \$64,500 using the Black-Scholes Option Pricing model assuming a 5 year term, volatility of 289.75%, a risk-free discount rate of 1.12% and a dividend rate of 0%. There were no share-based payment transactions during the current three and twelve month periods.
- Occupancy costs are down by \$2,900 in the current year. The Company entered into a new leasing arrangement for office space May 1, 2018. See Note 17 - "Related party balances and transactions and key management remuneration" of the Audited Consolidated Financial Statements dated September 30, 2018 which accompany this document and Section 7) Contractual obligations of this document for further details.
- Office, secretarial and supplies expenditures have increased in the current year from the comparative year by \$3,600. The majority of the increase is reflected in contracted administrative and corporate secretarial services which include planning for the AGM, facilitating negotiations for the current occupancy lease, coordinating the office move, and providing assistance with respect to mineral property option agreements entered into during the year as well as other administrative duties. The comparative periods' expenditures include planning for the AGM, facilitating the royalty payments from Maple Gold, the company name change and share rollback, the Gibson Prospect option and negotiations for the occupancy lease.
- Travel and promotion expenditures are up in the current year ended September 30, 2018 by \$3,200 and include expenditures for the distribution of promotional materials. No similar expenditures were incurred in the comparative three and twelve month periods.
- There is no significant variation in insurance premiums between current and comparative periods. Insurance premiums are in accordance with the budget.
- Computer network and website maintenance expenditures are up in the current year ended September 30, 2018 by \$4,800. The majority of this variance is due to updating and ongoing maintenance of the Company's website. As well, the Company incurred expenditures relating to the office relocation.

Professional fees

The following summarizes the components of professional fees included in the statement of net and comprehensive income (loss):

	Three months ended September 30		Year ended September 30	
	2018	2017	2018	2017
Legal and filing fees	\$ 1,548	\$ 1,707	\$ 6,351	\$ 12,715
Audit fees	23,000	19,000	27,100	22,809
Total	\$ 24,548	\$ 20,707	\$ 33,451	\$ 35,524

- Legal and filing fees consisted primarily of fees for news releases and SEDAR continuous disclosure filings that correspond with the volume of activity in each period. Also included are nominal legal fees for corporate filings. The decrease of \$6,400 from the comparative period is attributable to legal fees relating to the name change, share consolidation, consultations relating the Maple Gold agreements being included in the comparative total. The Company has also changed filing services resulting in a reduction in disclosure filing fees in the current three year.

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- The variance of approximately \$4,300 between the current and comparative year in audit fees include an under accrual of fiscal 2017 audit fees as well as an anticipated increase in 2018 audit fees.

5. Liquidity and Capital Resources

The Company's working capital position at September 30, 2018 was \$496,388 (September 30, 2017 - \$468,249), an increase of \$28,139. The Company consumed \$164,051 in operating activities during the year ended September 30, 2018.

Other significant changes to working capital are as follows:

- An increase in the fair market value of the short-term investments from September 30, 2017 to September 30, 2018, resulted in a net gain of \$520,288.
- During the 3 month period ended September 30, 2018, the Company sold 5,000,000 Spruce Ridge Resources Ltd. shares resulting in a realized loss of \$302,450 and a cash inflow of \$150,051.
- The company invested \$31,437 in exploration and evaluation assets for exploration activities including \$2,454 related to the Cariboo Gold property in British Columbia, \$19,638 for exploration activities related to the Gibson Prospect, including a \$15,000 cash payment pursuant to the underlying option agreement with Steven Scott, \$5,517 for exploration activities relating to the Echo Property in British Columbia and \$3,829 for exploration activities relating to the Fulton Property in British Columbia. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements dated September 30, 2018 which accompany this document and Section 3) Mineral properties for more information.
- There were no financing activities during the year ended September 30, 2018; however, the current year expenditure incurred of \$1,283 relate to the share consolidation and name change in Q3 2017, which were not previously billed and \$750 related to the private placement for share and warrant issuance that closed, October 16, 2018 as noted below.

The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. Subsequent to September 30, 2018, the Company completed a non-brokered private placement share and warrant issue for gross aggregate proceeds of \$115,000. (Refer to Section 6 - "Financing" below for further information). The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature of operations" to the Audited Consolidated Financial Statements for the year ended September 30, 2018 that accompany this document.

6. Financing

On October 5, 2018, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements for more information.

On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. The placement was comprised of 2,300,000 common units at \$0.05 per unit. Each common unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share until October 16, 2020. In valuing the warrants, the Company used a proration of proceeds method to the components including the use of the Black-Scholes Pricing model assuming a volatility of 242.39%, a risk free rate of 2.15% , a two year warrant life and a 0% dividend rate.

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During the year ended September 30, 2017, the Company consolidated its issued and outstanding common shares on the basis of five (5) pre-Consolidation shares for one (1) post-Consolidation share. Refer to Note 12, "Share capital, stock options and warrants" to the Audited Consolidated Financial Statements for the year ended September 30, 2018 for details regarding this transaction.

On May 18, 2017, the Company issued 1,125,000 common shares valued at \$78,750 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 3) Mineral properties for more information related to this transaction.

7. Contractual Obligations

a) The Company is party to a lease for office space that terminates April 30, 2020. As at September 30, 2018, the contractual cash obligations for the following five fiscal years are as follows:

<u>Nature of obligation</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Office lease base rent	\$ 18,792	\$ 10,962	\$ -	\$ -	\$ -

b) On April 4, 2017, the Company announced it had signed a Letter of intent to acquire a 100% interest in the Gibson property from Altius Resources Inc. ("Altius"). Gibson is 887 ha in size and located in central British Columbia, approximately 95 kilometres northwest of Fort St. James. The purchase agreement was executed on May 12, 2017 and received Exchange approval on May 17, 2017. The Company has also assumed the obligations of an underlying option agreement with Steven Scott.

The remaining commitments of the agreement are as follows:

	Altius		Underlying option agreement with Steven Scott	
	Share issues	Minimum Exploration Expenditures (\$)	Cash or share equivalent payments (\$)	Minimum exploration expenditures* (\$)
Following Phase 1 trenching but prior to drilling on the Property	1,180,000	-	-	-
Expenditure Commitment on or before July 15, 2019		500,000	-	-
Following the completion of the Expenditure Commitment	1,240,000	-	-	-
On or before March 9, 2019	-	-	20,000	20,000
On or before March 9, 2020	-	-	25,000	30,000
On or before March 9, 2021	-	-	25,000	50,000
Total remaining	2,420,000	500,000	70,000	100,000

* - included in total minimum exploration expenditure commitments

In addition, Altius will retain a right to purchase an underlying 1.5% Net Smelter Royalty ("NSR") and preferential rights on any future royalties or streams granted on the Property. If the Company achieves a measured and indicated mineral resources in excess of 1 million gold equivalent ounces, a Milestone Payment of 1,275,000 shares will be issued to Altius. Altius will have a pro rata right to participate in future equity financings of the Company for two years.

Pursuant to the underlying option agreement, Steven Scott is also entitled to the additional milestone bonuses of: 1) \$25,000 in cash or securities upon a Bankable Feasibility Study; and 2) \$50,000 in cash or securities upon Commercial Production.

On November 12, 2018, the Company was granted an extension to meet its minimum exploration expenditures of \$500,000 by November 12, 2018 to July 15, 2019, as lack of access during 2018, in part,

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prevented the Company from completing the required expenditures within the allotted time. All other terms of the agreement remain unchanged.

On October 5, 2018, the company issued 1,180,000 common shares to Altius pursuant to the agreement. Refer to Section 6) Financing for more information relating to this transaction.

c) On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius. The property named Ace was subsequently dropped from the agreement due to an access issue. The four remaining properties are named Echo, Fulton, Red and Beal. To acquire a 100% interest in the Echo, Fulton, Beal and Red properties, the Company must spend a minimum of \$30,000 on exploration on or before September 21, 2019 and issue to Altius 500,000 common shares for each project. In addition, Altius will retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieves a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares will be issued to Altius.

8. Exploration Expenditures

Refer to "Exploration and evaluation assets," Note 7 to the Audited Consolidated Financial Statements.

9. Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10. Selected Annual financial Information

The following selected financial data has been extracted from the Audited Consolidated Financial Statements, for the fiscal years ended September 30, 2018, 2017, and 2016 and should be read in conjunction with those Audited Consolidated Financial Statements.

For the years ended or as at September 30	2018	2017	2016
Financial Results	\$	\$	\$
Interest and other income	290	211	141
Net income (loss) and comprehensive income			
(loss) for the year	57,732	(135,656)	90,174
Basic and diluted earnings (loss) per share	0.00	(0.01)	0.00
Financial Position			
Working capital	496,388	468,249	625,118
Total assets	730,801	680,335	655,564
Capital stock	13,835,176	13,837,209	13,767,552
Reserves	1,983,697	1,983,697	1,919,197
Deficit	(15,136,521)	(15,924,253)	(15,058,597)

Included in the income for 2018 is a recovery of mineral properties aggregating \$nil, (2017 - \$342,923, 2016 - \$2,967). Other Comprehensive Income (Loss) pertaining to the revaluation of marketable securities from period to period resulted in a gain of \$520,288 in 2018 (2017 - loss of \$243,146, 2016 - gain of \$212,282) being included in Net and Comprehensive Income (Loss).

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11. Selected Quarterly Financial Information

The following selected financial data has been extracted from the unaudited interim consolidated financial statements for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements in accordance with IFRS.

Three months ended	Sep 30 2018 (Q4 2018)	Jun 30 2018 (Q3 2018)	Mar 31 2018 (Q2 2018)	Dec 31 2017 (Q1 2018)	Sep 2017 (Q4 2017)	Jun 2017 (Q3 2017)	Mar 31 2017 (Q2 2017)	Dec 31 2016 (Q1 2017)
	\$	\$	\$	\$	\$	\$	\$	\$
Loss before recovery (impairment) of exploration and evaluation assets	(45,935)	(47,215)	(34,523)	(32,723)	(38,677)	(90,616)	(57,064)	(23,695)
Recovery (impairment) of exploration and evaluation assets	-	-	-	-	(327)	-	343,250	-
Loss before other items	(45,935)	(47,215)	(34,523)	(32,723)	(39,004)	(90,616)	286,186	(23,695)
Interest and other income	28	68	174	20	38	49	85	39
Dividend income	-	-	-	-	-	-	11,340	-
Gain (loss) on short-term investments	113,290	(58,535)	(445)	163,528	(55,288)	(54,742)	51,577	(221,625)
Comprehensive profit (loss)	67,383	(105,682)	(34,794)	130,825	(94,254)	(145,309)	349,188	(245,281)
Basic and diluted earnings (loss) per share	0.00	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	0.00	0.00

Generally, the most significant influences on the variability of profit or loss are the amount of exploration and evaluation asset impairments or recoveries, and gains or losses on short-term investments. The timing of the impairments and gains on sale of the Company's Exploration and evaluation assets cannot be predicted in advance and will vary from one reporting period to the next. As a result, there may be dramatic changes in the financial results and balance sheet position reported by the Company on a period by period basis.

More specific variances include the Q2 2017 loss before recovery of exploration and evaluation assets of \$57,064, which is higher than other quarters and include expenditures related to the AGM, one time expenditures for the share consolidation and name change which occurred in Q3 2017 and pre-acquisition expenditures of \$4,369. Operations also include a recovery of \$343,250 related to mineral properties. (Refer to Section 4) Operating Results above for more details regarding these transactions. The Q3 2017 loss before recovery of exploration and evaluation assets of \$90,616 include a non-cash charge for stock-based compensation of \$64,500.

The Company received common shares in three separate publicly traded Companies as partial consideration for the sale of mineral property interests in past years. Comprehensive Profit or Loss will fluctuate as the carrying value of these investments is adjusted to fair value at the respective period ends.

12. Directors and Officers

Shane Ebert	<i>Director and President</i>	Douglas Cageorge	<i>Director</i>
Jean Pierre Jutras	<i>Director and Vice-President</i>	Douglas Porter	<i>Chief Financial Officer</i>
Barbara O'Neill	<i>Corporate Secretary</i>	Lesley Hayes	<i>Director</i>

13. Related Party Transactions and Key Management Remuneration

Related party transactions for the years ended September 30, 2018 and 2017 are disclosed and explained in Note 17 to the Audited Consolidated Financial Statements for the year ended September 30, 2018 that accompany this MD&A.

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14. Share Capital and Equity Reserves

Refer to Note 11 to the financial statements and the Consolidated Statement of Equity for common share capital, stock option and warrant transactions during the year ended September 30, 2018 and balances as at that date.

On October 5, 2018, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements for more information.

On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. Refer to Section 6) Financing for more information related to this transaction.

There were no other share capital, stock option or warrant transactions subsequent to September 30, 2018 and December 17, 2018, the date of this report.

15. Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, accounts receivable (net of sales tax) and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of the instruments.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company had no foreign currency denominated fund balances. Consequently, variations in foreign exchange rates will not result in foreign exchange gains or losses at this point in time.

16. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, and mining exploration tax credit receivable. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at September 30, 2018 and September 30, 2017.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements, as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company is continually investigating financing options. The Company feels that it has sufficient working capital to finance general and administrative and other operating expenses for 12 months assuming similar activity levels to the previous year. Additional financing may be required to fund new property acquisitions and future exploration programs. Refer to Note 1 - Nature of operations on the Consolidated Financial Statements, September 30, 2018.

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c) Market risk

The Company's equity investments are subject to market price risk. These investments were received as partial proceeds for the sale of mineral property interests. The Company does not invest excess cash in equity investments. The investments in common shares and warrants are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price or value of these investments can vary from period to period. During the year ended September 30, 2018, the market price fluctuation on the investments held resulted in a net gain of \$520,288, (year ended September 30, 2017 - net loss of \$243,146) on short-term investments. In 2018, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$24,595 (2017 - \$17,816). The Company does not intend to hold these investments for more than one year.

The Company has not yet developed producing mineral interests, it is not exposed to commodity price risk associated with developed properties at this time.

d) Interest rate risk

The Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time. All market risk is associated with the Company's investments in common shares, which are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings.

e) Foreign exchange risk

There were no foreign currency denominated transactions during the periods disclosed and the Company did not hold cash balances in foreign currencies. As a result the Company is not exposed to foreign currency exchange risk at this time.

17. Outlook

The Company's primary objective is to discover mineral resources in economic quantities capable of supporting an operating mine. Should the Company discover such a promising property, it would likely attempt to ally with a more senior mining company that might option-in on the property or purchase the property outright, as the Company does not have expertise in operating a mine.

- The Company completed its summer 2018 drilling program on the Gibson Prospect, British Columbia, in October 2018, which consisted of 10 holes for 1001 metres of drilling and excavation of two trenches. The drill core has been logged and sampled with assay results expected in 8 to 10 weeks. (Refer to News Release 18-8, dated October 18, 2018 and News Release 18-9 dated October 25, 2018 and see Section 3) Mineral properties, Gibson Prospect of this document for more information). Prior to drilling, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to the option agreement on the Gibson property. Refer to Section 7) Contractual Obligations of this document and Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements for more information.
- On May 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in 5 mineral exploration properties in British Columbia from Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corp. For more information relating to this transaction refer to News Release 18-3, May 25, 2018 and section 3) Mineral properties of this document. Acquisition of the property named "Ace" was conditional upon satisfactory resolution of a property access issue by August 15, 2018. The issue remained unresolved and the Ace property was dropped from the agreement, with all other terms remaining unchanged.

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- During Q4 2018, the Company began conducting field work on the four newly acquired properties, including geologic mapping, prospecting, and soil sampling. The fieldwork is designed to identify and refine exploration targets for more advanced work.
- On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue, announced August 30, 2018 for aggregate gross proceeds of \$115,000. Refer to News Releases 18-5, dated August 30, 2018 and 18-7, dated October 16, 2018 and Section 6) Financing of this document for more information related to this transaction.

The Company continues to actively search for new early stage exploration opportunities and avenues for growth in stable jurisdictions within North America. The Company has not entered into any business combination, acquisition or similar agreements except as noted above.

18. Risks

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operation (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

The Company is a natural resource company engaged in the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of exploration, the following risk factors, among others, should be considered:

- **Exploration, development and operating risks**
The Company is in the process of exploring its properties and has not yet determined whether its properties contain economically recoverable reserves and, therefore, does not generate any revenues from production. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its properties, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.
- **Substantial capital requirements and liquidity**
Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operation and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

- **Fluctuating mineral prices**

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation. Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Company's properties.

- **Regulatory, permit and license requirements**

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on the Properties will be obtainable on a reasonable terms, or that such laws and regulation will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

- **Financing risks and dilution to shareholders**

The Company has limited financial resources, no operations and no revenues. If the Company's exploration program on its properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

- **Title to properties**

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Optionors or the Company, as the case may be does not have title to its properties could cause the Company to lose any rights to explore, develop and mine any minerals on its properties without compensation for its prior expenditures relating to its properties.

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- **Competition**

The mineral exploration and development industry is highly competitive. The Company will have to compete with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of mineral claims, leases and other mineral interest as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other mining companies could have a material adverse effect on the Company and its prospects.

- **Reliance on management and dependence on key personnel**

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

- **Environmental risks**

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increase capital expenditures and operating costs.

- **Conflicts of interest**

Certain of the Directors and Officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of the Company may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a Director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under those laws. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable Canadian corporate laws.

- **Uninsurable risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares.

- **Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

19. Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its exploration and evaluation assets. Exploration and evaluation assets consist of the capitalized costs of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sales or abandonments. The estimated values of exploration and evaluation assets are assessed by management when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Reference is made to project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, financing, the extent to which optionees have committed, or are expected to commit to, exploration on the property and the imminent expiry of right to explore, among other factors. When it becomes apparent that the carrying value of a specific property will not be realized, an impairment provision is made for the decline in value.

The Company's estimate for asset retirement obligations is based on existing laws, contracts or other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations which requires that certain assumptions be made. By their nature, these estimates are subject to measurement uncertainty.

Another significant accounting estimate relates to valuing stock-based compensation and warrants. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested, or warrants issued, during the year.

The Company estimates the fair value of its short-term equity investments at each period end as they are carried at fair value in the Balance Sheet. The Company uses the closing price of the common shares on the period-end date and uses the Black-Scholes Option Pricing Model discussed above to estimate the value of its investment in warrants. The price at which these instruments can ultimately be sold will vary from these estimates due to the timing of their sale, the volume of trading in the securities at any given time and changes in the market over time, among other factors.

20. New Accounting Policies

The Company did not adopt any new accounting policies during the year ended September 30, 2018.

IFRS accounting standards, interpretations and amendments subsequent to period-end

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods subsequent to those disclosed in the financial statements. They include the following, but do not include updates that are not applicable or are not consequential to the Company's operations:

i) IFRS 9 - Financial Instruments

IFRS 9 - Financial instruments, and consequential amendments to other related standards, is effective for accounting periods commencing on or after January 1, 2018. However, new amendments related to IFRS 9 were issued in November 2013 and were applied prospectively in the financial statements for the 2014 year, as the Company has early adopted this section. The amendments relate to hedging and own credit risk, to which the Company is not exposed, therefore these amendments did not have a significant impact on its financial reporting.

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ii) IFRS 16 – Leases

IFRS 16 introduces a new definition for what qualifies as a lease. Once an arrangement is determined to meet the definition of a lease, an entity will then recognize a right-of-use asset and a lease liability on its balance sheet. The standard includes certain exemptions for items where the lease term is less than 12 months or for low value items. The effective date of this standard is for annual reporting periods beginning on or after January 1, 2019, with options for early adoption. The Company has not yet determined the impact of adopting IFRS 16 on the financial statements.

21. Subsequent Events

On October 4, 2018, the Company announced that it would commence drill testing on the Gibson Prospect, British Columbia (see Note 7 - "Exploration and evaluation assets") in early October 2018 with an approved budget of \$250,000. Refer to News Release 18-6 dated October 4, 2018 for more information. The Company provided an update of the drilling program on October 18, 2018 and October 25, 2018. The drill core has been logged and sampled with assay results expected in 8 to 10 weeks. For more information refer to News Release 18-8 dated October 18, 2018 and News Release 18-9 dated October 25, 2018.

22. Other

Additional information relating to the Company may be found on SEDAR at www.sedar.com.