CANEX Metals Inc.
Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Three Months Ended December 31, 2019
(Unaudited)

February 11, 2020

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of CANEX Metals Inc. ("CANEX Metals") are the responsibility of the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statement do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with CANEX Metals' audited annual consolidated financial statements and notes thereto for the year ended September 30, 2019. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in CANEX Metals' most recent audited annual consolidated financial statements, except as described in Note 3 "Significant accounting policies". Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to CANEX Metals' circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited operations and cash flows of CANEX Metals, as of the date of and for the period presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews CANEX Metals' Management's Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholder.

Management recognizes its responsibility for conducting CANEX Metals' affairs in compliance with established financial standards, and applicable laws and regulation, and for maintaining proper standards of conduct for its activities.

"Shane Ebert"	"Chantelle Collins"
Shane Ebert	Chantelle Collins
President/Director	Chief Financial Officer

AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of CANEX Metals have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended December 31, 2019 has not been reviewed by CANEX Metals' auditors.

CANEX Metals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)
As at December 31, 2019 and September 30, 2019
(Unaudited - Prepared by Management)

		December 31 2019		September 30 2019
ASSETS				
Current Assets				
Cash (Note 5)	**$**	**438,636**	$	134,349
Accounts receivable (Note 6)		**14,132**		4,061
Mining exploration tax credit receivable (Note 8)		**63,123**		63,123
Prepaid expenses		**38,494**		6,922
Short-term investments (Note 7)		**314,592**		353,715
		868,977		562,170
Non-current Assets				
Exploration and evaluation asset advances and deposits (Note 8)		**37,874**		37,569
Exploration and evaluation assets (Note 8)		**709,675**		510,268
Equipment (Note 9)		**71**		79
		747,620		547,916
TOTAL ASSETS	**$**	**1,616,597**	$	1,110,086
EQUITY AND LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Note 10)	**$**	**79,771**	$	35,034
Non-current liabilities				
Decommissioning obligation (Note 11)		**27,000**		27,000
TOTAL LIABILITIES		**106,771**		62,034
EQUITY				
Share capital (Note 12)		**14,854,566**		14,243,517
Reserves		**2,086,415**		2,054,488
Deficit		**(15,431,155)**		(15,249,953)
TOTAL EQUITY		**1,509,826**		1,048,052
TOTAL EQUITY AND LIABILITIES	**$**	**1,616,597**	$	1,110,086

Nature and continuance of operations (Note 1)
Commitments (Note 19)

Approved by the Board

"Shane Ebert"
___________________________ **Director**

"Lesley Hayes"
___________________________ **Director**

See accompanying notes to the financial statements.

CANEX Metals Inc.

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

(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
For the three months ended December 31

		2019		2018
Expenses				
General and administrative (Note 14)	$	152,831	$	29,815
Reporting to shareholders		89		4,126
Professional fees		2,352		689
Stock exchange and transfer agent fees		2,311		1,826
Depreciation		8		13
		157,591		36,469
Loss before other items		(157,591)		(36,469)
Other items				
Interest and other		78		69
Income (loss) from short-term investments (Note 7)		(23,689)		58,600
		(23,611)		58,669
Net (loss) income and comprehensive (loss) income for the period	$	(181,202)	$	22,200
Basic and diluted income per share (Note 16)	$	0.00	$	0.00
Weighted average shares outstanding - basic and diluted (Note 16)		39,345,545		25,602,295

Nature and continuance of operations (Note 1)

See accompanying notes to the financial statements.

CANEX Metals Inc.
Condensed Interim Consolidated Statements Cash Flows
(Expressed in Canadian Dollars)
(Unaudited - Prepared by Management)
For the three months ended December 31

	2019	2018
Increase (decrease) in cash		
Operating activities		
Cash paid to suppliers and contractors	$ **(168,049)**	$ (28,795)
Cash used in operating activities (Note 20)	**(168,049)**	(28,795)
Investing activities		
Interest and other income received	**78**	69
Cash received on sale of short-term investments	**15,435**	-
Cash expended on exploration and evaluation advances and deposits	**(305)**	-
Cash expended on exploration and evaluation asset additions (Note 20)	**(148,431)**	(190,969)
Cash used in investing activities	**(133,223)**	(190,900)
Financing activities		
Share capital and warrant issue proceeds	**606,000**	115,000
Share issue costs	**(6,441)**	(2,959)
Options exercised	**6,000**	-
Cash provided by financing activities	**605,559**	112,041
Decrease in cash	**304,287**	(107,654)
Cash:		
Beginning of period	**134,349**	242,750
End of period	$ **438,636**	$ 135,096

Supplementary information:
Interest and taxes

During the three month periods ended December 31, 2019 and December 31, 2018, the Company did not expend cash on interest or taxes.

Non-cash transactions

2020
During the three month period ended December 31, 2019, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of $37,417 included in general and administrative expenses (Note 14). Refer to Note 15 – “Stock-based compensation transactions” for more information regarding this transaction.

2019
During the three month period ended December 31, 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 8 – “Exploration and evaluation assets” for more information.

See accompanying notes to the financial statements.

CANEX Metals Inc.

Condensed Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

As at December 31

	Common share capital $	Equity-settled share based payment $	Warrants $	Other Reserves* $	Total Reserves $	Deficit $	Total $
Balance, December 31, 2017	**13,837,209**	**64,500**	**33,120**	**1,886,077**	**1,983,697**	**(15,063,428)**	**757,478**
Net and comprehensive loss for the period	-	-	-	-	-	(73,093)	(73,093)
Share issuance and transaction 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**
Net and comprehensive income for the period	-	-	-	-	-	22,200	22,200
Share issuance - property acquisition (Note 8)	82,600	-	-	-	-	-	82,600
Private placement share and warrant issue	115,000	-	-	-	-	-	115,000
Share issuance and transactions costs	(2,959)	-	-	-	-	-	(2,959)
Balance, December 31, 2018	**14,029,817**	**64,500**	**33,120**	**1,886,077**	**1,983,697**	**(15,114,321)**	**899,193**
Net and comprehensive loss for the period	-	-	-	-	-	(135,632)	(135,632)
Share issuance and transactions costs	(975)	-	-	-	-	-	(975)
Share issuance – property acquisition (Note 8)	20,000	-	-	-	-	-	20,000
Private placement share and warrant issue	220,000	-	-	-	-	-	220,000
Share issuance and transactions costs	(25,325)	-	11,575	-	11,575	-	(13,750)
Options issued	-	59,216	-	-	59,216	-	59,216
Balance, September 30, 2019	**14,243,517**	**123,716**	**44,695**	**1,886,077**	**2,054,488**	**(15,249,953)**	**1,048,052**
Net and comprehensive loss for the period	-	-	-	-	-	(181,202)	(181,202)
Options issued	-	37,417	-	-	37,417	-	37,417
Private placement share issuance	606,000	-	-	-	-	-	606,000
Share issuance costs	(6,441)	-	-	-	-	-	(6,441)
Options exercised	11,490	(5,490)	-	-	(5,490)	-	6,000
Balance, December 31, 2019	**14,854,566**	**155,643**	**44,695**	**1,886,077**	**2,086,415**	**(15,431,155)**	**1,509,826**

*Other reserves are 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 financial statements

1. Nature and continuance of operations

CANEX Metals Inc. ("CANEX Metals" 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 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 mineral properties contain ore reserves that are economically recoverable.

The Company incurred a net loss of $181,202 during the three month period ended December 31, 2019. The Company has a deficit of $15,431,155 at December 31, 2019, and a working capital surplus of $789,206. The Company believes it has sufficient working capital to fund its administrative and other operating expenses for the next twelve month period. Operating expenses beyond December 31, 2020, increases in expenditures over budget for the twelve month period ended December 31, 2020, exploration programs and new property acquisitions will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments which could be significant should the Company be unable to continue as a going concern.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 3(f) "Exploration and evaluation assets" of the annual financial statements for the year ended September 30, 2019. 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.

2. Basis of presentation

a) Basis of presentation

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretation of the International Reporting Interpretations Committee ("IFRIC") and are presented in Canadian dollars.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments described in Note 13 and decommissioning obligation described in Note 11. In addition, these statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned US subsidiary, Canexco Inc. ("Canexco"). Canexco was incorporated by the Company on June 5, 2019 in Arizona, USA, to conduct its exploration and development business in the USA, (refer to Note 8 - "Exploration and evaluation assets" for more information). 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 de-consolidated from the date control ceases.

3. Significant accounting polices

The financial framework and accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those as disclosed in its most recently completed audited annual consolidated financial statements for the year ended September 30, 2019.

a) New accounting policies

CANEX Metals did not adopt any new accounting policies during the three months ended December 31, 2019.

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. They include the following:

IFRS 16 – Leases

IFRS 16 – Leases, was issued in January 2016 with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. With the lease expiring in April 2020, the Company anticipates the standard will have no significant impact on its financial statements. The new policy will be applied to any new leases that the Company enters into if it is not subject to recognition exemptions.

4. Significant accounting judgments 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 value of exploration and evaluation assets that is included in the statement of financial position, including the assumptions that are incorporated into the impairment assessments, and the amount of impairments that are included in the statement of income (loss) and comprehensive income (loss). (Refer to Note 1 - "Nature of operations and continuance 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 statement of financial position.
c) The estimated fair value of share purchase options and broker warrants 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.

(Expressed in Canadian Dollars)

4. Significant accounting judgments and estimates (continued)

e) Estimates are required in determining the amount of government incentives. Judgment is also required to determine the recoverability of the government incentives.

5. Cash

Cash is comprised of:

		Dec 31, 2019		Sept 30, 2019
Current bank accounts	**$**	**404,231**	$	115,378
Cash investments		**34,405**		18,971
	$	**438,636**	$	134,349

6. Accounts receivable

		Dec 31, 2019		Sept 30, 2019
Trade receivables	**$**	**656**	$	656
Due from related parties		**896**		450
Sales tax receivables		**12,580**		2,955
	$	**14,132**	$	4,061

7. Short-term investments

		Dec 31, 2019		Sept 30, 2019
Spruce Ridge Resources Ltd. **Common shares** (Dec 31, 2019 – 5,633,500, Sept 30, 2019 – 5,833,500)	**$**	**309,842**	$	350,010
Commander Resources Ltd. **Common shares** (Dec 31, 2019 - 100,000, Sept 30, 2019 - 100,000)		**1,600**		1,500
Maple Gold Mines Ltd. **Common shares** (Dec 31, 2019 - 31,500, Sept 30, 2019 - 31,500)		**3,150**		2,205
	$	**314,592**	$	353,715

The common shares of Spruce Ridge Resources Ltd., Commander Resources Ltd. and Maple Gold Corporation were valued at their fair value, based on their respective period-end trading prices, at December 31, 2019 and September 30, 2019.

During the year ended September 30, 2018, the Company sold 5 million shares of Spruce Ridge 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 at a set price of $0.06 per share until September 21, 2019 exercisable at the option of the Purchaser. The term was accelerated to expire within 2 weeks in the event that Spruce Ridge shares traded above $0.09 for 30 consecutive days. The fair value of option 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. The option expired on September 21, 2019 without exercise.

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets

Gold Range Property, Arizona, USA

On June 11, 2019, the Company's wholly-owned subsidiary, Canexco Inc., entered into an arm's length Option Agreement to acquire a 100% interest in the Gold Range Property, Arizona, USA from a Prospector, the "Optionor". The Gold Range Property, under option, is comprised of three staked lode mineral claims with a total area of 61.98 acres and is located in Mohave County, Arizona, USA. In addition, the Company staked and recorded 13 additional lode mining claims covering prospective ground surrounding the area of interest optioned and began conducting preliminary geologic fieldwork. In October 2019, the Company conducted trenching and mapping sampling program, and exploration and land evaluations are ongoing. The area has seen historic lode and placer gold production, but limited modern lode gold exploration. The 2019 fall exploration field program resulted in the Company staking an additional 129 mineral lode claims increasing the Company's holdings to 145 (1,043 hectares) at December 31, 2019.

Under the terms of the agreement, the Company is committed to make options payments and minimum exploration expenditures totaling US$90,000 and US$80,000 over four years, respectively. On June 11, 2019, the Company paid US$10,000 (CDN$13,405) in accordance with the agreement. In addition, the Optionor will retain a 2% NSR, half of which can be bought back by the Company for US$500,000; the remaining half can be bought back for US$1,000,000. The gross costs and impairments recorded to the Gold Range Property at December 31, 2019 are $270,851 and $nil, respectively (September 30, 2019 - $80,278 and $nil).

As at December 31, 2019, under the terms of the Agreement, the Company is committed to the following cash payments and minimum exploration expenditures:

	Option Payments	**Minimum Exploration Expenditures**
Due date	**US$**	**US$**
June 11, 2020	15,000	10,000
June 11, 2021	15,000	20,000
June 11, 2022	20,000	20,000
June 11, 2023	30,000	30,000
Total committed cash payments and minimum exploration expenditures	80,000	80,000
Exploration expenditures to December 31, 2019	-	138,500
Total remaining commitment as of December 31, 2019	80,000	-

The remaining committed option payments of US$80,000 would equate to CDN$103,900 using the December 31, 2019 Bank of Canada exchange rate. An increase or decrease of 10% to the exchange rate would result in an increase or decrease in required option payments of $10,390.

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 Corp. (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").

Under the terms of the Agreement, the Company is committed to issue a maximum of 3,545,000 common

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)
Gibson Prospect, British Columbia (continued)

shares to Altius in three stages plus incur minimum exploration expenditures up to $500,000 within 18 months, and make $90,000 in cash or share equivalent payments to Steven Scott. Upon approval of the 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 October 5, 2018, the Company issued 1,180,000 common shares to Altius valued at $82,600 pursuant to the Agreement and on February 21, 2019, the Company issued 400,000 common shares to Steven Scott valued at $20,000, 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. On June 20, 2019, the Company was granted a further extension to meet its minimum exploration expenditures of $500,000 by July 15, 2019 to July 15, 2020. All other terms of the Agreement remain unchanged. The gross costs and impairments recorded to the Gibson Prospect as at December 31, 2019 are $422,527 and $nil, respectively (September 30, 2019 - $422,527 and $nil).

As at December 31, 2019, under the terms of the Agreement, the Company is committed to the following share issuances, cash payments and minimum exploration expenditures:

	Altius		**Underlying option agreement with Steven Scott**	
Remaining commitments under the terms of the Agreement are as follows:	Share issues	Minimum exploration expenditures	Cash or share equivalent payments	Minimum exploration expenditures*
		($)	($)	($)
Expenditure Commitment on or before July 15, 2020	-	500,000	-	-
Following the completion of the Expenditure Commitment	1,240,000	-	-	-
On or before March 9, 2020	-	-	25,000	30,000
On or before March 9, 2021	-	-	25,000	50,000
Total	1,240,000	500,000**	50,000	80,000**

* - included in total minimum exploration expenditure commitments
** - as at December 31, 2019, the Company has incurred exploration expenditures of $293,500

Shane Ebert through his company, Vector Resources Inc. (see Note 18 - "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 resource 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.

8. Exploration and evaluation assets (continued)

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. 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, Red and Beal 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.

Altius agreed to extend the expenditure deadline to December 31, 2019 to allow the Company time to complete further evaluations of the properties. The Company conducted additional fieldwork in September 2019 determined that it would no longer continue to explore the Fulton, Red and Beal properties, and therefore impaired the full amount of expenditures on each respective property as of September 30, 2019. During the three month period ended December 31, 2019, the Company conducted a ground magnetic survey at Echo, of which the results and analysis of remain pending up to and as at the date of this report. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at December 31, 2019 are $21,451 and $5,154, respectively (September 30, 2019 - $12,617 and $5,154).

Cariboo Gold Property, British Columbia

During the year ended September 30, 2015, the Company staked the Cariboo Gold Property located in central British Columbia. During the year ended September 30, 2019, the Company determined that it would no longer continue to explore the Cariboo Gold Property, and therefore impaired the full amount of expenditures to date. The Company will continue to hold the mineral claims until they expire on June 23, 2021. The gross costs and impairments recorded to the Cariboo Gold Property as at December 31, 2019 are $6,409 and $6,409, respectively (September 30, 2019 - $6,409 and $6,409).

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)

A summary of exploration and evaluation expenditures by category for the years ended December 31, 2019 and September 30, 2019 appear below:

		British Columbia		Arizona, USA
Three month period ended December 31, 2019	**Total**	**Gibson Property**	**Echo Property**	**Gold Range Property**
	$	**$**	**$**	**$**
Exploration expenditures:				
Balance, September 30, 2019	**283,389**	220,531	4,156	58,702
Geological consulting	**46,331**	-	1,350	44,981
Field costs	**2,728**	-	151	2,577
Travel	**11,212**	-	-	11,212
Geochemical	**28,229**	-	1,952	26,277
Excavating	**18,361**	-	-	18,361
Geophysical survey	**43,280**	-	5,265	38,015
Equipment rental	**3,205**	-	116	3,089
Balance, December 31, 2019	**436,735**	**220,531**	**12,990**	**203,214**
Property acquisition costs				
Balance, September 30, 2019	**226,879**	201,996	3,307	21,576
Acquisition costs incurred	**46,061**	-	-	46,061
Balance, December 31, 2019	**272,940**	**201,996**	**3,307**	**67,637**
Total exploration and evaluation assets, December 31, 2019	**709,675**	**422,527**	**16,297**	**270,851**

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)

		British Columbia				Arizona, USA
Year ended September 30, 2019	**Total**	**Gibson Property**	**Cariboo Gold Property**	**Echo Property**	**Fulton, Red and Beal Properties**	**Gold Range Property**
	$	**$**	**$**	**$**	**$**	**$**
Exploration expenditures:						
Balance, September 30, 2018	**84,588**	78,484	2,243	1,546	2,315	-
Geological consulting	**65,596**	31,640	-	3,300	2,400	28,256
Field costs	**5,579**	3,179	-	206	205	1,989
Travel	**16,804**	11,053	-	-	-	5,751
Geochemical	**23,642**	11,738	715	-	483	10,706
Excavating	**12,482**	12,482	-	-	-	-
Drilling	**128,000**	128,000	-	-	-	-
Equipment rental	**5,011**	4,567	-	222	222	-
Provision for decommissioning	**12,000**	-	-	-	-	12,000
BC Mining exploration tax credit	**(62,937)**	(60,612)	(214)	(1,118)	(993)	-
Impairment	**(7,376)**	-	(2,744)	-	(4,632)	-
Balance, September 30, 2019	**283,389**	**220,531**	**-**	**4,156**	**-**	58,702
Property acquisition costs						
Balance, September 30, 2018	106,244	98,750	3,665	3,307	522	-
Acquisition costs incurred	124,822	103,246	-	-	-	21,576
Impairment	(4,187)	-	(3,665)	-	(522)	-
Balance, September 30, 2019	**226,879**	**201,996**	**-**	**3,307**	**-**	21,576
Total exploration and evaluation assets, September 30, 2019	**510,268**	**422,527**	**-**	**7,463**	**-**	**80,278**

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 December 31, 2019, the Company held $10,000 in respect of the Gibson Prospect and $27,874 in respect of the Gold Range Project in exploration and evaluation asset advances and deposits (September 30, 2019 - $37,569).

9. Equipment

Computer equipment and software		**Dec 31, 2019**		**Sept 30, 2019**
Cost				
Balance, beginning of period and end of period	**$**	**9,685**	$	9,685
Accumulated depreciation				
Balance, beginning of period		**9,606**		9,553
Depreciation		**8**		53
Balance, end of period		**9,614**		9,606
Net book value	**$**	**71**	$	79

(Expressed in Canadian Dollars)

10. Accounts payable and accrued liabilities

		Dec 31, 2019		Sept 30, 2019
Trade payables	**$**	**46,204**	$	2,090
Due to related parties		**18,524**		5,988
Accrued liabilities		**15,000**		26,934
Commodity taxes payable		**43**		22
	$	**79,771**	$	35,034

11. Decommissioning obligation

Changes in the decommissioning obligation:

		Dec 31, 2019		Sept 30, 2019
Balance, beginning of year	**$**	**27,000**	**$**	15,000
Additions		**-**		12,000
Balance, end of year	**$**	**27,000**	**$**	27,000

The above noted provision 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 period end dates for current and future decommissioning obligations. The period end present value of the decommissioning obligation was determined using a risk-free rate of 1.69% (September 30, 2019 – 1.86 %). The estimated total undiscounted amount, using an inflation rate of 1.92% (September 30, 2019 – 1.99%) for the three month period ended December 31, 2019 is $28,047 (year ended September 30, 2018 - $28,035). 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 period because the amount is considered to be immaterial.

12. 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, 2019	**30,866,415**	**14,243,517**
Private Placement – October 29, 2019	12,120,000	606,000
Share issuance costs	-	(6,441)
Options exercised – November 13, 2019	100,000	11,490
Balance, as at December 31, 2019	**43,086,415**	**14,854,566**

	Shares	Value $
Balance, as at September 30, 2018	**22,586,425**	**13,835,176**
Share issuance – property acquisition	1,180,000	82,600
Private Placement – October 16, 2018	2,300,000	115,000
Share issuance costs	-	(2,959)
Share issuance – property acquisition	400,000	20,000
Share issuance costs	-	(975)
Private Placement – June 6, 2019	4,399,990	220,000
Share issuance costs	-	(25,325)
Balance, as at September 30, 2019	**30,866,415**	**14,243,517**

(Expressed in Canadian Dollars)

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

b) Issued and outstanding common share capital (continued)

2020

On October 29, 2019, the Company closed its non-brokered private placement, issuing 12,120,000 common shares for aggregate gross proceeds of $606,000.

On November 13, 2019, 100,000 options exercisable at $0.06 per share were exercised for total proceeds of $6,000.

2019

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 8 – "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. It is the Company's policy to allocate the full amount of proceeds to common share capital.

On February 21, 2019, the Company issued 400,000 common shares valued at $20,000 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 8 – "Exploration and evaluation assets" for more information.

On June 6, 2019, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of $220,000. The placement was comprised of 4,399,990 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 $0.08 per share until June 6, 2022. It is the Company's policy to allocate the full amount of proceeds to common share capital. In addition, the Company issued 194,999 Broker's Warrants to eligible agents. Each Broker's Warrant entitles the holder to purchase one common share at a price of $0.05 per share until June 6, 2022. In valuing the warrants, the Company used the Black-Scholes Pricing model assuming a volatility of 153.16%, a risk free rate of 1.35%, a three year warrant life, and a 0% dividend.

Subsequent to December 31, 2019 and up to February 11, 2020, the date of these financial statements, 1,850,000 warrants exercisable at $0.08 per share expiring June 6, 2022 were exercised for total proceeds of $148,000 and 69,334 warrants exercisable at $.05 per share expiring June 6, 2022 were exercised for total proceeds of $3,467. There were no other share transactions subsequent to December 31, 2019 and up to the approval date of these financial statements.

c) Stock options outstanding

	Number of options		**Exercise**
Expiry	**Dec 31, 2019**	**Sept 30, 2019**	**Price**
June 26, 2022	**1,075,000**	1,175,000	$0.06
September 23,2024	**1,200,000**	1,200,000	$0.06
October 4, 2024	**710,000**	-	$0.055
	2,985,000	2,375,000	

(Expressed in Canadian Dollars)

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

c) Stock options outstanding (continued)

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

	Number of options	Weighted average exercise price
Balance, September 30, 2019	2,375,000	$0.06
Issued	710,000	$0.059
Exercised	(100,000)	$0.059
Balance, December 31, 2019	2,985,000	$0.059

	Number of options	Weighted average exercise price
Balance, September 30, 2018	1,175,000	$0.06
Issued	1,200,000	$0.06
Balance, September 30, 2019	2,375,000	$0.06

Refer to Note 15 – "Share-based payment transactions" for more information regarding the options issued during the year. In addition, 100,000 options, expiring June 22, 2022 were exercised for total proceeds of $6,000 during the three month period ended December 31, 2019.

Subsequent to December 31, 2019 and up to the approval date of these financial statements, no stock options were issued, expired or cancelled.

e) Warrant transactions and warrants outstanding

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

Three month period ended December 31, 2019:

Exercise Price	Expiry	Balance Sept 30, 2019	Warrants Issued	Warrants Expired	Balance Dec 31, 2019
$0.10	October 16, 2020	2,300,000	-	-	**2,300,000**
$0.25	March 23, 2021	460,000	-	-	**460,000**
$0.08	June 6, 2022	4,399,990	-	-	**4,399,990**
$0.05	June 6, 2022	194,999	-	-	**194,999**
		7,354,989	-	-	**7,354,989**

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

e) Warrant transactions and warrants outstanding (continued)

Year ended September 30, 2019:

Exercise Price	Expiry	Balance Sept 30, 2018	Warrants Issued	Warrants Expired	Balance Sept 30, 2019
$0.10	October 16, 2020	-	2,300,000	-	2,300,000
$0.25	March 23, 2021	460,000	-	-	460,000
$0.08	June 6, 2022	-	4,399,990	-	4,399,990
$0.05	June 6, 2022	-	194,999	-	194,999
		460,000	6,894,989	-	7,354,989

Subsequent to December 31, 2019 and up to February 11, 2020, the date of these financial statements, 1,850,000 warrants exercisable at $0.08 per share expiring June 6, 2022 were exercised for total proceeds of $148,000 and 69,334 warrants exercisable at $.05 per share expiring June 6, 2022 were exercised for total proceeds of $3,467.There were no other further changes to warrants.

13. 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 included in short-term investments is categorized as Level 3.

The following summarizes the categories of the various financial instruments:

		Dec 31, 2019		Sept 30, 2019
		Carrying Value		
Financial Assets				
Financial assets measured at fair value:				
Short-term investments	**$**	**314,592**	$	353,715
Financial asset measured at amortized cost:				
Cash		**438,636**		134,349
Accounts receivable		**1,552**		1,106
	$	**440,188**	$	135,455
Financial Liabilities				
Financial liabilities measured at amortized cost:				
Accounts payable and accrued liabilities	**$**	**79,728**	$	35,012

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. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. However, at December 31, 2019, accounts payable and accrued liabilities include liabilities of US$34,488 that must be settled in US funds, (September 30, 2019 – US$ nil). At December 31, 2019, the CDN$ value of this liability was $45,445; a 10%

(Expressed in Canadian Dollars)

13. Financial instruments (continued)

change to the exchange rate would result in an increase or decrease of CDN$4,545 (September 30, 2019 – CDN$ nil) to the amount payable.

14. General and administrative

Three months ended		Dec 31, 2019		Dec 31, 2018
Administrative consulting fees	**$**	**88,663**	$	11,990
Stock-based compensation (Note 15)		**37,417**		-
Occupancy costs		**4,697**		4,697
Office, secretarial and supplies		**13,478**		8,238
Travel and promotion		**5,905**		1,069
Insurance		**1,766**		2,166
Directors' fees		**300**		600
Computer network and website maintenance		**605**		1,055
	$	**152,831**	$	29,815

15. Stock-based payment transactions

During the three month period ended December 31, 2019, the Company issued 710,000 options that may be exercised at $0.055 per share to October 4, 2024. The options were valued at $37,417 using the Black-Scholes Options Pricing model assuming a 5 year term, volatility of 182.33%, a risk free discount rate of 1.25% and a dividend rate of 0%.

During the year ended September 30, 2019, the Company granted 1,200,000 options that may be exercised at $0.06 per share to September 23, 2024. The options were valued at $59,216 using the Black-Scholes Option Pricing model assuming a 5 year term, volatility of 118.84%, a risk-free discount rate of 1.40% and a dividend rate of 0%.

16. Income per share

Basic income per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income 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 period ended December 31:

Weighted average number of common shares:		2019		2018
Basic and Diluted		**39,345,545**		25,602,295
Income per share				
Basic	**$**	**0.00**	$	0.00
Diluted	**$**	**0.00**	$	0.00

(Expressed in Canadian Dollars)

17. Income tax information

The estimated taxable income for the three months ended December 31, 2019 is $nil. Based on the level of historical taxable income it cannot be reasonably estimated at this time if it is more likely than not the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated taxable temporary difference valuation allowance. The estimated taxable temporary difference valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the September 30, 2019 audited financial statements. The benefit of these losses and the estimated loss for the period ended have not been recognized in these financial statements.

18. Related party balances and transactions and key management remuneration

The Company is considered a related party to Jade Leader Corp. ("Jade Leader") 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:

Three months ended:			**Dec 31, 2019**		**Dec 31, 2018**
Key management remuneration:					
President and director	a	**$**	**(39,600)**	$	(20,400)
Corporate secretary	b		**(8,966)**		(4,849)
Chief financial officer	c		**(700)**		-
Director's fees	d		**(300)**		(600)
		$	**(49,566)**	$	(25,849)
Other related party transactions:					
Jade Leader					
Office rent and operating costs paid	e	**$**	**(4,697)**	$	(4,697)
General, administrative and secretarial costs paid	e	**$**	**(2,659)**	$	(2,572)
General, administrative and secretarial costs received	e	**$**	**853**		597

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

			Dec 31, 2019		**Sept 30, 2019**
Balances receivable (payable)					
Consulting fees:					
President and director	a	**$**	**(10,800)**	$	-
Office rent and operating costs					
Jade Leader	e	**$**	**(4,932)**	$	(4,932)
General and administrative and secretarial costs:					
Jade Leader	e	**$**	**(2,792)**	$	(1,056)
Jade Leader	e	**$**	**896**	$	450

(Expressed in Canadian Dollars)

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

Management compensation payable to "key management personnel" during the respective three month periods is reflected in the table above and consists of consulting fees paid to the President, the CFO, the Corporate Secretary, the Chief financial officer and directors' fees. Officers and directors are also compensated through the granting of options from time-to-time. During the three month period ended December 31, 2019, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock based payments of $37,417 that is recorded in general and administrative expenses (Note 15 – “Share-based payment transactions”). There were no options granted to officers and directors during the three month period ended December 31, 2018. 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 three months ended December 31, 2019, $10,800 (2018 - $6,600), was expensed through general and administrative expenses and $28,800 (2018 - $13,800), was capitalized to exploration and evaluation assets.

b) The Corporate Secretary provides services to the Company on a contract basis.

c) The Chief financial officer 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.

19. 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 December 31, 2019, the committed base lease costs to the termination of the lease are as follows:

January 1, 2020 – April 30, 2020	$ 6,264

During the three month period ended December 31, 2019, the Company engaged a consultant to provide business advisory services for total fees of $90,000 to September 30, 2020, to be paid in quarterly installments of $22,500. As at December 31, 2019, the balance remaining is $67,500.

(Expressed in Canadian Dollars)

20. Supplemental disclosure statement of cash flows

Reconciliation of cash used in operating activities to operating loss.

		Three months ended Dec 31, 2019		**Three months ended Dec 31, 2018**
Income (loss) and comprehensive income (loss)	**$**	**(181,202)**	$	22,200
Depreciation		**8**		13
Stock-based compensation		**37,417**		-
Interest and other income		**(78)**		(69)
Loss (gain) on short-term investments		**23,689**		(58,600)
Changes in assets and liabilities pertaining to operations:				
Accounts receivable		**(6,736)**		(11,236)
Prepaid expenses		**(31,572)**		3,465
Accounts payable and accrued liabilities		**(9,575)**		15,432
Cash used in operating activities	**$**	**(168,049)**	$	(28,795)

Reconciliation of cash expended on exploration and evaluation assets:

		Three months ended Dec 31, 2019		**Three months ended Dec 31, 2018**
Change in exploration assets	**$**	**(199,407)**	$	(190,969)
Changes in assets and liabilities pertaining to exploration and evaluation assets:				
Accounts receivable		**(3,335)**		-
Accounts payable and accrued liabilities		**54,311**		-
Cash used in operating activities	**$**	**(148,431)**	$	(190,969)

21. Segment disclosures

During the three month periods ended December 31, 2019 and December 31, 2018 and the year ended September 30, 2019, the Company was only engaged in mineral exploration and all exploration activities were undertaken in Canada and/or the United States. Activities undertaken in both countries were similar in nature. The non-current assets associated with United States operations are comprised of the exploration and evaluation assets located in Arizona, the Gold Range Property. All remaining non-current assets are associated with Canadian operations. Consequently, segmented information is not presented in these financial statements. Refer to Note 8 – “Exploration and evaluation assets” for details of the carrying amounts of these assets at the respective period ends.

22. 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

22. Capital (continued)

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 is required to pay operating expenses and mineral property costs, including option payments (Note 8). 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.

23. 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 their receivables and considers credit risk to be low on these instruments as at December 31, 2019 and September 30, 2019.

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. On October 29, 2019, the Company closed a private placement share issuance for aggregate gross proceeds of $606,000 (Refer to Note 12 – "Share capital, stock options and warrants"). 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 and continuance of operations".

The Company's significant remaining contractual maturities for financial liabilities as at December 31, 2019 and September 30, 2019 are as follows:

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

c) 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 three month period ended December 31, 2019, the market price fluctuation resulted in a net loss of $21,040 (year ended September 30, 2019 - net gain of $122,819) on short-term investments. In 2020, a 10% change in fair value of the Company's marketable investments would result in a charge to income of $31,459 (2019 - $35,372). 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

The Company undertakes transactions denominated in US currency through its exploration in the US; consequently it is exposed to exchange rate fluctuations. At December 31, 2019, accounts payable and accrued liabilities include liabilities of US$17,856 (CDN$23,498) (September 30, 2019 – US$ nil). The effect of a foreign currency increase of decrease of 10% on this liability would result in an increase or decrease of CDN$2,350 (September 30, 2019 – CDN$ nil) to the amount payable. In addition, the Company has disclosed US$ commitments pertaining to one option agreement in Note 8 – "Exploration and evaluation assets"

24. Comparative Figures

Certain comparative figures have been changed to conform to current period presentation.

The following management discussion and analysis (MD&A) is management's assessment of the results and financial condition of CANEX Metals Inc. ("CANEX Metals" or "the Company") and should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three months ended December 31, 2019 ("Q1 2020") and related notes thereto as well as the Audited Consolidated Financial Statements for the year ended September 30, 2019 and related notes thereto. The date of this MD&A is February 11, 2020. CANEX Metals 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 Condensed Interim Consolidated Financial Statements for the three months ended December 31, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the IFRS accounting policies adopted in the Annual Consolidated Financial Statements as at and for the year ended September 30, 2019. The Company has consistently applied the same accounting policies throughout all periods presented. The Company's accounting policies are provided in Note 3 "Significant accounting policies" to the annual Consolidated Financial Statements as at September 30, 2019. All dollar amounts are in Canadian dollars unless otherwise noted.

The "Qualified Person(s) under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") for CANEX Metals exploration projects in the following discussion and analysis 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, 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 than was originally planned.

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

CANEX Metals, including its now dormant, wholly owned subsidiary, Canexco Inc. (“Canexco”), is engaged exclusively in the business of mineral exploration and development and, as the Company have 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 limiting indicator of its performance and potential.

2) Highlights – Three months ended December 31, 2019

Mineral properties

- During fiscal 2019, the Company acquired by staking and option, the Gold Range Property which occurs in Northern Arizona within a larger district that has seen historic lode and placer gold production but limited modern lode gold exploration. (Refer to Section 7) - "Contractual obligations" and Note 8 – "Exploration and evaluation assets" of the Condensed Interim Consolidated Financial Statements at December 31, 2019, for more information). Initial exploration and staking began in early June 2019 with follow up work conducted in late June and early July. Early stage work identified two main targets, the new Discovery Zone, where a prospector recently discovered a quartz vein containing abundant coarse gold, and a second zone containing adits and working termed the Adit Zone. Permitting for trenching and drilling activities was received in October, 2019. The Company commenced its planned program during Q1 2020, which included excavator trenching, surface rock and soil sampling and geologic mapping with the goal to better define and sample known mineralized zones across their entire width and explore them along strike. During this time, the Company staked an additional 46 lode claims increasing the Company's holding to 72 lode claims (552 hectares). During Q1 2020, a further program was completed to evaluate newly identified target areas, consisting of a property wide airborne magnetic survey, additional trenching and drilling and a 10 day detailed mapping and soil sampling program of multiple new targets. Positive magnetic survey results have prompted the Company to file an appended exploration permit application with the Bureau of Land Management, to allow for an expanded trenching and drilling program and to commission an additional drone magnetic survey over two priority targets to obtain increased resolution and positioning to commence in Q2 2020. Once the amended permit has been received, the Company anticipates it will commence its second trenching program. In addition, the Company staked additional lode claims increasing its holding from 72 to 145 lode mining claims (552 hectares to 1,043 hectares). For more information related to exploration program updates and results refer to News Release 19-16 dated December 3, 2019, News Release 19-17 dated December 16, 2019, New Release 20-1 dated January 16, 2020, News Release 20-2 dated January 20, 2020 and News Release 20-3 dated January 27, 2020.
- The Company continues to evaluate the Echo property and in Q1 2020 conducted a ground magnetic survey at Echo, the results of which are pending. (Refer to Section 3) "Mineral properties, Echo Fulton Red and Beal", below).

Corporate

- On October 4, 2019, the Company issued 710,000 options that may be exercised at $0.055 per share to October 4, 2024. Refer to Note 15 – "Share-based payment transactions" of the Condensed Consolidated Financial Statements at December 31, 2019 for more information.
- On October 29, 2019, the Company closed a non-brokered private placement share issuance for aggregate gross proceeds of $606,000. The placement was comprised of 12,120,000 common shares at $0.05 per share. The proceeds of the financing will be used to explore the Gold Range Property, evaluate additional exploration opportunities, and for general working capital.
- During the three months ended December 31, 2019, the Company disposed of 200,000 Spruce Ridge Resources Ltd. shares for cash proceeds of $15,435 net of commissions. See Note 7 – "Short-term investments" of the Condensed Interim Consolidated Financial Statements dated December 31, 2019 for more information.

- On November 13, 2019, 100,000 options exercisable at $0.06 per share were exercised for gross proceeds of $6,000. On January 22, 2020, 100,000 warrants exercisable at $0.08 per share were exercised for proceeds of $8,000. (Refer to Section 20) "Subsequent events").

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

Gold Range Property, Arizona, USA

On June 11, 2019, the Company's wholly-owned subsidiary, Canexco Inc., entered into an Option Agreement to acquire a 100% interest in the Gold Range Property, Arizona, USA from a Prospector, the "Optionor". The Gold Range Property, under option, is comprised of three staked lode mineral claims with a total area of 61.98 acres and is located in Mohave County, Arizona, USA. Since the acquisition through the option agreement, the Company has continued to stake additional lode mining claims increasing its holdings to 145 mining lode claims (1,043 hectares) covering prospective ground surrounding the area of interest optioned. The area has seen historic lode and placer gold production, but limited modern lode gold exploration.

Under the terms of the agreement, the Company is committed to make options payments and minimum exploration expenditures totaling US$90,000 and US$80,000 over four years, respectively. On June 11, 2019, the Company issued US$10,000 in accordance with the agreement. In addition, the Optionor will retain a 2% NSR, half of which can be bought back by the Company for US$500,000; the remaining half can be bought back for US$1,000,000. The gross costs and impairments recorded to the Gold Range Property at December 31, 2019 are $270,851 and $nil, respectively (September 30, 2019 - $80,278 and $nil). Refer to Section 7) d) "Contractual obligations" for the remaining commitments under the terms of the agreement at December 31, 2019.

Earlier this year a prospector using a hand-held metal detector discovered a quartz vein containing abundant visible gold concealed under shallow soil cover at the Gold Range property. This area is termed the Discovery Zone, and subsequent work by CANEX has demonstrated that soil sampling should be an effective tool for identifying these covered gold zones, with a test soil line over the Discovery Zone returning up to 838 parts per billion gold in proximity to the discovery. CANEX has conducted 3 detailed soil lines around the discovery area to help trace the zone prior to a trenching program that will be designed to fully expose the mineralized quartz vein. Recent fieldwork at the Adit Zone has defined a 1000 metre long linear trend of historic workings and exposed quartz veins along the zone. Surface and underground exposures at the core of the Adit Zone were mapped and chip sampled, with gold observed in several samples. During Q4 2019, the Company submitted a reclamation bond of US$20,450, for its proposed exploration program. Permitting for trenching and drilling activities was received in October, 2019. The Company commenced its planned program during Q1 2020, which included excavator trenching, surface rock and soil sampling and geologic mapping with the goal to better define and sample known mineralized zones across their entire width and explore them along strike. A follow up program was conducted to evaluate the newly identified target areas, and consisted of a property wide airborne magnetic survey, additional trenching and drilling and a 10 day detailed mapping and soil sampling program of multiple new targets. Positive magnetic survey results have prompted the Company to file an appended exploration permit application with the Bureau of Land Management, to allow for an expanded trenching and drilling program and to commission an additional drone magnetic survey over two priority targets to obtain increased resolution and positioning to commence in Q2 2020. Once the amended permit has been received, the Company anticipates it will commence its second trenching program.

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 and sedimentary 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. The mineralized zone appears to be about 4.5 metres wide and at least 400 metres long and remains open in all directions. Prior to recent work by CANEX no follow up trenching or drilling has been conducted at Gibson since the highly successful Noranda program.

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 (“the Agreement”) was executed on May 12, 2017; and received Exchange approval on May 17, 2017. The Company also assumed the obligation of an underlying option agreement with Steven Scott, an arm’s length party (the “Underlying Agreement”).

Under the terms of the Agreement, the Company is committed to issue a maximum 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 or share equivalent payments to Steven Scott, to earn a 100% interest in Gibson. The Company issued 1,125,000 common shares to Altius on signing of the Option Agreement and Exchange approval valued at $78,750, and paid $5,000 to Steven Scott pursuant to the Underlying Agreement. On February 14, 2018, the Company paid Steven Scott $15,000 pursuant to the Underlying Agreement. On October 5, 2018, the Company issued 1,180,000 common shares valued at $82,600 pursuant to the Agreement and on February 21, 2019, the Company issued 400,000 common shares to Steven Scott, valued at $20,000, 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 with in the allotted time. On June 20, 2019, the Company was granted a further extension to meet its minimum exploration expenditures of $500,000 by July 15, 2019 to July 15, 2020 as lack of access to capital has prevented the Company from completing the required expenditures by the allotted time. All other terms of the Agreement remain unchanged. For more information relating to this transaction see News Release 17-1 issued April 4, 2017 and Section 7) Contractual obligations in this report. The gross costs and impairment recorded to the Gibson Prospect as at December 31, 2019 are $422,527 and $nil, respectively (September 30, 2019 - $422,527 and $nil).

Shane Ebert through his company, Vector Resources (see Note 17 - "Related parties and transactions and key management remuneration" to the Condensed Interim Consolidated Financial Statements for the year ended September 30, 2019 which accompany this MD&A) is involved in British Columbia project generation activities for Altius. Vector Resources 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 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 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 were 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 include 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, 2.8 g/t Au Eq over 9 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.

The Company completed its summer 2018 drilling program on the Gibson Prospect in October 2018. Ten shallow drill holes were completed, testing a small portion of a soil anomaly measuring 850 metre long by up to 500 metres wide. The results for all holes have been received and are summarized in the News Release 19-2, dated January 16, 2019. The main Gibson Vein Zone (“GVZ”) shows high grade and bulk minable potential. Five of six holes drilled into the GVZ have returned high grade and indicate continuity over the 200 metres of strike drilled to date. Two to three subparallel veins ranging from 0.5 to 3.7 metres wide occur within the GVZ and the veins remain open in all directions. CANEX Metals has submitted a new exploration permit application to allow for additional drilling, trenching and geophysical surveys, and looks forward to an active exploration season in 2020; however future exploration expenditures on the Gibson Prospect will be dependent upon the Company successfully completing financing to fund planned programs.

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. 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. Refer to News Release 18-4, August 20, 2018 for more information. All other terms of the Definitive Agreement remain unchanged. 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 it elects to acquire. The timeline to complete these expenditures has been extended to December 31, 2019. 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. Refer to News Release 18-3, dated

June 25, 2018 and News Release 18-4, dated August 20, 2018. There are no financing obligations attached to the Definitive Agreement.

The Company began evaluating these properties during Q4 2018 and continued to move forward during the year ended September 30, 2019, with further evaluations of the Echo, Beal, Fulton and Red properties. Fieldwork conducted on these properties, included geologic mapping, prospecting, and soil sampling. The fieldwork was designed to identify and refine exploration targets for more advanced work. After additional field work was conducted in September 2019, the Company determined that it would no longer continue to explore the Fulton, Red and Beal properties, and therefore impaired the full amount of expenditures on each respective property as of September 30, 2019. The Company continues to evaluate the Echo property. During Q1 2020, the Company conducted a ground magnetic survey at Echo, the results of which are pending. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2019 are $21,451 and $5,154, respectively (September 30, 2019 - $12,617 and $5,154).

Cariboo Gold Property, British Columbia

During the year ended September 30, 2019, the Company determined that it would no longer continue to explore the Cariboo Gold Property, and therefore impaired the full amount of expenditures to date. The Company will continue to hold the mineral claims until they expire on June 23, 2021. The gross costs and impairments recorded to the Cariboo Gold Property as at December 31, 2019 are $6,409 and $6,409, respectively (September 30, 2019 - $6,409 and $6,409).

4) Operating Results

Three months ended December 31, 2019 compared to three months ended December 31, 2018:

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

Three months ended December 31		**2019**		**2018**
General and administrative	**$**	**(152,831)**	$	(29,815)
Reporting to shareholders		**(89)**		(4,126)
Professional fees		**(2,352)**		(689)
Stock exchange and transfer agent fees		**(2,311)**		(1,826)
Depreciation		**(8)**		(13)
Interest and other income		**78**		69
(Loss) Income on short-term investments		**(23,689)**		58,600
Net and comprehensive income	**$**	**(181,202)**	$	22,200

The most significant changes in other expenditures follow:

- Variances in general and administrative expenditures and professional fees are examined in further detail in the chart below.
- Reporting to shareholders expenditures primarily relate to the filing and dissemination of the annual audited financial statements. The variance results due to the timing of completion of these documents; September 30, 2019 financial statements were completed in Q2 2020 while September 30, 2018 was completed during Q1 2019.
- Stock exchange and transfer agent fees relate directly to the number of security exchange transactions during the periods. There is no significant change between the current and comparative periods.
- During the three month period ended December 31, 2019, the Company recognized a net loss of $23,689 on its short-term investments (December 31, 2018 – net gain of $58,600). The net loss at December 31, 2019 includes a realized loss of $2,649 on the sale of 200,000 Spruce Ridge Resources shares resulting in a cash inflow of $15,435. The remainder of the gains or losses in each respective period result from adjusting the Company’s holdings in common shares to fair value at the respective

period ends. These market price changes result in significant valuation adjustments from period to period.

The variances in General and administrative expenses and Professional fees are discussed below.

General and administrative expenses

Three months ended December 31		**2019**		**2018**
Administrative consulting fees	**$**	**88,663**	$	11,990
Stock-based compensation		**37,417**		-
Occupancy costs		**4,697**		4,697
Office, secretarial and supplies		**13,478**		8,238
Travel and promotion		**5,905**		1,069
Insurance		**1,766**		2,166
Director's fees		**300**		600
Computer network and website maintenance		**605**		1,055
Total	**$**	**152,831**	$	29,815

- Administrative consulting fees, which consist of fees for the CFO, the controller, geological consulting, and services provided by other consultants, have increased by $76,700 and are in accordance with budgeted amounts for 2020. They include geological consulting fees of $10,800 (December 31, 2018 - $6,600), fees to the CFO of $700, (December 31, 2018 - $nil), fees to the controller of $7,700 (December 31, 2018 - $5,400) and fees to other consultants of $69,500 (December 31, 2018 - $nil). Current and comparative period geological consulting and other consulting fees relate to managing investor relations and marketing to secure corporate financing.
- During the three month period ended December 31, 2019, the Company granted, pursuant to its stock option plan, a total of 710,000 options to consultants of the Company, exercisable at $0.055 per share to October 4, 2024. The options were valued at $37,417 using the Black-Scholes Options Pricing model assuming a 5 year term, volatility of 118.84%, a risk-free discount rate of 1.25% and a dividend rate of 0%. There were no options issued during the comparative period.
- There is no change in occupancy costs between the current and comparative periods. See Note 18 - "Related party balances and transactions and key management remuneration" and Note 19 - "Commitments" in the Condensed Interim Consolidated Financial Statements dated December 31, 2019 which accompany this document. Occupancy costs are expected to be approximately $1,566 per month until the lease terminates April 30, 2020.
- There is an increase of $5,200 in office, secretarial and supplies between the current and comparative quarters. The majority of the variance relates to contract fees for administrative services and office supply expenditures. The increase is consistent with the increase in activity levels during the quarter.
- Travel and promotional expenditures have increased by $4,800 between the current and comparative periods and are in accordance with the 2020 budget. The current period expenditures include travel for promotional activities conducted by the Company's President during Q1 2020, as noted above. Comparative period travel and promotion of $1,069 include airfare and accommodation to attend the Association of Mineral Exploration ("AME") Roundup held in Vancouver, BC.
- There is no significant variation in insurance premiums between current and comparative quarters.
- 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' fee paid or payable for meetings attended during the above-noted periods.
- There is no significant variance between current and comparative period computer network and website maintenance fees. These expenditures include website hosting fees, internet fees and other computer related expenditures.

Professional fees

Three months ended December 31		**2019**		**2018**
Audit and accounting	**$**	**800**	$	(1,000)
Legal and filing fees		**1,552**		1,689
Total	**$**	**2,352**	$	689

- Professional fees consist of annual auditing fees plus legal and other filing fees. Q1 2020 audit and accounting fees relate to the audited financial statements for the year ended September 30, 2019. Q1 2019 audit and accounting fees relate to the audited financial statements for the year ended September 30, 2018, which were over accrued by $1,000 at the September 30, 2018 year end. Legal and filing fees incurred in both Q1 2020 and Q1 2019 relate to news releases in during the quarter. Q1 2019 legal and filing fees also include nominal legal fees relating to the September 30, 2018 audited financial statements.

5) Liquidity and Capital Resources

The Company's working capital position at December 31, 2019 was $789,206 (September 30, 2019 - $527,136), a net increase of $262,070. The Company consumed $168,049 in operating activities during the three month period ended December 31, 2019.

Other significant changes to working capital are as follows:
- A decrease in the fair market value of the short-term investments from September 30, 2019 to December 31, 2019 resulted in a net loss of $21,040.
- During the three months ended December 31, 2019, the Company disposed of 200,000 Spruce Ridge Resources Ltd. shares for cash proceeds of $15,435 net of commissions. See Note 7 – "Short-term investments" of the Condensed Interim Consolidated Financial Statements dated December 31, 2019 for more information.
- The Company invested $148,431 (December 31, 2018 - $190,969) in exploration and evaluation assets for exploration activities including $139,597 related to the Gold Range property in Arizona, USA (December 31, 2018 - $nil) $8,834 related to the Echo property in British Columbia, (December 31, 2018 - $1,833 related to Echo, Fulton, Red and Beal properties in British Columbia), $nil (December 31, 2018 - $189,136) related to the Gibson Prospect in British Columbia. See Note 8 – "Exploration and evaluation assets" of the Condensed Interim Consolidated Financial Statements dated December 31, 2019 which accompany this document and Section 3) "Mineral Properties" for more information.
- On October 29, 2019, the Company completed a non-brokered private placement share issue for net proceeds of $599,559 and on November 13, 2019, 100,000 options were exercised for total proceeds of $6,000. On October 16, 2018, the Company completed a non-brokered private placement share and warrant issue for net proceeds of $112,041. Refer to Section 6) "Financing" below for further information.

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 increased levels of exploration on it mineral properties will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature and continuance of operations" in the Condensed Interim Consolidated Financial Statements dated December 31, 2019.

6) Financing

On October 29, 2019, the Company closed its non-brokered private placement, issuing 12,120,000 common shares for aggregate gross proceeds of $606,000.

On November 13, 2019, 100,000 options exercisable at $0.06 per share were exercised for total proceeds of $6,000.

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 8 - "Exploration and evaluation assets" of the Condensed Interim Consolidated Financial Statements which accompany this document and Section 3) “Mineral Properties – Gibson Prospect, British Columbia” 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. It is the Company’s policy to allocate the full amount of proceeds to common share capital.

On February 21, 2019, the Company issued 400,000 common shares valued at $20,000 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 8 – “Exploration and evaluation assets” for more information.

On June 6, 2019, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of $220,000. The placement was comprised of 4,399,990 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 $0.08 per share until June 6, 2022. It is the Company’s policy to allocate the full amount of proceeds to common share capital. In addition, the Company issued 194,999 Broker’s Warrants to eligible agents. Each Broker’s Warrant entitles the holder to purchase one common share at a price of $0.05 per share until June 6, 2022. In valuing the warrants, the Company used the Black-Scholes Pricing model assuming a volatility of 153.16%, a risk free rate of 1.35%, a three year warrant life, and a 0% dividend.

7) Contractual Obligations

a) The Company is party to a lease for office space that terminates April 30, 2020. As at December 31, 2019, the contractual cash obligations for the following five fiscal years are as follows:

Nature of obligation	**2020**	**2021**	**2022**	**2023**	**2024**
	$	**$**	**$**	**$**	**$**
Office lease	6,264	-	-	-	-

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 Agreement with Steven Scott** (Anniversary date - March 9)	
	Share issues	Minimum Exploration Expenditures	Cash or share equivalent payments	Minimum exploration expenditures*
		($)	($)	($)
Expenditure commitment, on or before July 15, 2020	-	500,000	-	-
Following the completion of the Expenditure Commitment	1,240,000	-	-	-
On or before March 9, 2020	-	-	25,000	30,000
On or before March 9, 2021	-	-	25,000	50,000
Total remaining commitment	1,240,000	500,000	50,000	80,000**

* - included in total minimum exploration expenditure commitments
** - as at December 31, 2019, the Company has incurred exploration expenditures of $293,500

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 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 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, prevented the Company from completing the required expenditures within the allotted time. On June 20, 2019, the Company was granted a further extension to meet its minimum exploration expenditures of $500,000 by July 15, 2019 to July 15, 2020. All other terms of the agreement remain unchanged.

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. Altius has agreed to extend the expenditure deadline to December 31, 2019 to allow the Company time to complete further evaluations of the properties. All other terms of the agreement remain unchanged. Refer to Section 3) Mineral Properties, Echo, Fulton, Red and Beal properties, British Columbia for more information.

d) On June 11, 2019, the Company’s wholly-owned subsidiary, Canexco Inc., entered into an Option Agreement to acquire a 100% interest in the Gold Range Property, Arizona, USA from a Prospector, the “Optionor”.

Under the terms of the Agreement, the Company is committed to the following cash payments and minimum exploration expenditures:

Due date	Option Payments US$	Minimum Exploration Expenditures US$
June 11, 2020	15,000	10,000
June 11, 2021	15,000	20,000
June 11, 2022	20,000	20,000
June 11, 2023	30,000	30,000
Total cash payments and exploration expenditure commitment	80,000	80,000
Exploration expenditures to December 31, 2019	-	138,500
Total remaining commitment as of December 31, 2019	80,000	-

The committed option payments and exploration expenditures of US$80,000 would equate to CDN$103,900 using the December 31, 2019 Bank of Canada exchange rate. An increase or decrease of 10% to the exchange rate would result in an increase or decrease in required option payments CDN$10,390.

8) Exploration Expenditures

Refer to Note 8 “Exploration and evaluation assets,” in the Condensed Interim Consolidated Financial Statements dated December 31, 2019.

9) Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10) Selected Quarterly Financial Information

The following selected financial data has been extracted from the Condensed Unaudited Interim Consolidated Financial Statements for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

Three months ended	**Dec 31 2019 (Q1 2020)**	**Sep 30 2019 (Q4 2019)**	**Jun 30 2019 (Q3 2019)**	**Mar 31 2019 (Q2 2019)**	**Dec 31 2018 (Q1 2019)**	**Sep 30 2018 (Q4 2018)**	**Jun 30 2018 (Q3 2018)**	**Mar 31 2018 (Q2 2018)**
	$	$	$	$	$	$	$	$
Loss before impairment of exploration and evaluation assets	(157,591)	(124,785)	(36,982)	(31,162)	(36,469)	(45,935)	(47,215)	(34,523)
Impairment of exploration and evaluation assets	-	(11,563)	-	-	-	-	-	-
Loss before other items	(157,591)	(136,348)	(36,982)	(31,162)	(36,469)	(45,935)	(47,215)	(34,523)
Interest and other income	78	39	147	555	69	28	68	174
Gain (loss) on short-term investments	(23,689)	115,882	(58,520)	10,757	58,600	113,290	(58,535)	(445)
Comprehensive profit (loss)	(181,202)	(20,427)	(95,355)	(19,850)	22,200	67,383	(105,682)	(34,794)
Basic and diluted earnings (loss) per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Generally, the most significant influences on the variability of profit or loss are the amount of stock-based compensation, the amount of exploration and evaluation asset impairments or recoveries, and gains or losses on short-term investments. However, increases in activity in the junior mining sector in recent periods have also resulted in increased expenditures.

Q1 2020 loss before impairment of exploration and evaluation is higher than other quarters due to stock option compensation of $37,417 for the issuance of 710,000 options granted to consultants, as well as higher administrative consulting fees, office and secretarial fees, and travel and promotion expenditures as described in Section 4) "Operating results, General and administrative expenses". Q4 2019 includes $59,216 for stock options granted for the issuance of 1,200,000 options granted to directors, officers and consultants during that quarter. The timing of the AGM, also results variations in the respective quarters in which it is held.

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.

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.

11) Directors and Officers

Shane Ebert	*Director and President*	Gregory Hanks	*Director (a)*
Jean Pierre Jutras	*Director and Vice-President*	Chantelle Collins	*Chief Financial Officer (b)*
Barbara O'Neill	*Corporate Secretary*	Lesley Hayes	*Director*

(a) Mr. Douglas Cageorge ceased to be a director at the annual general meeting, held September 19, 2019; Mr. Gregory Hanks was elected to the Board of Directors at that time.
(b) On September 24, 2019, the Board of Directors appointed Chantelle Collins, CPA, and CGA as the Chief Financial Officer replacing Douglas Porter.

12) Related Party balances and transactions and key management remuneration

Related party transactions for Q1 2020 are disclosed and explained in Note 18 to the Condensed Interim Consolidated Financial Statements for the three month period ended December 31, 2019 which accompany this MD&A.

13) Share capital and equity reserves

Refer to Note 12 to the financial statements and the Condensed Interim Statement of Changes in Equity for common share capital, stock option and warrant transactions during the three months ended December 31, 2019 and balances as at that date.

Subsequent to December 31, 2019 and up to February 11, 2020, the date of this report, 1,850,000 warrants exercisable at $0.08 per share expiring June 6, 2022 were exercised for total proceeds of $148,000 and 69,334 warrants exercisable at $.05 per share expiring June 6, 2022 were exercised for total proceeds of $3,467. There were no other changes to Share capital, Warrants or Stock Options.

14) Financial instruments

The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. However, at December 31, 2019, accounts payable and accrued liabilities include liabilities of US$34,488 that must be settled in US funds, (September 30, 2019 – US$ nil). At December 31, 2019, the CDN$ value of this liability was $45,445; a 10% change to the exchange rate would result in an increase or decrease of CDN$4,545 (September 30, 2019 – CDN$ nil) to the amount payable.

15) 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 government grant receivables. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at December 31, 2019 and September 30, 2019.

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 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 increased levels of exploration on its mineral properties will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature and continuance of operations" in the unaudited Condensed Interim Consolidated Financial Statements dated December 31, 2019.

The Company's significant remaining contractual maturities for financial liabilities at December 31, 2019 and September 30, 2019 are as follows:

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

c) 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 three month period ended December 31, 2019, the market price fluctuation resulted in a net loss of $21,040 (year ended September 30, 2019 – net gain of $122,819) on short-term investments. In 2020, a 10% change in fair value of the Company's marketable investments would result in a charge to income of $122,819 (September 30, 2019 - $35,372). 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

The Company undertakes transactions denominated in US currency through its exploration in the US; consequently it is exposed to exchange rate fluctuations. At December 31, 2019, accounts payable and accrued liabilities include liabilities of US$34,448 (CDN$45,445) (September 30, 2019 – US$ nil) that must be settled in USD. The effect of a foreign currency increase of decrease of 10% on this liability would result in an increase or decrease of CDN$4,545 (September 30, 2019 – CDN$ nil) to the amount payable. In addition, the Company has disclosed US$ commitments pertaining to one option agreement in Note 8 – "Exploration and evaluation assets" to the Condensed Consolidated Interim Financial Statements at December 31, 2019 and Section 7) d) "Contractual obligations.

16) 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.

- On October 29, 2019, the Company closed its non-brokered private placement, issuing 12,120,000 common shares for aggregate gross proceeds of $606,000. The proceeds will provide working capital for the Company's operations as well as fund continuing exploration of the Gold Range property in Arizona. The Company's treasury has been further bolstered by the exercise of options and warrants for gross proceeds of $6,000 and $8,000 respectively.
- During Q3 and Q4 of fiscal 2019, the Company acquired by option and staking, the Gold Range Property in Arizona, USA, through its 100% owned subsidiary, Canexco Inc. Refer to Section 3) "Mineral properties, Gold Range Property, Arizona" for more information. Fiscal 2019 and Q1 2020 exploration programs included excavator trenching, surface rock and soil sampling, geologic mapping, a property wide airborne magnetic survey, and a further detailed mapping and soil sampling program to identify priority targets for further evaluation. Positive magnetic survey results have prompted the Company to file an appended exploration permit application with the Bureau of Land Management, to allow for an expanded trenching and drilling program and to commission an additional drone magnetic survey over two priority targets to obtain increased resolution and positioning expected to commence in Q2 2020. Once the amended permit has been received, the Company anticipates it will commence its second trenching program.
- With respect to the Gibson Prospect, CANEX Metals has submitted a new exploration permit application to allow for additional drilling, trenching and geophysical surveys; however 2020 exploration expenditures will be dependent upon the Company successfully completing financing to fund planned programs. On June 20, 2019, the Company was granted an extension to meet its minimum exploration expenditures of $500,000 by July 15, 2019 to July 15, 2020 as lack of access to capital has prevented the Company from completing the required expenditures by the allotted time (refer to Section 3) "Mineral properties, Gibson Prospect, British Columbia" and Section 7) Contractual Obligations of this document). Throughout fiscal 2019, the Company continued to meet its contractual obligations except as noted above.
- The Company continues to evaluate the Echo property. During Q1 2020, the Company conducted a ground magnetic survey at Echo, the results of which are pending.
- The Company is continuing its efforts to raise capital in this challenging market place, so that it can further pursue exploration activities with respect to its existing mineral properties, including meeting its expenditure commitments with respect to the Gibson Prospect and Echo Property, in British Columbia.

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.

17) 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 it 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.

- **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 contact 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 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.

18) 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 sale or abandonments. The estimated values of exploration and evaluation assets are evaluated by management on a regular basis to determine whether 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 the 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 estimated decline in value.

The Company's estimate for decommissioning obligations is based on existing laws, contracts and other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations which require 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.

19) New Accounting Policies

The Company did not adopt any new accounting policies during the three months ended December 31, 2019.

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 16 – Leases

IFRS 16 – Leases, was issued in January 2016 with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. With the lease expiring in April 2020, the Company anticipates the standard will have no significant impact on its financial statements. The new policy will be applied to any new leases that the Company enters into if it is not subject to recognition exemptions.

20) Other

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