
CANEX Metals Inc.
Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2020 and 2019

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Independent Auditor's Report

To the Shareholders of CANEX Metals Inc.:

Opinion

We have audited the consolidated financial statements of CANEX Metals Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of \$198,040 during the year ended September 30, 2020 and, as of that date, accumulated deficit of \$15,447,993. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Leavitt.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
December 17, 2020

CANEX Metals Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash (Note 4) | \$ 448,978 | \$ 134,349 |
| Accounts receivable (Note 5) | 7,498 | 4,061 |
| Mining exploration tax credit receivable (Note 16) | 4,450 | 63,123 |
| Prepaid expenses | 36,811 | 6,922 |
| Short-term investments (Note 6) | 551,271 | 353,715 |
| | <u>1,049,008</u> | <u>562,170</u> |
| Non-current Assets | | |
| Exploration and evaluation asset advances and deposits (Note 7) | 37,874 | 37,569 |
| Exploration and evaluation assets (Note 7) | 1,411,604 | 510,268 |
| Equipment (Note 8) | 48 | 79 |
| | <u>1,449,526</u> | <u>547,916</u> |
| TOTAL ASSETS | \$ 2,498,534 | \$ 1,110,086 |
| EQUITY AND LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 98,089 | \$ 35,034 |
| Non-current Liabilities | | |
| Decommissioning obligation (Note 10) | 33,300 | 27,000 |
| TOTAL LIABILITIES | 131,389 | 62,034 |
| EQUITY | | |
| Share capital (Note 11) | 15,747,739 | 14,243,517 |
| Reserves | 2,067,399 | 2,054,488 |
| Deficit | (15,447,993) | (15,249,953) |
| TOTAL EQUITY | 2,367,145 | 1,048,052 |
| TOTAL EQUITY AND LIABILITIES | \$ 2,498,534 | \$ 1,110,086 |

Nature of operations and continuance of operations (Note 1)

Commitments (Note 18)

Subsequent events (Note 24)

Approved by the Board

"Shane Ebert" Director

"Jean-Pierre Jutras" Director

See accompanying notes to consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended September 30

| | <u>2020</u> | | <u>2019</u> |
|--|---------------------|----|-------------------|
| Expenses | | | |
| General and administrative (Note 13) | \$ (408,622) | \$ | (161,703) |
| Reporting to shareholders | (4,984) | | (17,169) |
| Professional fees | (39,504) | | (31,199) |
| Stock exchange and transfer agent fees | (10,136) | | (9,170) |
| Depreciation | (31) | | (53) |
| Pre-acquisition costs | (6,169) | | (10,104) |
| Impairment (Note 7) | (17,847) | | (11,563) |
| Loss before other items | <u>(487,293)</u> | | <u>(240,961)</u> |
| Other items | | | |
| Dividend income | 98,575 | | - |
| Interest and other | (852) | | 809 |
| Gain from short-term investments | 191,530 | | 126,720 |
| | <u>289,253</u> | | <u>127,529</u> |
| | | | |
| Net loss and comprehensive loss for the year | \$ <u>(198,040)</u> | \$ | <u>(113,432)</u> |
| | | | |
| Basic and diluted loss per share (Note 15) | \$ <u>0.00</u> | \$ | <u>0.00</u> |
| | | | |
| Weighted average shares outstanding - basic and diluted (Note 15) | <u>47,497,321</u> | | <u>27,781,435</u> |

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of Cash Flows

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

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Decrease in cash and cash equivalents | | |
| Operating activities | | |
| Cash paid to suppliers and contractors (Note 19) | \$ (464,033) | \$ (166,967) |
| Cash used in operating activities | <u>(464,033)</u> | <u>(166,967)</u> |
| Investing activities | | |
| Interest and other items (expended) received | (852) | 809 |
| Cash received on sale of short-term investments | 92,550 | 18,955 |
| Cash expended on exploration and evaluation assets (Note 19) | (767,447) | (250,945) |
| Cash expended on exploration advances and deposits | (305) | (27,569) |
| Cash used by investing activities | <u>(676,054)</u> | <u>(258,750)</u> |
| Financing activities | | |
| Share capital and warrant issue proceeds | 1,206,039 | 335,000 |
| Options exercised | 15,000 | - |
| Warrants exercised | 249,079 | - |
| Cash share issuance and transactions costs | (15,402) | (17,684) |
| Cash provided by financing activities | <u>1,454,716</u> | <u>317,316</u> |
| Increase (decrease) in cash and cash equivalents | <u>314,629</u> | <u>(108,401)</u> |
| Cash (Note 4): | | |
| Beginning of period | 134,349 | 242,750 |
| End of period | \$ <u>448,978</u> | \$ <u>134,349</u> |

Supplementary information:

Interest and taxes

No cash was expended on interest or taxes during the years ended September 30, 2020 and September 30, 2019.

Non-cash transactions

2020

During the year ended September 30, 2020, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$37,416 included in general and administrative expenses (Note 13). Refer to Note 14 – “Share-based compensation transactions” for more information regarding this transaction. Additionally, the Company issued 121,951 common shares valued at \$25,000 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 – “Exploration and evaluation assets” for more information.

2019

During the year ended September 30, 2019, the Company issued 1,180,000 common shares valued at \$82,600 and 400,000 common shares valued at \$20,000, pursuant to an option agreement on the Gibson property. The acquisitions were valued using the closing share price on the transaction date. See Note 7 – “Exploration and evaluation assets” for more information.

During the year ended September 30, 2019, the Company completed a private placement share and warrant issue of 4,399,990 common units for gross proceeds of \$220,000. The issue included non-cash share issuance costs for broker’s warrants valued at \$11,575. Refer to Note 11 – “Share capital, stock options and warrants” for more information regarding this transaction.

The Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$59,216 that is included in general and administrative expenses (Note 13). Refer to Note 14 – “Share-based compensation transactions” for further information.

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

As at September 30

| | Reserves | | | | | | Total |
|--|----------------------------|---|---------------|--------------------|-------------------|---------------------|------------------|
| | Common share capital | Equity settled share based payments | Warrants | Other Reserves* | Total Reserves | Deficit | |
| | | | | | | | |
| Balance, September 30, 2018 | 13,835,176 | 64,500 | 33,120 | 1,886,077 | 1,983,697 | (15,136,521) | 682,352 |
| Net and comprehensive loss for the year | - | - | - | - | - | (113,432) | (113,432) |
| Share issuance – property acquisition (Note 7) | 82,600 | - | - | - | - | - | 82,600 |
| Private placement share and warrant issue | 115,000 | - | - | - | - | - | 115,000 |
| Share issuance – property acquisition (Note 7) | 20,000 | - | - | - | - | - | 20,000 |
| Share issuance and transaction costs | (3,934) | - | - | - | - | - | (3,934) |
| Private placement share and warrant issue | 220,000 | - | - | - | - | - | 220,000 |
| Share issuance and transaction 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 year | - | - | - | - | - | (198,040) | (198,040) |
| Options issued | - | 37,417 | - | - | 37,417 | - | 37,417 |
| Private placement share issue | 606,000 | - | - | - | - | - | 606,000 |
| Share issuance costs | (6,441) | - | - | - | - | - | (6,441) |
| Options exercised | 11,490 | (5,490) | - | - | (5,490) | - | 6,000 |
| Warrants exercised | 258,956 | - | (10,289) | - | (10,289) | - | 248,667 |
| Share issuance costs | (1,953) | - | - | - | - | - | (1,953) |
| Share issuance – property acquisition (Note 7) | 25,000 | - | - | - | - | - | 25,000 |
| Share issuance costs | (1,504) | - | - | - | - | - | (1,504) |
| Private placement share issue | 600,039 | - | - | - | - | - | 600,039 |
| Share issuance costs | (5,164) | - | - | - | - | - | (5,164) |
| Warrant exercise | 904 | - | (492) | - | (492) | - | 412 |
| Option exercised | 17,235 | (8,235) | - | - | (8,235) | - | 9,000 |
| Share issuance costs | (340) | - | - | - | - | - | (340) |
| Balance, September 30, 2020 | 15,747,739 | 147,408 | 33,914 | 1,886,077 | 2,067,399 | (15,447,993) | 2,367,145 |

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

See accompanying notes to the consolidated financial statements

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

1. Nature of operations and continuance of operations

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

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

The Company incurred a net loss of \$198,040 during the year ended September 30, 2020. The Company has a deficit of \$15,447,993 at September 30, 2020. Operating expenses beyond September 30, 2021, increases in expenditures over budget for the twelve month period ended September 30, 2021, 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 material 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.

2. Basis of presentation

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee ("IFRIC"), effective for the periods ended September 30, 2020 and 2019, using the significant accounting policies outlined in Note 3. The consolidated statements were authorized for issue by the board of directors on December 17, 2020.

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

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

b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its 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 7 - "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. During the year ended September 30, 2019, the Company determined that its dormant wholly-owned subsidiary, NAMCOEX Inc., ("NAMCOEX"), incorporated during the year ended September 30, 2005 to acquire Nevada mineral property interests, was dissolved. As the operations of Namcoex had been fully consolidated, there was no financial impact to the Company as a result of the dissolution.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies

a) New accounting policies

During the year ended September 30, 2020, CANEX Metals adopted IFRS 16 – “Leases” with no material impact to the consolidated financial statements.

b) Financial Instruments

The Company's financial instruments consist of the following:

| Financial Assets | Classification |
|-------------------------|--|
| Cash | Financial asset measured at amortized cost |
| Accounts receivable | Financial asset measured at amortized cost |
| Short-term investments | Financial asset measured at fair value |

| Financial Liabilities | Classification |
|--|--|
| Accounts payable and accrued liabilities | Financial liabilities measured at amortized cost |

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

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

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

Financial asset measured at fair value

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

Financial assets measured at amortized cost

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

Financial liabilities measured at amortized cost

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

b) Financial Instruments (continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost using the "simplified method". At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss as an impairment gain or loss, the amount of expected credit losses that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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

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

Cash

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

c) Provisions

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

d) Decommissioning obligation

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies (continued)

e) Exploration and evaluation assets

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

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

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

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

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

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

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

Where the Company's exploration commitments for a CGU are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the CGU to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies (continued)

e) Exploration and evaluation assets (continued)

recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these share-based payments is calculated using the closing price of the shares on the date of issue as determined by the public exchange upon which they are listed as this is the most readily determinable value.

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

f) Equipment

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

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

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

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

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

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies (continued)

g) Gains and losses on short-term investments

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

h) Foreign currencies

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

i) Critical 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 values of exploration and evaluation assets that are 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 loss and comprehensive 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) Judgment is required in determining whether or not deferred tax assets are recognized on the statement of financial position.
 - e) Estimates are required in determining the amount of government incentives. Judgment is also required to determine the recoverability of the government incentives.
-

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies (continued)

j) Share-based payment transactions

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

k) Loss per share

Basic loss per common share is computed by dividing the net earnings loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Only "in-the-money" dilutive instruments impact the dilution calculations and potentially dilutive instruments shall only be treated as dilutive when their conversion increases loss per share. Refer to Note 11 for a summary of options and warrants outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the calculation in the periods disclosed because their effect was anti-dilutive. Refer to Note 15 for calculations of loss per share.

l) Income taxes

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

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

m) Leases

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

n) Government incentives

Through its exploration, the Company has benefited from government grants. These incentives are not repayable provided that the Company meets the requirements of the agreement, the most significant of which

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

3. Significant accounting policies (continued) n) Government incentives (continued)

is that the incentives apply to qualifying expenditures. Qualifying expenditures are defined broadly within the agreement as all reasonable expenses for contracted services, machinery rental, transportation of machinery, personnel and supplies or other approved costs in connection with specific exploration programs. The government grants are recognized when there is reasonable assurance that the Company will comply with the conditions of the grant and the grants will be received. The incentives reduce the mineral property costs to which they pertain in the period that the qualifying exploration expenditures are incurred or when collectability is reasonably assured if this is later. These government incentives are subject to review by the relevant granting authorities, and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period during which the final grant payment amount is assessed by the governing agency.

4. Cash

Cash is comprised of:

| | Sept 30, 2020 | Sept 30, 2019 |
|---------------------------------|---------------|---------------|
| Current bank accounts | \$ 269,361 | \$ 115,378 |
| Cash investment accounts | 77,115 | 18,971 |
| Cash held in foreign currencies | 102,502 | - |
| | \$ 448,978 | \$ 134,349 |

5. Accounts receivable

| | Sept 30, 2020 | Sept 30, 2019 |
|--------------------------|---------------|---------------|
| Trade receivables | \$ 656 | \$ 656 |
| Due from related parties | 246 | 450 |
| Sales tax receivables | 6,596 | 2,955 |
| | \$ 7,498 | \$ 4,061 |

6. Short-term investments

| | Sept 30, 2020 | Sept 30, 2019 |
|---|---------------|---------------|
| Spruce Ridge Resources Ltd. | | |
| Common shares (Sept 30, 2020 – 5,633,500, Sept 30, 2019 – 5,833,500) | \$ 450,680 | \$ 350,010 |
| Commander Resources Ltd. | | |
| Common shares (Sept 30, 2020 – 20,000, Sept 30, 2019 – 20,000) | 2,200 | 1,500 |
| Maple Gold Mines Ltd. | | |
| Common shares (Sept 30, 2020 - 31,500, Sept 30, 2019 - 31,500) | 4,568 | 2,205 |
| Canada Nickel Co. Inc. | | |
| Common shares (Sept. 30, 2020 – 54,867, Sept 30, 2019 – Nil) | \$ 93,823 | - |
| | \$ 551,271 | \$ 353,715 |

The common shares of Spruce Ridge Resources Ltd. ("Spruce Ridge"), Commander Resources Ltd., Maple Gold Mines Ltd and Canada Nickel Co. Inc. were valued at their fair value, based on their respective period-end trading prices, at September 30, 2020 and September 30, 2019.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

6. Short-term investments (continued)

During the year ended September 30, 2020, the Company disposed of 200,000 Spruce Ridge shares for cash proceeds of \$15,433 net of commissions and 50,000 Canada Nickel Co. Inc. for cash proceeds of \$77,117 net of commissions.

On June 23, 2020 Spruce Ridge declared a dividend-in-kind of common shares of Canada Nickel Company Inc. ("Canada Nickel" or "CNC"). The dividend was paid on September 4, 2020 to shareholders of Spruce Ridge at the close of business on July 6, 2020, the record date. One CNC share was paid under the dividend declared for every 53.72 Spruce Ridge shares held. At July 6, 2020, the Company held 5,633,500 Spruce Ridge shares. As a result, the Company received a dividend of 104,867 CNC shares at \$0.94 per share valued on July 6, 2020 for total value of \$98,575.

Subsequent to September 30, 2020, the Company disposed of 20,000 Commander Resources Ltd. Shares for cash proceeds of \$2,540 net of commissions, 31,500 Maple Gold Mines Ltd shares for cash proceeds of \$10,560 net of commissions and 29,867 Canada Nickel Co. Inc. shares for cash proceeds of \$59,139 net of commissions.

During the year ended September 30, 2019, the Company disposed of 166,500 Spruce Ridge shares for cash proceeds of \$18,955 net of commissions.

7. Exploration and evaluation assets

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

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.

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) and on June 6, 2020, the Company paid US\$15,000 (CDN\$20,306) 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.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued) Gold Range Property, Arizona, USA (continued)

As at September 30, 2020, under the terms of the Agreement, the Company is committed to the following cash payments and minimum exploration expenditures:

| Due date | Option Payments | Minimum Exploration Expenditures |
|---|-----------------|--|
| | US\$ | US\$ |
| 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 | 65,000 | 70,000 |
| Exploration expenditures to September 30, 2020 | - | 797,300 |
| Total remaining commitment as of September 30, 2020 | 65,000 | - |

The remaining committed option payments of US\$65,000 would equate to CDN\$86,704 using the September 30, 2020 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 \$8,670.

On February 24, 2020, the Company's wholly-owned subsidiary, Canexco Inc., entered into an arm's length Option Agreement to acquire a 100% interest in the Never Geteft Claim, Mohave County, Arizona, USA from Onyx Exploration Inc., the "Optionor", which is adjacent to the Company's Pit Zone target on the Gold Range Property. The Never Get Left Claim, under option, is comprised of one staked lode mineral claim with a total area of 20.99 acres and is located in Mohave County, Arizona, USA.

Under the terms of the agreement, the Company is committed to make options payments totaling US\$90,000 over four years. On February 24, 2020, the Company paid US\$10,000 (CDN\$13,397) 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\$500,000. Additionally, the Company must pay 10% of any profits realized from the processing and recovery of metals from the existing leach pad materials located within the Optionor's claim.

As at September 30, 2020, under the terms of the Agreement, the Company is committed to the following cash payments and minimum exploration expenditures in order to acquire a 100% interest:

| Due date | Option Payments |
|--------------------------------------|--------------------|
| | US\$ |
| February 24, 2021 | 15,000 |
| February 24, 2022 | 15,000 |
| February 24, 2023 | 20,000 |
| February 24, 2024 | 30,000 |
| Total committed cash payments | 80,000 |

The remaining committed option payments of US\$80,000 would equate to CDN\$106,712 using the September 30, 2020 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 \$10,671.

As at September 30, 2020, the Company holds 145 lode mining claims (1,042.9 hectares) in respect of the Gold Range Property, including acquisitions via the option agreements noted above as well as staking. The

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

7. Exploration and evaluation assets (continued) Gold Range Property, Arizona, USA (continued)

gross costs and impairments recorded to the Gold Range Property at September 30, 2020 are \$963,577 and \$nil, respectively (September 30, 2019 - \$80,278 and \$nil).

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 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. On February 21, 2019, the Company issued 400,000 common shares to Steven Scott valued at \$20,000 and on February 27, 2020, the Company issued 121,951 shares to Steven Scott valued at \$25,000 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. On July 16, 2020, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 by July 15, 2020 to November 30, 2020, which was subsequently extended to July 31, 2021. All other terms of the Agreement remain unchanged. The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2020 are \$448,027 and \$nil, respectively (September 30, 2019 - \$422,527 and \$nil).

As at September 30, 2020, under the terms of the Agreement, the Company is committed to the following remaining share issuances, cash payments and minimum exploration expenditures:

| Remaining commitments under the terms of the Agreement are as follows: | Underlying option agreement with Steven Scott | | | |
|--|---|---------------------------------------|-----------------------------------|-----------------------------------|
| | Altius | | Cash or share equivalent payments | Minimum exploration expenditures* |
| | Share issues | Minimum exploration expenditures (\$) | (\$) | (\$) |
| Expenditure Commitment on or before July 31, 2021 | - | 500,000 | - | - |
| Following the completion of the Expenditure Commitment | 1,240,000 | - | - | - |
| On or before March 9, 2021 | - | - | 25,000 | 50,000 |
| Total | 1,240,000 | 500,000** | 25,000 | 50,000** |

* - included in total minimum exploration expenditure commitments

** - as at September 30, 2020, the Company has incurred exploration expenditures of \$293,500

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

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

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

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

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 were 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 was required to 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 would 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. After thorough analysis of the results of this program, the Company was unable to identify clear targets for advancement and therefore terminated the option, returning the Echo property to the vendor, and fully impairing the remaining expenditures as of September 30, 2020. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2020 are \$23,001 and \$23,001, 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 September 30, 2020 are \$6,409 and \$6,409, respectively (September 30, 2019 - \$6,409 and \$6,409).

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

A summary of exploration and evaluation expenditures by category for the years ended September 30, 2020, and September 30, 2019 appear below:

| Year ended September 30, 2020 | British Columbia | | Arizona, USA | |
|--|------------------|-----------------|---------------|---------------------|
| | Total | Gibson Property | Echo Property | Gold Range Property |
| | \$ | \$ | \$ | \$ |
| Exploration expenditures: | | | | |
| Balance, September 30, 2019 | 283,389 | 220,531 | 4,156 | 58,702 |
| Geological consulting | 174,334 | - | 2,100 | 172,234 |
| Field costs | 13,102 | - | 151 | 12,951 |
| Travel | 43,009 | - | - | 43,009 |
| Geochemical | 143,276 | - | 1,952 | 141,324 |
| Excavating | 58,374 | - | - | 58,374 |
| Geophysical survey | 61,580 | - | 10,515 | 51,065 |
| Archeology | 13,199 | - | - | 13,199 |
| Drilling | 235,404 | - | - | 235,404 |
| Equipment rental | 13,774 | - | 116 | 13,658 |
| Decommissioning | 6,300 | - | - | 6,300 |
| Impairment | (18,990) | - | (18,990) | - |
| Balance, September 30, 2020 | 1,026,751 | 220,531 | - | 806,220 |
| Property acquisition costs | | | | |
| Balance, September 30, 2019 | 226,879 | 201,996 | 3,307 | 21,576 |
| Acquisition costs incurred | 161,281 | 25,500 | - | 135,781 |
| Impairment | (3,307) | - | (3,307) | - |
| Balance, September 30, 2020 | 384,853 | 227,496 | - | 157,357 |
| Total exploration and evaluation assets, September 30, 2020 | 1,411,604 | 448,027 | - | 963,577 |

CANEX Metals Inc.
Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2020 and 2019

7. **Exploration and evaluation assets** (continued)

| Year ended September 30, 2019 | British Columbia | | | | | | Arizona, USA | |
|--|------------------|--------------------|--------------------------|------------------|--------------------|-----------------|------------------|------------------------|
| | Total | Gibson Property | Cariboo Gold Property | Echo Property | Fulton Property | Red Property | Beal Property | 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 | 150 | 150 | 2,100 | 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) | (190) | (45) | (758) | - |
| Impairment | (7,376) | - | (2,744) | - | (2,758) | (105) | (1,769) | - |
| 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 |

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interest. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. At September 30, 2020, 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 - \$10,000 and 27,569 respectively).

8. Equipment

| | <u>Computer equipment and software</u> |
|--|--|
| Cost | |
| Balance at September 30, 2020 and 2019 | \$ <u>9,685</u> |
| Accumulated depreciation | |
| Balance, September 30, 2019 | 9,606 |
| Depreciation | 31 |
| Balance September 30, 2020 | \$ <u>9,636</u> |
| Net book value | |
| September 30, 2019 | \$ <u>79</u> |
| September 30, 2020 | \$ <u>48</u> |

9. Accounts payable and accrued liabilities

| | <u>Sept 30, 2020</u> | <u>Sept 30, 2019</u> |
|-------------------------|----------------------|----------------------|
| Trade payables | \$ <u>39,453</u> | \$ 2,090 |
| Due to related parties | 33,124 | 5,988 |
| Accrued liabilities | 25,500 | 26,934 |
| Commodity taxes payable | 12 | 22 |
| | \$ <u>98,089</u> | \$ <u>35,034</u> |

10. Decommissioning obligation

Changes in the decommissioning obligation:

| | <u>Sept 30, 2020</u> | <u>Sept 30, 2019</u> |
|-------------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ <u>27,000</u> | \$ 15,000 |
| Gold Range Property additions | 6,300 | 12,000 |
| Balance, end of year | \$ <u>33,300</u> | \$ <u>27,000</u> |

The provision noted above represents estimated costs to restore the Company's mineral property which includes the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal and constructive obligations as at the respective year end dates for current and future decommissioning obligations. The year end present value of the decommissioning obligation was determined using a risk-free rate of 0.25% (September 30, 2019 – 1.58%). The estimated total undiscounted amount, using an inflation rate of 0.73% (September 30, 2019 – 1.90%) for the year ended September 30, 2020 is \$34,116 (2019 - \$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 year because the amount is considered to be immaterial.

CANEX Metals Inc.

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(Expressed in Canadian Dollars)

September 30, 2020 and 2019

11. Share capital, stock options and warrants

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding common share capital

| | Shares | Value \$ |
|--|-------------------|-------------------|
| Balance, as at September 30, 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 |
| Warrants exercised – January 22, 2020 | 100,000 | 8,000 |
| Warrants exercised – February 5, 2020 | 369,334 | 31,584 |
| Warrants exercised – February 7, 2020 | 1,450,000 | 116,000 |
| Warrants exercised – February 12, 2020 | 1,150,000 | 92,000 |
| Share issuance – property acquisition | 121,951 | 25,000 |
| Share issuance costs | - | (1,504) |
| Warrants exercised – March 3, 2020 | 103,999 | 11,372 |
| Share issuance costs | - | (1,953) |
| Private Placement – April 7, 2020 | 6,667,100 | 600,039 |
| Share issuance costs | - | (5,164) |
| Warrants exercised – July 9, 2020 | 8,250 | 904 |
| Options exercised – August 27, 2020 | 150,000 | 17,235 |
| Share issuance costs | - | (340) |
| Balance, as at September 30, 2020 | 53,207,049 | 15,747,739 |

| | 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 |

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. Related parties, comprised of officers and directors, acquired 300,000 of the total shares issued.

On November 13, 2019, 100,000 options exercisable at \$0.06 per share, expiring June 26, 2022, were exercised for total proceeds of \$6,000.

On January 22, 2020, 100,000 warrants exercisable at \$0.08 per share were exercised for total proceeds of \$8,000.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

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

b) Issued and outstanding common share capital (continued)

During February, 2020, 2,900,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022 were exercised for total proceeds of \$232,000 and 69,334 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised for total proceeds of \$3,467.

On February 27, 2020, the Company issued 121,951 common shares valued at \$25,000 pursuant to an option agreement on the Gibson property. The share issuance was valued using the closing share price on the transaction date. See Note 7 – “Exploration and evaluation assets” for more information.

On March 3, 2020, 103,999 warrants exercisable at \$0.05 per share, expiring June 6, 2022, were exercised for total proceeds of \$5,200.

On April 7, 2020, the Company closed its non-brokered private placement, issuing 6,667,100 common shares for aggregate gross proceeds of \$600,039. Related parties, acquired 111,000 of the total shares issued.

On July 9, 2020, 8,250 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised for total proceeds of \$412.

On August 27, 2020, 150,000 options exercisable at \$0.06 per share, expiring June 26, 2020, were exercised for total proceeds of \$9,000.

On October 15, 2020, 2,300,000 warrants exercisable at \$0.10 per share, expiring October 20, 2020, were exercised for total proceeds of \$230,000 including 100,000 warrants exercised by related parties. Subsequent to September 30, 2020 there were no further shares issued, and none cancelled and returned to treasury.

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 7 – “Exploration and evaluation assets” for more information.

On October 16, 2018, the Company closed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. The placement was comprised of 2,300,000 common units at \$0.05 per unit. Each common unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share until October 16, 2020. 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 7 – “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.

CANEX Metals Inc.

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September 30, 2020 and 2019

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

c) Stock options outstanding

| <u>Expiry</u> | <u>Number of options</u> | | <u>Exercise Price</u> |
|--------------------|--------------------------|----------------------|-----------------------|
| | <u>Sept 30, 2020</u> | <u>Sept 30, 2019</u> | |
| June 26, 2022 | 925,000 | 1,175,000 | \$0.06 |
| September 23, 2024 | 1,200,000 | 1,200,000 | \$0.06 |
| October 4, 2024 | 710,000 | - | \$0.055 |
| | <u>2,835,000</u> | <u>2,375,000</u> | |

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

d) Stock option transactions

| | <u>Number of options</u> | <u>Weighted average exercise price</u> |
|------------------------------------|--------------------------|--|
| Balance, September 30, 2019 | 2,375,000 | \$0.06 |
| Issued | 710,000 | \$0.055 |
| Exercised | (250,000) | \$0.059 |
| Balance, September 30, 2020 | <u>2,835,000</u> | <u>\$0.059</u> |
| | <u>Number of options</u> | <u>Weighted average exercise price</u> |
| Balance, September 30, 2018 | 1,175,000 | \$0.06 |
| Issued | 1,200,000 | \$0.06 |
| Balance, September 30, 2019 | <u>2,375,000</u> | <u>\$0.06</u> |

Refer to Note 14 – "Share-based payment transactions" for more information regarding the options issued during the year. In addition, 250,000 options, expiring June 22, 2022 were exercised for total proceeds of \$15,000 during the year ended September 30, 2020.

Subsequent to September 30, 2020 there were no stock options issued or exercised and none expired.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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September 30, 2020 and 2019

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

e) Warrant transactions and warrants outstanding

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

Year ended September 30, 2020

| Exercise Price | Expiry | Balance Sept 30, 2019 | Warrants Issued | Warrants Exercised | Balance Sept 30, 2020 |
|----------------|------------------|-----------------------|-----------------|--------------------|-----------------------|
| \$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 | - | 3,000,000 | 1,399,990 |
| \$0.05 | June 6, 2022 | 194,999 | - | 181,583 | 13,416 |
| | | 7,354,989 | - | 3,181,583 | 4,173,406 |

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 |

On January 22, 2020, 100,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$8,000.

During February, 2020, 2,900,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022 were exercised for total proceeds of \$232,000 and 69,334 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised for total proceeds of \$3,467.

On March 3, 2020, 103,999 warrants exercisable at \$0.05 per share, expiring June 6, 2022, were exercised for total proceeds of \$5,200.

On July 9, 2020, 8,250 warrants exercisable at \$0.05 per share, expiring June 6, 2020, were exercised for total proceeds of \$412.

On October 15, 2020, subsequent to the year end, 2,300,000 warrants exercisable at \$0.10 per share, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Subsequent to September 30, 2020 no warrants were issued and none expired.

CANEX Metals Inc.

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12. Financial instruments

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

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

Level 1 has been utilized to value common shares included in short-term investments. The option included in short-term investments are categorized as Level 3.

The following summarizes the categories of the various financial instruments:

| | Sept 30, 2020 | Sept 30, 2019 |
|--|-----------------------|------------------|
| | <u>Carrying Value</u> | |
| Financial Assets | | |
| Financial assets measured at fair value: | | |
| Short-term investments | \$ 551,271 | \$ 353,715 |
| Financial assets measured at amortized cost: | | |
| Cash | 448,978 | 134,349 |
| Accounts receivable | 902 | 1,106 |
| | \$ 449,880 | \$ 135,455 |
| Financial Liabilities | | |
| Financial liabilities measured at amortized cost: | | |
| Accounts payable and accrued liabilities | \$ 98,077 | \$ 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.

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.

The Company undertakes transactions denominated in US currency through its exploration in the US; consequently, it is exposed to exchange rate fluctuations. The Company will acquire US funds from time to time to settle US\$ denominated liabilities. The Company had US\$76,844, (CDN\$102,502) in a US denominated bank account at September 30, 2020. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of CDN\$10,250. Additionally, at September 30, 2020, accounts payable and accrued liabilities include liabilities of US\$26,890 (CDN\$35,869) (September 30, 2019 – US\$Nil (CDN\$Nil)), that must be settled in US\$. The effect of a foreign currency increase or decrease of 10% on this liability would result in an increase or decrease of CDN\$3,587 (September 30, 2019 – CDN\$Nil) to the amount payable.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

13. General and administrative

| | Sept 30, 2020 | Sept 30, 2019 |
|--|------------------|------------------|
| Administrative consulting fees | \$ 264,691 | \$ 38,630 |
| Share-based compensation (Note 14) | 37,416 | 59,216 |
| Occupancy costs | 18,347 | 18,789 |
| Office, secretarial, supplies and other | 50,087 | 28,458 |
| Insurance | 7,427 | 8,130 |
| Directors' fees | 2,700 | 2,100 |
| Computer network and website maintenance | 2,458 | 2,254 |
| Travel and promotion | 25,496 | 4,126 |
| | \$ 408,622 | \$ 161,703 |

14. Share-based payment transactions

During the year ended September 30, 2020, the Company issued 710,000 options that may be exercised at \$0.055 per share to October 4, 2024. The options were valued at \$37,416 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%.

15. Loss per share

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

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

| Weighted average number of common shares: | 2020 | 2019 |
|---|-------------------|-------------------|
| Basic and Diluted | 47,497,321 | 27,781,435 |
| Loss per share | | |
| Basic | \$ 0.00 | \$ 0.00 |
| Diluted | \$ 0.00 | \$ 0.00 |

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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September 30, 2020 and 2019

16. Income tax information

Rate reconciliation:

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

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Income (loss) before income taxes | \$ <u>(198,040)</u> | \$ <u>(113,432)</u> |
| Computed expected expense (recovery) based on a combined rate of 24.75% (2019 – 26.75%) | (49,015) | (30,343) |
| Change resulting from: | | |
| Differential tax rate of foreign jurisdiction | (49) | 166 |
| Non-deductible (taxable) items and other | (38,454) | 117,259 |
| Change in tax rate | 5,466 | 378,682 |
| Unrecognized deferred tax asset | 107,779 | (469,798) |
| Change in prior year estimates | <u>(25,727)</u> | <u>4,034</u> |
| Income tax expense | \$ <u>-</u> | \$ <u>-</u> |

The combined statutory rate is 24.75% for 2020 (2019 – 26.75%). The deferred combined statutory rate is expected to be 23.00% for 2021 and subsequent years (2020 – 23%).

Temporary differences and tax loss not recognized for accounting purposes:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|---------------------|---------------------|
| Non-capital loss carry-forwards | \$ <u>3,216,870</u> | \$ 2,828,146 |
| Capital loss carry-forwards | 782,935 | 779,033 |
| Share issuance costs | 25,564 | 24,337 |
| US net operating loss | 627,337 | 43,352 |
| Property and equipment | 18,281 | 18,251 |
| Mineral properties | 4,321,684 | 4,843,892 |
| Short-term investments | 14,003 | 96,035 |
| Interest | 3,175 | - |
| Total | \$ <u>9,009,849</u> | \$ <u>8,633,046</u> |

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2020, the Company had unused non-capital loss carry forwards of approximately \$3.22 million that expire between the years 2026 and 2040. Capital loss carry-forwards may be carried forward indefinitely. The Company has unused US net operating loss carry forwards of approximately \$470,000USD (\$627,000CDN) (2019 - \$33,000USD (\$43,000 CDN)) that may be carried forward indefinitely.

During the year ended September 30, 2020, the Company applied for a British Columbia mining exploration tax credit in the amount of \$4,450 (2019 – \$63,123) for qualified expenditures made in 2020 totalling \$14,835 (2019 - \$210,411) relating to its British Columbia properties (see Note 7 - Exploration and evaluation assets).

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17. 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 of CANEX Metals; and 635280 Alberta Ltd., a company controlled by Jean Pierre Jutras, an officer and director of CANEX Metals are also considered a related parties. The Company incurred the following amounts charged to (by) related parties:

| | | <u>Sept 30, 2020</u> | | <u>Sept 30, 2019</u> |
|------------------------------------|---|----------------------|----|----------------------|
| Key management remuneration | | | | |
| President and director | a | \$ (150,300) | \$ | (82,050) |
| Corporate secretary | b | (34,826) | | (18,371) |
| Chief Financial Officer | c | (1,900) | | - |
| Directors' fees | d | (2,700) | | (2,100) |
| Total Management remuneration | | <u>\$ (189,726)</u> | \$ | <u>(102,521)</u> |

| | | <u>Sept 30, 2020</u> | | <u>Sept 30, 2019</u> |
|---|---|----------------------|----|----------------------|
| Other related party transactions | | | | |
| Jade Leader | | | | |
| Office rent and operating costs paid | e | \$ (18,348) | \$ | (18,789) |
| General and administrative and secretarial costs paid | e | (8,582) | \$ | (6,237) |
| General and administrative and secretarial costs received | e | 2,613 | \$ | 2,808 |
| 635280 Alberta Ltd. | | | | |
| Geological consulting services | f | \$ (1,200) | \$ | - |

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

| | | <u>Sept 30, 2020</u> | | <u>Sept 30, 2019</u> |
|--|---|--------------------------|----|--------------------------|
| Balances Receivable (Payable) | | | | |
| Consulting fees: | | | | |
| President and director | a | \$ (27,313) | \$ | - |
| Office rent and operating costs | | | | |
| Jade Leader | d | \$ (4,469) | \$ | (4,932) |
| General and administrative and secretarial costs: | | | | |
| Jade Leader | d | \$ (1,342) | \$ | (1,056) |
| Jade Leader | d | \$ 246 | \$ | 450 |

Management compensation payable to "key management personnel" during the years ended September 30, 2020 and 2019 is reflected in the table above and consists of consulting fees paid to the President, the CFO, fees for the Corporate Secretary and directors' fees. Officers and directors are also compensated through the granting of options from time-to-time. During the year ended September 30, 2020, 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 administrative expenses (Note 14 - "Share based payment transactions"). During the year ended September 30, 2019, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for share-based payments of \$59,216 that is included in general administrative expenses. 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 (Note 7). During the year ended September 30, 2020, \$49,800 (2019 - \$24,000) was expensed through administrative expenses, \$100,500 (2019 - \$52,200) was capitalized to exploration

CANEX Metals Inc.

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

and evaluation assets, and \$nil (2019 - \$5,850) was expensed through pre-acquisition and evaluation asset expenditures.

- 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.
- f) During the year ended September 30, 2020, geological consulting services were provided by 635280 Alberta Ltd.

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.

18. Commitments

Pursuant to a lease agreement commencing August 1, 2020, for office space, the Company is committed to pay \$1,566 per month until August 31, 2021 (refer to Note 17 – “Related party balances and transactions and key management remuneration”). As at September 30, 2020, the committed base lease costs to the termination of the lease are as follows:

| | |
|--|-------------------------|
| October 1, 2020 – August 31, 2021 | \$ <u>17,226</u> |
|--|-------------------------|

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19. Supplemental disclosure statement of cash flows

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

| | <u>Sept 30, 2020</u> | <u>Sept 30, 2019</u> |
|---|----------------------|----------------------|
| Loss and comprehensive loss | \$ (198,040) | \$ (113,432) |
| Depreciation | 31 | 53 |
| Stock-based compensation | 37,416 | 59,216 |
| Mineral property impairments | 17,847 | 11,563 |
| Dividend income | (98,575) | - |
| Interest and other items | 852 | (809) |
| Gain on short-term investments | (191,530) | (126,720) |
| Changes in assets and liabilities pertaining to operations: | | |
| Accounts receivable | (3,952) | 81 |
| Prepaid expenses | (29,889) | 3,430 |
| Accounts payable and accrued liabilities | 1,807 | (349) |
| Cash paid to suppliers and contractors | \$ (464,033) | \$ (166,967) |

Reconciliation of cash expended on exploration and evaluation assets for the years ended:

| | <u>Sept 30, 2020</u> | <u>Sept 30, 2019</u> |
|--|----------------------|----------------------|
| Change in exploration and evaluation assets | \$ (901,336) | \$ (319,436) |
| Property acquisition – Share issuance | 25,000 | 102,600 |
| Provision for decommissioning | 6,300 | 12,000 |
| Mineral property impairments | (17,847) | (11,563) |
| Changes in assets and liabilities pertaining to exploration and evaluation | | |
| Mining exploration tax credit receivable | 58,673 | (33,525) |
| Accounts receivable | 515 | (2,955) |
| Accounts payable and accrued liabilities | 61,248 | 1,934 |
| Cash expended on exploration and evaluation assets | \$ (767,447) | \$ (250,945) |

20. Segment disclosures

During the years ended September 30, 2020 and 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. As at September 30, 2020, the value of non-current assets associated with United States operations is \$991,451 including exploration and evaluation asset advances and deposits of \$27,874 and exploration and evaluation assets of \$963,577. All remaining non-current assets are associated with Canadian operations. Consequently, segmented information is not presented in these financial statements. Refer to Note 7 – “Exploration and evaluation assets” for details of the carrying amounts of these assets at the respective period ends.

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21. Capital

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

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

22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, excluding sales tax. The Company has had a history of prompt receipt of its receivables and considers credit risk to be low on these instruments as at September 30, 2020 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 15, 2020, 2,300,000, warrants, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Refer to Note 12 – "Share capital, stock options and warrants" for further details. Increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 - "Nature of operations and continuance of operations".

The Company's significant remaining contractual maturities for financial liabilities as at September 30, 2020 and 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 year ended September 30, 2020, the market price fluctuation on the investments held resulted in a net gain of \$164,065 (2019 - net gain of \$122,819) on short-term investments. In 2020, a 10% change in fair value of the Company's

CANEX Metals Inc.

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September 30, 2020 and 2019

22. Financial risk management (continued)

c) Market risk (continued)

marketable investments would result in a charge to income of \$55,127 (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 and as a result it is not exposed to commodity price risk associated with developed properties at this time.

d) Interest rate risk

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

e) Foreign exchange risk

The Company undertakes transactions denominated in US currency; consequently, it is exposed to exchange rate fluctuations. The Company has disclosed US\$ commitments pertaining to two option agreement in Note 7 – "Exploration and evaluation assets". The Company had US\$76,844, (CDN\$102,502) in a US denominated bank account at September 30, 2020. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of CDN\$10,250. At September 30, 2020, accounts payable and accrued liabilities include liabilities of US\$26,890 (CDN\$35,869) (September 30, 2019 – US\$Nil (CDN\$Nil)), that must be settled in US\$. The effect of a foreign currency increase or decrease of 10% on this liability would result in an increase or decrease of CDN\$3,587 (September 30, 2019 – CDN\$Nil) to the amount payable.

23. Novel coronavirus pandemic

In early January 2020, a human infection originating in China was traced to a novel strain of coronavirus. The virus has subsequently spread to other parts of the world including North America and Europe, and has caused unprecedented disruptions in the global economy as efforts to contain the spread of the virus have intensified. On March 11, 2020, the World Health Organization declared this outbreak of coronavirus ("COVID-19") as a pandemic and it continues to spread throughout North America. The March exploration program on the Gold Range Property, Arizona, was ended prior to completion to comply with health and travel advisories related to COVID-19. Commencing July 1, 2020, the Company continued its planned exploration programs for the summer of 2020, (refer to Note 7 – "Exploration and evaluation assets") as previously imposed travel restrictions as a result of COVID-19 were lifted and the Company determined that work could safely resume in the targeted areas. The summer 2020 exploration program was completed by September 30, 2020. At this time, the full extent and duration of the impact of COVID-19 on the Company's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others.

24. Subsequent events

On October 15, 2020, 2,300,000, warrants expiring October 20, 2020, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Refer to Note 12 – "Share capital, stock options and warrants" for further details.

Subsequent to September 30, 2020 the Company disposed of 20,000 Commander Resources Ltd. Shares for cash proceeds of \$2,540 net of commissions, 31,500 Maple Gold Mines Ltd shares for cash proceeds of \$10,560 net of commissions and 29,867 Canada Nickel Co. Inc. shares for cash proceeds of \$59,139 net of commissions.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

24. Subsequent events (continued)

On November 24, 2020, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 on the Gibson Prospect, British Columbia from November 30, 2020 to July 31, 2021. All other terms of the agreement remain unchanged. (Refer to Note 7 – “Exploration and evaluation assets, Gibson Prospect, British Columbia).

On December 11, 2020, the Company announced a non-brokered financing for 17,000,000 common shares to be issued at \$0.10 per share for gross proceeds of \$1,700,000. The shares will be offered on a non-brokered basis by way of private placement to accredited investors and any securities issued will be subject to a hold period of four months plus one day from the date of closing. This financing is subject to TSX Venture Exchange and regulatory approval. Proceeds of the financing will be used to drill test and further explore the Gold Range Property and for general working capital. Commission may be paid on a portion of the financing.

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The following management discussion and analysis (MD&A) is management's assessment of the results and financial condition of CANEX Metals Inc. ("CANEX" or "the Company") for the year ended September 30, 2020. The information included in this MD&A, with an effective date of December 17, 2020, should be read in conjunction with the Consolidated Financial Statements as at and for the year ended September 30, 2020 and related notes thereto. CANEX Metal's common shares trade on the TSX Venture Exchange under the symbol "CANX". The Company's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com.

The Company's Consolidated Financial Statements for the year ended September 30, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as at and for the year ended September 30, 2020. The Company has consistently applied the same accounting policies throughout all periods presented. The Company's accounting policies are provided in Note 3 "Summary of significant accounting policies" to the annual Consolidated Financial Statements as at September 30, 2020. All dollar amounts are in Canadian dollars, unless otherwise noted.

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

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

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

1. Principal Business of the Company

CANEX Metals, including its 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 limited indicator of its performance and potential.

2. Highlights – year ended September 30, 2020

Gold Range Property, Arizona, USA

- 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 7 – “Exploration and evaluation assets” of the Audited Consolidated Financial Statements at September 30, 2020, for more information. Initial exploration and staking began in early June 2019 with multiple subsequent phases of staking and fieldwork conducted. Initial exploration focused on the Discovery Zone, where a prospector recently discovered a quartz vein containing abundant coarse gold, and the Adit Zone, where historic adits and workings expose a high-grade quartz vein system. Three hundred and ninety surface chip and grab samples have been taken at the property ranging from trace to 95.3 g/t gold, averaging 4 g/t gold. Fieldwork by the Company has identified numerous gold exploration targets on the property with grab samples from outcropping quartz veins returning multiple values in the 20 to 40 g/t gold range, and chip sampling returning values of 31.7 g/t gold over 1 metre, 24.3 g/t gold over 1.5 metres, 28.1 g/t gold over 1 metre, 17.2 g/t over 1.1 metre, and 8.47 g/t gold over 5.6 metres. The Company has now identified gold-bearing quartz veins within a 5 by 3 kilometre area and identified in excess of 6 priority exploration targets across the property. The property size has increased from 14 claims (289.2 hectares) in early June 2019 to 145 claims (1042.9 hectares) as of September 2020. Highlights from the Gold Range Property include the Pit Zone where historic small scale open pit mining has exposed a series of high-grade flat dipping quartz veins adjacent to an exploration target defined by geophysics and gold in soils that extend over an area 300 to 450 metres long by 90 to 130 metres wide. A 0.5 to 2.4-metre-wide high-grade quartz vein extends up to 500 metres to the southwest of the Pit Zone and has seen considerable historic underground mining. Seven chip samples taken from this vein system by CANEX average 12.85 g/t gold. Other high-grade gold vein systems have been identified within 1 kilometre of the Pit Zone, including separate zones where chip sampling has returned 53.2 g/t gold over 0.6 metres and 7.34 g/t gold over 2.25 metres.

Soil sampling at the Central Zone has resulted in the discovery of 730-metre-long by up to 250-metre-wide gold-in-soil anomaly that remains open to the north. Recent prospecting within this soil anomaly resulted in the discovery of a new poorly exposed zone of quartz veining that returned 19.35 g/t gold over 0.4 metres.

The summer 2020 field program resumed July 2, 2020 and was completed on by September 30, 2020. Field personnel conducted surface exploration and mapping activities focussing on expanding existing zones and discovering new zones of gold mineralization. Multiple new gold exploration targets were identified and were advanced to define new drill targets for future testing. Over 100 rock and 214 soil samples were collected from these targets and submitted for assay. A single geophysical test line of induced polarization – resistivity was completed. Due to high fire risk a second test line was cancelled. Results of these programs were released in News Release 20-19 dated September 10, 2020.

The drill program, which was conducted during August and September 2020, terminated early due to equipment limitations. However, 14 holes for a total of 1481 meters of drilling were completed. Drilling was conducted at 5 different targets across the Gold Range property and a total of 1,044 drill samples were sent for analysis. Partial results from this program were disclosed in News Release 20-20, 20-21 and 20-22 dated October 27, 2020, November 2, 2020 and November 16, 2020 respectively. The remaining results will be released as they are received, compiled and interpreted.

- Key exploration events at Gold Range include:
 - Option agreement signed on 3 key claims over a new gold discovery – June 2019
 - CANEX stakes 11 claims surrounding the new gold discovery – June 2019
 - CANEX stakes 23 additional claims – October 2019
 - Trenching and Drilling permits received – October 2019

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- Trenching and mapping program conducted – October 2019
 - CANEX stakes 32 additional claims – November 2019
 - Drone airborne magnetic survey results received – January 2020
 - CANEX stakes 73 additional claims – January 2020
 - Amended exploration permit received – February 2020
 - CANEX options Never Get Left Claim – February 2020
 - Field mapping, prospecting, and soil sampling conducted – Feb to May 2020
 - Field mapping and soil sampling conducted – July to August 2020
 - Drill program conducted – August to September 2020
- For more information related to the fiscal 2020 exploration program updates and results refer to the following News Releases: 19-16 dated December 3, 2019, 19-17 dated December 16, 2019, 20-1 dated January 16, 2020, 20-2 dated January 20, 2020, 20-3 dated January 27, 2020, 20-6 dated February 20, 2020, 20-7 dated February 25, 2020, 20-8 dated February 26, 2020, 20-10 dated March 27, 2020, 20-13 dated April 27, 2020, 20-14 dated May 11, 2020, 20-15 dated May 27, 2020, 20-16 dated June 24, 2020, 20-17 dated June 29, 2020, 20-18 dated August 25, 2020, 20-19 dated September 10, 2020, 20-20 dated September 29, 2020, 20-20 dated October 27, 2020, 20-21 dated November 2, 2020 and 20-22 dated November 16, 2020.

Echo, Fulton, Red and Beal properties, British Columbia

- During the three-month period ended December 31, 2019, the Company conducted a ground magnetic survey at Echo. After thorough analysis of the results of this program, the Company was unable to identify clear targets for advancement and therefore terminated the option, returning the Echo property to the vendor, and fully impairing the remaining expenditures as of March 31, 2020. Refer to Section 3) “Mineral Properties, Echo, Fulton, Red and Beal properties, British Columbia” below for further information.

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 Audited Consolidated Financial Statements at September 30, 2020 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.
- On November 13, 2019, 100,000 options exercisable at \$0.06 per share were exercised for gross proceeds of \$6,000.
- During the year ended September 30, 2020, 3,000,000 warrants, exercisable at \$0.08 per share and 181,583 warrants, exercisable at \$0.05 per share were exercised for gross proceeds of \$249,079.
- The Company closed a non-brokered private placement share issuance on April 7, 2020 consisting of 6,666,920 shares at \$0.09 per share for gross aggregate proceeds of \$600,039. The proceeds of the financing will be used to explore the Gold Range Property, evaluate additional exploration opportunities, and for general working capital.
- On June 23, 2020, Spruce Ridge Resources declared a dividend-in-kind of common shares of Canada Nickel Co. Inc. (“CNC”), based on the number of shares held at July 6, 2020, the record date, at a ratio of 1 CNC share to 53.72 Spruce Ridge shares. On September 4, 2020, the Company received 104,867 shares valued at \$0.94 per share for a total value of \$98,575
- During the year ended September 30, 2020, the Company disposed of 200,000 Spruce Ridge Resources Ltd. (“Spruce Ridge”) shares for cash proceeds of \$15,433 net of commissions, and 50,000 Canada Nickel Co. Inc. (“CNC”) for cash proceeds of \$77,117 net of commissions. See Note 6 – “Short-term investments” of the Audited Consolidated Financial Statements dated September 30, 2020 for more information.

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- On October 15, 2020, 2,300,000 warrants exercisable at \$0.10 per share, expiring October 20, 2020, were exercised for total proceeds of \$230,000.

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

As at September 30, 2020, the Company holds 145 lode mining claims (1042.9 hectares) in respect of the Gold Range Property, including acquisitions via the option agreements noted below as well as staking. The area has seen historic lode and placer gold production but limited modern lode gold exploration. The gross costs and impairments recorded to the Gold Range Property at September 30, 2020 are \$963,577 and \$nil, respectively (September 30, 2019 - \$80,278 and \$nil).

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 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 paid US\$10,000 (CDN\$13,405) and on June 6, 2020, the Company paid US\$15,000 (CDN\$20,306) 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. Refer to Section 7) d) "Contractual obligations" for the remaining commitments under the terms of the agreement at September 30, 2020.

On February 24, 2020, the Company's wholly-owned subsidiary, Canexco Inc., entered into an arm's length Option Agreement to acquire a 100% interest in the Never Get Left Claim, Mohave County, Arizona, USA from Onyx Exploration Inc., the "Optionor" which is adjacent to the Company's Pit Zone target on the Gold Range Property. The Never Get Left Claim, under option, is comprised of one staked lode mineral claims with a total area of 20.99 acres and is located in Mohave County, Arizona, USA.

Under the terms of the agreement, the Company is committed to make options payments totaling US\$90,000 over four years. On February 24, 2020, the Company paid US\$10,000 (CDN\$13,397) 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\$500,000. Additionally, the Company must pay 10% of any profits realized from the processing and recovery of metals from the existing leach pad materials located within the Optionor's claim.

Earlier in 2019 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

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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 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.

Permitting was received in February, allowing the Company to conduct its planned mapping and sampling programs at Gold Range in preparation for a final trenching program, prior to selecting drill targets. The March program was ended prior to completion to comply with health and travel advisories related to the Corona virus pandemic (see Section 21) "Novel corona virus pandemic"). However, during Q3 2020, the Company engaged a local contractor to complete a seven day field program of soil sampling. Results for 303 soil samples and one rock sample from the Central zone are reported in News Release 20-13 dated April 27, 2020. Results related to the February and March field programs are reported in News Release 20-14 dated May 11, 2020. Additional results related to the May field program are reported in News Release 20-17 dated June 29, 2020.

On July 2, 2020, the Company resumed its planned exploration program at Gold Range as travel restrictions were lifted and work was allowed resume in the area. Field personnel began conducting surface exploration and mapping activities focusing on expanding existing zones and discovering new zones of gold mineralization. Multiple new gold exploration targets were identified and have been advanced to define new drill targets for future testing. Over 100 rock samples and 214 soil samples were collected from these targets and submitted for assay, the results of which were disclosed in News Release 20-19 dated September 10, 2020 and News-Release 20-20 dated September 29, 2020.

The drill program began on August 25, 2020, with the goal to drill 1675 meters of reverse circulation drilling designed to test up to 7 different targets over multiple holes per targets. Equipment limitations forced early termination of the drill program with 88 percent of the planned drilling being completed. Samples from the completed holes were sent to the assay lab in batches and are in varying stages of processing. Results from holes 1 to 5 were released in News Release 20-20 dated October 27, 2020. The remaining results will be released as they are received, compiled and interpreted.

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

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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, and on February 27, 2020, the Company issued 121,951 shares to Steven Scott valued at \$25,000 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 as lack of access to capital has prevented the Company from completing the required expenditures by the allotted time. On July 16, 2020, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 by July 15, 2020 to November 30, 2020 which was subsequently extended to July 31, 2021. 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 September 30, 2020 are \$448,027 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 Audited Consolidated Financial Statements for the year ended September 30, 2020, 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

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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 2021; 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 was required to 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 was extended to December 31, 2019. In addition, Altius would 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 were 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. During the three-month period ended December 31, 2019, the Company conducted a ground magnetic survey at Echo. After thorough analysis of the results of this program, the Company was unable to identify clear targets for advancement and therefore terminated the option, returning the Echo property to the vendor, and fully impairing the remaining expenditures as of March 31, 2020. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2020 are \$23,001 and \$23,001, 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

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impairments recorded to the Cariboo Gold Property as at June 30, 2020 are \$6,409 and \$6,409, respectively (September 30, 2019 - \$6,409 and \$6,409).

4. Operating results

Year ended September 30, 2020 compared to the year ended September 30, 2019:

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

| | Three months ended | | Year ended | |
|--|--------------------|-------------|--------------|--------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| General and administrative expenses | \$ (51,459) | \$ (83,850) | \$ (408,622) | \$ (161,703) |
| Reporting to shareholders | - | (12,749) | (4,984) | (17,169) |
| Professional fees | (29,970) | (25,997) | (39,504) | (31,199) |
| Stock exchange and transfer agent fees | (2,822) | (2,176) | (10,136) | (9,170) |
| Depreciation | (7) | (13) | (31) | (53) |
| Recovery (impairment charges) | 4,450 | (11,563) | (17,847) | (11,563) |
| Pre-acquisition costs | - | - | (6,169) | (10,104) |
| Dividend income | 98,575 | - | 98,575 | - |
| Interest and other | (1,537) | 39 | (852) | 809 |
| Gain from short-term investments | 128,998 | 115,882 | 191,530 | 126,720 |
| Net and comprehensive (loss) income | \$ 146,228 | \$ (20,427) | \$ (198,040) | \$ (113,432) |

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 relate to the filing and dissemination of the annual audited financial statements. In addition Q4 2019 expenditures in the Annual General Meeting (“AGM”). There is no equivalent expenditure in the current year. The 2020 AGM date has been set and will take place in Q1 2021.
- Stock exchange and transfer agent fees relate directly to the number of security exchange transactions during periods. There is no significant variance between the current and comparative periods.
- During the year ended September 30, 2020, the Company impaired the full amount of expenditures relating to the Echo property in British Columbia as it was unable to identify clear targets for advancement; the option was terminated, and the property was returned to the vendor. Q4 2020 includes a recovery of \$4,450 for a British Columbia Mining Exploration Tax credit relating to 2020 qualified expenditures on the Echo property. 2019 impairment costs relate to the Cariboo, Fulton, Red and Beal properties as the Company determined that it would no longer continue to explore these properties, and therefore impaired the full amount of expenditures to September 30, 2019. The Company will continue to hold the mineral claims on the Cariboo property until they expire on June 23, 2021.
- 2020 Pre-acquisition costs of \$6,169 pertain to expenditures incurred to investigate exploration opportunities related to the Gold Range Property in Arizona, USA, (refer to Section 3) “Mineral properties, Gold Range Property, Arizona, USA). 2019 expenditures include \$1,800 to conduct research in British Columbia for potential exploration opportunities and \$8,304 pertaining to expenditures incurred to investigate exploration opportunities related to the Gold Range Property in Arizona, USA, prior to acquisition.
- On June 23, 2020, Spruce Ridge declared a dividend-in-kind of common shares of CNC, based on the number of shares held at July 6, 2020, the record date, at a ratio of 1 CNC share to 53.72

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- Spruce Ridge shares. On September 4, 2020, the Company received 104,867 shares valued at \$0.94 per share for a total value of \$98,575. There were no similar transactions in the comparative period.
- Other income includes management fees, interest income and foreign exchange gains and losses. During the year ended September 30, 2020, the Company recognized a foreign exchange loss of \$2,905 on its US\$ account. There were no similar transactions in the comparative period.
 - During the year ended September 30, 2020, the Company recognized a net gain of \$191,530 on short-term investments (2019 – net gain of \$126,720). The net gain at September 30, 2020 included a realized loss of \$2,649 on the sale of 200,000 Spruce Ridge Resources shares resulting in a cash inflow of \$15,433. As well, the Company realized a gain of \$30,115 on the sale of 50,000 CNC shares, resulting in a cash inflow of \$77,117. The net gain at September 30, 2019 includes a realized gain of \$3,902, on the sale of 166,500 Spruce Ridge Resources Ltd. shares in Q2 2019 resulting in a cash inflow of \$18,955. The remainder of the gains, 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.

General and administrative expenses

| | Three months ended | | Year ended | |
|--|--------------------|------------------|-------------------|-------------------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Administrative consulting fees | \$ 27,652 | \$ 8,115 | \$ 264,691 | \$ 38,630 |
| Stock-based compensation | - | 59,216 | 37,416 | 59,216 |
| Occupancy costs | 4,256 | 4,697 | 18,347 | 18,789 |
| Office, secretarial and supplies | 12,637 | 7,491 | 50,087 | 28,458 |
| Travel and promotion | 4,070 | 1,531 | 25,496 | 4,126 |
| Insurance | 2,038 | 1,766 | 7,427 | 8,130 |
| Directors' fees | 300 | 600 | 2,700 | 2,100 |
| Computer network and website maintenance | 506 | 434 | 2,458 | 2,254 |
| Total | \$ 51,459 | \$ 83,850 | \$ 408,622 | \$ 161,703 |

- Administrative consulting fees, which consist of fees for the CFO, the controller, geological consulting and services provided by other consultants, have increased by \$226,000, in accordance with planned expenditures for 2020. They include geological consulting fees of \$49,800 (2019 - \$24,000), fees to the CFO of \$1,900 (2019 - \$Nil), fees to the controller of \$24,700 (2019 – 14,600) and fees to other consultants of \$188,300 (2019 - \$Nil). Current and comparative geological consulting fees and other consulting fees primarily relate to managing investor relations and marketing to secure corporate financing. The increase in fees for services provided by the controller is consistent with the increase in activity in the Company and the additional accounting required on account of Canexco Inc.
- During the year ended September 30, 2020, 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 expiring October 4, 2024. The options were valued at \$37,416 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%. During the three month period ended September 30, 2019, the Company granted, pursuant to its stock option plan, a total of 1,200,000 incentive options to directors, officers and consultants of the Company, exercisable at a price of \$0.06 per share for five years. The options were valued at \$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%.
- There is no significant variance between the current and comparative periods for occupancy costs. The Company entered into a new leasing arrangement for office space August 1, 2020. See Note 17 - "Related party balances and transactions and key management remuneration" of the Audited

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- Consolidated Financial Statements dated September 30, 2020 which accompany this document and Section 7) Contractual obligations of this document for further details.
- There is an increase of \$5,100 and \$21,600 in office, secretarial and supplies between the current three- and twelve-month periods respectively and the comparative three- and twelve-month periods. 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 fiscal 2020.
 - Travel and promotional expenditures have increased by \$21,400 between the current and comparative twelve month period and are in accordance with the 2020 budget. The current period's expenditures include travel for promotional activities conducted by the Company's President and an outside consultant during Q1 and Q2 2020, as noted above and also include attending the Association of Mineral Exploration ("AME") Roundup held in Vancouver, BC and Prospectors and Developers Association of Canada ("PDAC") conference held in Toronto, Ontario. Q4 2020 expenditures relate to web-based promotional interviews conducted by the President for marketing purposes. The comparative year expenditures include airfare, accommodation and registration fees to attend the AME Roundup held in Vancouver, BC and the PDAC conference held in Toronto.
 - There is no significant variation in insurance premiums between current and comparative periods. Insurance premiums are in accordance with the budget.
 - 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 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

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

| | Three months ended | | Year ended | |
|-----------------------|--------------------|-----------|--------------|-----------|
| | September 30 | | September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Legal and filing fees | \$ 1,470 | \$ 997 | \$ 10,582 | \$ 7,199 |
| Audit fees | 28,500 | 25,000 | 28,922 | 24,000 |
| Total | \$ 29,970 | \$ 25,997 | \$ 39,504 | \$ 31,199 |

- Audit fees for the year ended September 30, 2020 include an accrual of \$25,500 for the preparation of the annual audited financial statements for the year ended September 30, 2020, an accrual of \$3,000 for preparation and filing of US tax returns on account of Canexco for the year ended September 30, 2020 and fees of \$3,300 for preparation and filing of US tax returns on account of Canexco for the year ended September 30, 2019. As well, audit fees for September 30, 2019 were over accrued by \$2,900 and are reflected in the current year. Audit fees for the year ended September 30, 2019 include an accrual of \$25,000 for the preparation of the annual audited financial statements for the year ended September 30, 2019. Audit fees for the year ended September 30, 2018 were also over accrued by \$1,000 and are reflected in the comparative year.
- Legal and filing fees incurred in the current twelve-month period include nominal legal fees on account of CANEX Metals, \$2,950 on account of Canexco with respect to miscellaneous business operations in the USA, as well as \$1,980 with respect to audit support and other miscellaneous legal services. The remainder relate to filing fees and news releases. Legal and filing fees incurred during the comparative twelve-month period relates to news releases issued in during the quarter, as well as nominal legal fees relating to the audited financial statements.

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5. Liquidity and Capital Resources

The Company's working capital position at September 30, 2020 was \$953,530 (September 30, 2019 - \$527,136), an increase of \$426,394. Significant changes to working capital are discussed below:

- The Company consumed \$464,033 in operating activities during the year ended September 30, 2020 (\$166,967 – September 30, 2019). Increases in operational expenditures are described above in Section 4) "Operating results".
- An increase in the fair market value of the short-term investments from September 30, 2019 to September 30, 2020, resulted in a net gain of \$164,065 (2019 - \$122,819)
- During the year ended September 30, 2020, the Company disposed of 200,000 Spruce Ridge shares for cash proceeds of \$15,433 net of commissions and 50,000 Canada Nickel Co. Inc. for cash proceeds of \$77,117 net of commissions. During the year ended September 30, 2019, the Company sold 166,500 Spruce Ridge Resources shares resulting in a realized gain of \$3,902 and a cash inflow of \$18,955, net of commissions. Refer to Note 6 – "Short-term investments" to Audited Consolidated Financial Statements dated September 30, 2020 which accompany this document.
- The company invested \$767,447, (2019 - \$250,945) in exploration and evaluation assets for exploration activities including \$752,100 (2019 - \$68,300) related to the Gold Range Property, Arizona, USA, \$500 (2019 - \$176,300) related to the Gibson Prospect, \$14,800, (2019 - \$6,100) related to the Echo, Fulton, Red and Beal Properties in British Columbia and \$Nil (2019 - \$200) related to the Cariboo Gold property in British Columbia. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements dated September 30, 2020 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 aggregate gross proceeds of \$606,000.
- November 13, 2019, 100,000 options exercisable at \$0.06 per share, expiring June 26, 2020, were exercised for total proceeds of \$6,000. Refer to Section 6) "Financing" below for further information.
- During the year ended September 30, 2020, 3,000,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022 were exercised for total proceeds of \$240,000 and 181,583 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised for total proceeds of \$9,079.
- On April 7, 2020, the Company completed a non-brokered private placement share issue for aggregate gross proceeds of 600,039 (refer to Section 6) "Financing" and Section 13) "Share capital and equity reserves").
- During the three-month period ended September 30, 2020, 150,000 options exercisable at \$0.06 per share, expiring June 26, 2022, were exercised for total proceeds of \$9,000.
- On October 16, 2018, the Company completed a non-brokered private placement share and warrant issue for aggregate gross proceeds of \$115,000. On June 6, 2019, the Company completed a private placement share and warrant issue for aggregate gross proceeds of \$220,000.
- The Company also incurred \$15,402 (2019 - \$17,684) in cash share issuance costs on account of share transactions during the year ended September 30, 2020.

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 15, 2020, 2,300,000, warrants, expiring October 20, 2020, were exercised for total proceeds of \$230,000. The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature of operations and continuance of operations" to the Audited Consolidated Financial Statements for the year ended September 30, 2020 that accompanies this document.

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6. Financing

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.

During February, 2020, 2,900,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022 were exercised for total proceeds of \$232,000 and 69,334 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised for total proceeds of \$3,467.

On February 27, 2020, the Company issued 121,951 common shares valued at \$25,000 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements on September 30, 2020 which accompany this document and Section 3) "Mineral Properties – Gibson Prospect, British Columbia" for more information.

On March 3, 2020, 103,999 warrants exercisable at \$0.05 per share, expiring June 6, 2022, were exercised for total proceeds of \$5,200

On April 7, 2020, the Company closed a non-brokered private placement share issuance of 6,667,100 common shares issued at \$0.09 per share for gross aggregate proceeds of \$600,039.

On July 9, 2020, 8,250 warrants exercisable at \$0.05 per share were exercised for total proceeds of \$412.

On August 27, 2020, 150,000 options exercisable at \$0.06 per share, expiring June 26, 2020, were exercised for total proceeds of \$9,000.

On October 15, 2020, 2,300,000 warrants exercisable at \$0.10 per share, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Subsequent to September 30, 2020 and up to December 17, 2020, the date of this report, there were no further shares issued, and none cancelled and returned to treasury

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 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements on September 30, 2020 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 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements on September 30, 2020 which accompany this document and Section 3) "Mineral Properties – Gibson Prospect, British Columbia" for more information.

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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 has entered into a lease for office space commencing August 1, 2020 terminating August 31, 2020. As at September 30, 2020, the contractual cash obligations for the following five fiscal years are as follows:

| <u>Nature of obligation</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Office lease | 17,226 | - | - | - | - |

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 31, 2021 | - | 500,000 | - | - |
| Following the completion of the Expenditure Commitment | 1,240,000 | - | - | - |
| On or before March 9, 2021 | - | - | 25,000 | 50,000 |
| Total remaining commitment | 1,240,000 | 500,000 | 25,000 | 50,000** |

* - included in total minimum exploration expenditure commitments

** - as at September 30, 2020, 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.

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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. On July 16, 2020, the Company was granted a further extension to meet its minimum exploration expenditures by July 15, 2020 to November 30, 2020. All other terms of the agreement remain unchanged.

c) 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 | Minimum Exploration Expenditures |
|---|------------------------|---|
| | US\$ | US\$ |
| 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 | 65,000 | 70,000 |
| Exploration expenditures to September 30, 2020 | - | 797,300 |
| Total remaining commitment as of September 30, 2020 | 65,000 | - |

The committed option payments and exploration expenditures of US\$65,000 would equate to CDN\$86,704 using the September 30, 2020 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\$8,670.

d) On February 24, 2020, the Company's wholly owned subsidiary, Canexco Inc., entered into an arm's length Option Agreement to acquire a 100% interest in the Never Get Left Claim, Mohave County, Arizona, USA from Onyx Exploration Inc.

As at June 30, 2020, under the terms of the Agreement, the Company is committed to the following cash payments:

| Due date | Option Payments |
|---|----------------------------|
| | US\$ |
| February 24, 2021 | 15,000 |
| February 24, 2022 | 15,000 |
| February 24, 2023 | 20,000 |
| February 24, 2024 | 30,000 |
| Total committed cash payments and minimum exploration expenditures | 80,000 |

The remaining committed option payments of US\$80,000 would equate to CDN\$106,712 using the September 30, 2020 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 \$10,671.

8. Exploration Expenditures

Refer to "Exploration and evaluation assets," Note 7 to the Audited Consolidated Financial Statements dated September 30, 2020.

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9. Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10. Selected Annual financial Information

The following selected financial data has been extracted from the Audited Consolidated Financial Statements, for the fiscal years ended September 30, 2020, 2019, and 2018 and should be read in conjunction with those Audited Consolidated Financial Statements.

| For the years ended or as at September 30 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Financial Results | \$ | \$ | \$ |
| Interest and other income (loss) | (852) | 809 | 290 |
| Net income (loss) and comprehensive income (loss) for the year | (198,040) | (113,432) | 57,732 |
| Basic and diluted earnings (loss) per share | 0.00 | 0.00 | 0.00 |
| Financial Position | | | |
| Working capital | 953,530 | 527,136 | 496,388 |
| Total assets | 2,489,623 | 1,110,086 | 730,801 |
| Capital stock | 15,747,739 | 14,243,517 | 13,835,176 |
| Reserves | 2,067,399 | 2,054,488 | 1,983,697 |
| Deficit | (15,447,993) | (15,249,953) | (15,136,521) |

Included in the income for 2020 is an impairment of mineral properties aggregating \$17,847, (2019 - \$11,563, 2018 - \$Nil). Other Comprehensive Income (Loss) pertaining to the revaluation of marketable securities from period to period resulted in a gain of \$164,065 in 2020 (2019 - \$122,818, 2018 - \$520,288) and dividends of \$98,575 (2019 - \$Nil, 2018 - \$Nil) being included in Net and Comprehensive Income (Loss).

11. Selected Quarterly Financial Information

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

| Three months ended | Sep 30 2020 (Q4 2020) | Jun 30 2020 (Q3 2020) | Mar 31 2020 (Q2 2020) | 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) |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Loss before recovery (impairment) of exploration and evaluation assets | (84,258) | (102,092) | (125,505) | (157,591) | (124,785) | (36,982) | (31,162) | (36,469) |
| Impairment of exploration and evaluation assets | 4,450 | - | (22,297) | - | (11,563) | - | - | - |
| Loss before other items | (79,808) | (102,092) | (147,802) | (157,591) | (136,348) | (36,982) | (31,162) | (36,469) |
| Dividend income | 98,575 | - | - | - | - | - | - | - |
| Interest and other income | (1,537) | 370 | 237 | 78 | 39 | 147 | 555 | 69 |
| Gain (loss) on short-term investments | 128,998 | 200,351 | (114,130) | (23,689) | 115,882 | (58,520) | 10,757 | 58,600 |
| Comprehensive profit (loss) | 146,228 | 98,629 | (261,695) | (181,202) | (20,427) | (95,355) | (19,850) | 22,200 |
| Basic and diluted earnings (loss) per share | 0.00 | 0.00 | (0.01) | 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.

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Q1, Q2, Q3 and Q4 2020 loss before impairment include higher administrative consulting fees, office and secretarial fees, and travel and promotion expenditures as described in Section 4) "Operating results, General and administrative expenses". Q1 2020 loss before impairment of exploration and evaluation also includes stock option compensation of \$37,417 for the issuance of 710,000 options granted to consultants. 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 in 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. Q4 2020 recovery is related to the British Columbia Mining Exploration Tax credit applied for at September 30, 2020 on account of the Echo property, British Columbia (refer to Section 3) "Mineral properties – Echo, Fulton, Red and Beal properties, British Columbia).

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

12. Directors and Officers

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

(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, CGA as the Chief Financial Officer replacing Douglas Porter.

13. Related Party Transactions and Key Management Remuneration

Related party transactions for the years ended September 30, 2020 and 2019 are disclosed and explained in Note 17 to the Audited Consolidated Financial Statements for the year ended September 30, 2020 that accompany this MD&A.

14. Share Capital and Equity Reserves

Refer to Note 11 to the financial statements and the Consolidated Statement of Equity for common share capital, stock option and warrant transactions during the year ended September 30, 2020 and balances as at that date.

On October 15, 2020, 2,300,000 warrants exercisable at \$0.10 per share, expiring October 20, 2020, were exercised for total proceeds of \$230,000. There were no other share capital, stock option or warrant transactions subsequent to September 30, 2020 and prior to December 17, 2020, the date of this report.

15. Financial Instruments

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

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It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these 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.

The Company undertakes transactions denominated in US currency through its exploration in the US; consequently, it is exposed to exchange rate fluctuations. The Company will acquire US funds from time to time to settle US\$ denominated liabilities. The Company had US\$76,844, (CDN\$102,502) in a US denominated bank account at September 30, 2020. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of CDN\$10,250. Additionally, at September 30, 2020, accounts payable and accrued liabilities include liabilities of US\$24,933 (CDN\$33,258) (September 30, 2019 – US\$Nil (CDN\$Nil)), that must be settled in US\$. The effect of a foreign currency increase or decrease of 10% on this liability would result in an increase or decrease of CDN\$3,326 (September 30, 2019 – CDN\$Nil).

16. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, and mining exploration tax credit receivable. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at September 30, 2020 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 Company is continually investigating financing options. On October 15, 2020, 2,300,000, warrants, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Refer to Section 6) "Financing" for further details. The Company feels that it has sufficient working capital to finance general and administrative and other operating expenses for 12 months assuming similar activity levels to the previous year. Additional financing may be required to fund new property acquisitions and future exploration programs. Refer to Note 1 – "Nature of operations and continuance of operations" on the Consolidated Financial Statements, September 30, 2020.

c) Market risk

The Company's equity investments are subject to market price risk. These investments were received as partial proceeds for the sale of mineral property interests. The Company does not invest excess cash in equity investments. The investments in common shares and warrants are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price or value of these investments can vary from period to period. During the year ended September 30, 2020, the market price fluctuation on the investments held resulted in a net gain of \$164,065, (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 \$55,127 (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.

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e) Foreign exchange risk

The Company undertakes transactions in US currency; consequently, it is exposed to exchange rate fluctuations. The Company has disclosed US\$ commitments pertaining to an option agreement in Note 7 – “Exploration and evaluation assets” to the Audited Financial Statements dated September 30, 2020 which accompany this MD&A and Section 7) Contractual obligations d). The Company had US\$76,844, (CDN\$102,502) (2019 - US\$Nil) in a US denominated bank account at September 30, 2020. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of CDN\$10,250. Additionally, at September 30, 2020, accounts payable and accrued liabilities include liabilities of US\$26,890 (CDN\$33,258) (September 30, 2019 – US\$Nil (CDN\$Nil)), that must be settled in US\$. The effect of a foreign currency increase or decrease of 10% on this liability would result in an increase or decrease of CDN\$3,326 (September 30, 2019 – CDN\$Nil).

17. Outlook

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

- 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 have provided working capital for the Company’s operations as well as fund continuing exploration of the Gold Range property in Arizona. During fiscal 2020, options and warrants were exercised for gross proceeds of \$6,000 and \$248,600 respectively adding to the Company’s working capital position. As well, on April 7, 2020, the Company closed a non-brokered private placement issuing 6,667,100 common shares for aggregate gross proceeds of \$600,039 further bolstering the Company’s treasury.
- During fiscal 2019 and 2020, 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. To date exploration programs have 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. The results of these exploration programs have been positive, despite being temporarily curtailed due to travel restrictions as a result of COVID-19 (refer to Section 21) “Novel coronavirus pandemic. On July 2, 2020, the Company resumed exploration at Gold Range as travel restrictions were lifted and work resumed in the area. This fieldwork program included soil sampling and a program of trenching, mapping and rock sampling, with the objective of testing and advancing multiple new target areas and preparing select targets for drill testing. A drilling program was also conducted in Q4 2020. The 2020 summer programs were completed by September 30, 2020.
- 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. On July 16, 2020 the Company was granted a further extension to November 30, 2020 and was subsequently granted a further extension to July 31, 2021 (refer to Section 3) “Mineral properties, Gibson Prospect, British Columbia” and Section 7) Contractual Obligations of this document). Throughout fiscal 2019 and 2020, the Company has continued to meet its contractual obligations except as noted above.
- 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, 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.

18. Risks

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

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

- **Exploration, development and operating risks**
The Company is in the process of exploring its properties and has not yet determined whether its properties contain economically recoverable reserves and, therefore, does not generate any revenues from production. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its properties, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.
- **Substantial capital requirements and liquidity**
Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operation and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.
- **Fluctuating mineral prices**
The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation. Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Company's properties.
- **Regulatory, permit and license requirements**
The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws,

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regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on the Properties will be obtainable on a reasonable terms, or that such laws and regulation will not have an adverse effect on any exploration or development project which the Company might undertake.

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

- **Financing risks and dilution to shareholders**

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

- **Title to properties**

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

- **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

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produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increase capital expenditures and operating costs.

- **Conflicts of interest**

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

- **Uninsurable risks**

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

- **Litigation**

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

19. Critical Accounting Estimates

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

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

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can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested, or warrants issued, during the year.

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

20. New Accounting Policies

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods after 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:

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. The Company has entered into a new lease commencing August 1, 2020 and terminating August 31, 2021. Due to the short-term nature of the lease, 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 that are not subject to recognition exemptions.

21. Novel coronavirus pandemic

In early January 2020, a human infection originating in China was traced to a novel strain of coronavirus. The virus has subsequently spread to other parts of the world including North America and Europe and has caused unprecedented disruptions in the global economy as efforts to contain the spread of the virus have intensified. On March 11, 2020, the World Health Organization declared this outbreak of coronavirus ("COVID-19") as a pandemic and it continues to spread throughout North America. The full extent and duration of the impact of COVID-19 on the Company's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others. The March 2020 exploration program on the Gold Range Property, Arizona, was ended prior to completion to comply with health and travel advisories related to COVID-19. Commencing July 2, 2020, the Company continued its planned exploration programs for the summer of 2020, (refer to Note 7 – "Exploration and evaluation assets" to the Audited Consolidated Financial Statements at September 30, 2020 which accompany this document) as previously imposed travel restrictions as a result of COVID-19 were lifted and the company has determined that work could safely resume in the targeted areas. The summer 2020 exploration program was completed by September 30, 2020.

22. Subsequent events

On October 15, 2020, 2,300,000, warrants expiring October 20, 2020, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Refer to Note 12 – "Share capital, stock options and warrants" for further details.

Subsequent to September 30, 2020 and prior to the date of this report, the Company disposed of 20,000 Commander Resources Ltd. Shares for cash proceeds of \$2,540 net of commissions, 31,500 Maple Gold

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Mines Ltd shares for cash proceeds of \$10,560 net of commissions and 29,867 Canada Nickel Co. Inc. shares for cash proceeds of \$59,139 net of commissions.

On November 24, 2020, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 on the Gibson Prospect, British Columbia from November 30, 2020 to July 31, 2021. All other terms of the agreement remain unchanged, (refer to Section 3) "Mineral properties, Gibson Prospect, British Columbia").

On December 11, 2020, the Company announced a non-brokered financing for 17,000,000 common shares to be issued at \$0.10 per share for gross proceeds of \$1,700,000. The shares will be offered on a non-brokered basis by way of private placement to accredited investors and any securities issued will be subject to a hold period of four months plus one day from the date of closing. This financing is subject to TSX Venture Exchange and regulatory approval. Proceeds of the financing will be used to drill test and further explore the Gold Range Property and for general working capital. Commission may be paid on a portion of the financing.

23. Other

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