

---

**CANEX Metals Inc.**  
**Consolidated Financial Statements**  
(Expressed in Canadian Dollars)  
September 30, 2021 and 2020

---

---

<b>Contents</b>	<b>Page</b>
Auditor's Report	2
Consolidated Statements of Financial Position	5
Consolidated Statements of Loss and Comprehensive Loss	6
Consolidated Statements of Cash Flows	7
Consolidated Statement of Changes in Equity	8
Notes to the Consolidated Financial Statements	9



Tel: 403 266 5608  
Fax: 403 233 7833  
www.bdo.ca

BDO Canada LLP  
903 - 8<sup>th</sup> Avenue SW, Suite 620  
Calgary AB T2P 0P7  
Canada

---

## 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, 2021 and 2020, 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, 2021 and 2020, 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 \$805,515 during the year ended September 30, 2021 and, as of that date, accumulated deficit of \$16,253,508. 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 22, 2021

# CANEX Metals Inc.

## Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30

	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	\$ 1,198,099	\$ 448,978
Accounts receivable (Note 5)	5,248	7,498
Mining exploration tax credit receivable (Note 16)	-	4,450
Prepaid expenses	70,417	36,811
Short-term investments (Note 6)	619,686	551,271
	<u>1,893,450</u>	<u>1,049,008</u>
<b>Non-current Assets</b>		
Exploration and evaluation asset advances and deposits (Note 7)	37,874	37,874
Exploration and evaluation assets (Note 7)	1,947,701	1,411,604
Equipment (Note 8)	30	48
	<u>1,985,605</u>	<u>1,449,526</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,879,055</b>	<b>\$ 2,498,534</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 186,395	\$ 98,089
<b>Non-current Liabilities</b>		
Decommissioning obligation (Note 10)	47,306	33,300
<b>TOTAL LIABILITIES</b>	<b>233,701</b>	<b>131,389</b>
<b>EQUITY</b>		
Share capital (Note 11)	17,789,834	15,747,739
Reserves	2,109,028	2,067,399
Deficit	(16,253,508)	(15,447,993)
<b>TOTAL EQUITY</b>	<b>3,645,354</b>	<b>2,367,145</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 3,879,055</b>	<b>\$ 2,498,534</b>

**Nature of operations and continuance of operations** (Note 1)

**Subsequent events** (Note 23)

**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

	2021	2020
<b>Expenses</b>		
General and administrative (Note 13)	\$ (449,531)	\$ (408,622)
Reporting to shareholders	(18,466)	(4,984)
Professional fees	(44,435)	(39,504)
Stock exchange and transfer agent fees	(12,348)	(10,136)
Depreciation	(18)	(31)
Pre-acquisition costs	-	(6,169)
Impairment (Note 7)	(473,527)	(17,847)
<b>Loss before other items</b>	<b>(998,325)</b>	<b>(487,293)</b>
<b>Other items</b>		
Dividend income	-	98,575
Interest and other	2,769	(852)
Gain from short-term investments	190,041	191,530
	<b>192,810</b>	<b>289,253</b>
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (805,515)</b>	<b>\$ (198,040)</b>
<b>Basic and diluted loss per share</b> (Note 15)	<b>\$ (0.01)</b>	<b>\$ 0.00</b>
<b>Weighted average shares outstanding - basic and diluted</b> (Note 15)	<b>68,164,460</b>	<b>47,497,321</b>

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

	2021	2020
<b>Decrease in cash and cash equivalents</b>		
<b>Operating activities</b>		
Cash paid to suppliers and contractors (Note 18)	\$ (481,982)	\$ (464,033)
<b>Cash used in operating activities</b>	<b>(481,982)</b>	<b>(464,033)</b>
<b>Investing activities</b>		
Interest and other items (expended) received	2,769	(852)
Cash received on sale of short-term investments	121,626	92,550
Cash received from government grants	4,450	-
Cash expended on exploration and evaluation assets (Note 18)	(797,342)	(767,447)
Cash expended on exploration advances and deposits	-	(305)
<b>Cash used by investing activities</b>	<b>(668,497)</b>	<b>(676,054)</b>
<b>Financing activities</b>		
Share capital and warrant issue proceeds	1,700,000	1,206,039
Options exercised	-	15,000
Warrants exercised	230,000	249,079
Cash share issuance and transaction costs	(30,400)	(15,402)
<b>Cash provided by financing activities</b>	<b>1,899,600</b>	<b>1,454,716</b>
<b>Increase in cash and cash equivalents</b>	<b>749,121</b>	<b>314,629</b>
<b>Cash (Note 4):</b>		
Beginning of period	448,978	134,349
End of period	\$ 1,198,099	\$ 448,978

### Supplementary information: Interest and taxes

No cash was expended on interest or taxes during the years ended September 30, 2021 and September 30, 2020.

### Non-cash transactions 2021

During the year ended September 30, 2021, the Company issued 185,185 common shares valued at \$25,000 pursuant to an option agreement on the Gibson property. Additionally, the Company issued 750,000 common shares pursuant to an option agreement on the Gold Range Property. (See Note 7 – “Exploration and evaluation assets” for more information).

The Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$74,749 that is included in general and administrative expenses (Note 13). Refer to Note 14 – “Share-based compensation transactions” for further information.

### 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.

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	
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, September 30, 2019</b>	<b>14,243,517</b>	<b>123,716</b>	<b>44,695</b>	<b>1,886,077</b>	<b>2,054,488</b>	<b>(15,249,953)</b>	<b>1,048,052</b>
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)
Warrants exercised	904	-	(492)	-	(492)	-	412
Option exercised	17,235	(8,235)	-	-	(8,235)	-	9,000
Share issuance costs	(340)	-	-	-	-	-	(340)
<b>Balance, September 30, 2020</b>	<b>15,747,739</b>	<b>147,408</b>	<b>33,914</b>	<b>1,886,077</b>	<b>2,067,399</b>	<b>(15,447,993)</b>	<b>2,367,145</b>
Net and comprehensive loss for the year	-	-	-	-	-	(805,515)	(805,515)
Warrants exercised	230,000	-	-	-	-	-	230,000
Share issuance – January 2021	1,700,000	-	-	-	-	-	1,700,000
Share issuance – property acquisition (Note 7)	25,000	-	-	-	-	-	25,000
Warrants expired – March 2021	33,120	-	(33,120)	-	(33,120)	-	-
Share issuance – property acquisition (Note 7)	84,375	-	-	-	-	-	84,375
Options issued – July 2021	-	74,749	-	-	74,749	-	74,749
Share issuance costs	(30,400)	-	-	-	-	-	(30,400)
<b>Balance, September 30, 2021</b>	<b>17,789,834</b>	<b>222,157</b>	<b>794</b>	<b>1,886,077</b>	<b>2,109,028</b>	<b>(16,253,508)</b>	<b>3,645,354</b>

\*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, 2021 and 2020

---

### **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 \$805,515 during the year ended September 30, 2021. The Company has a deficit of \$16,253,508 at September 30, 2021. Operating expenses beyond September 30, 2022, increases in expenditures over budget for the twelve month period ended September 30, 2022, 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, 2021 and 2020, using the significant accounting policies outlined in Note 3. The consolidated statements were authorized for issue by the board of directors on December 22, 2021.

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.

### **3. Significant accounting policies**

#### **a) New accounting policies**

CANEX did not adopt any new accounting policies during the year ended September 30, 2021.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 3. Significant accounting policies (continued)

#### b) Financial Instruments

The Company's financial instruments consist of the following:

<b>Financial Assets</b>	<b>Classification</b>
Cash	Financial asset measured at amortized cost
Accounts receivable	Financial asset measured at amortized cost
Short-term investments	Financial asset measured at fair value

<b>Financial Liabilities</b>	<b>Classification</b>
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 assets 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.

#### 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

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 3. Significant accounting policies (continued)

#### b) Financial Instruments (continued)

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.

#### 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,

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 3. Significant accounting policies (continued)

#### e) Exploration and evaluation assets (continued)

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 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.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 3. Significant accounting policies (continued)

#### e) Exploration and evaluation assets (continued)

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).

#### 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

---

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 3. Significant accounting policies (continued)

#### h) Foreign currencies (continued)

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.

#### 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.

# **CANEX Metals Inc.**

## **Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### **3. Significant accounting policies (continued)**

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

---



# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 4. Cash

Cash is comprised of:

	Sept 30, 2021	Sept 30, 2020
Current bank accounts	\$ 881,132	\$ 269,361
Cash investment accounts	-	77,115
Cash held in foreign currencies	316,967	102,502
	\$ 1,198,099	\$ 448,978

### 5. Accounts receivable

	Sept 30, 2021	Sept 30, 2020
Trade receivables	\$ -	\$ 656
Due from related parties	237	246
Sales tax receivables	5,011	6,596
	\$ 5,248	\$ 7,498

### 6. Short-term investments

	Sept 30, 2021	Sept 30, 2020
<b>Spruce Ridge Resources Ltd.</b>		
<b>Common shares</b> (Sept 30, 2021 – 5,633,500, Sept 30, 2020 – 5,633,500)	\$ 619,686	\$ 450,680
<b>Commander Resources Ltd.</b>		
<b>Common shares</b> (Sept 30, 2021 – nil, Sept 30, 2020 – 20,000)	-	2,200
<b>Maple Gold Mines Ltd.</b>		
<b>Common shares</b> (Sept 30, 2021 – nil, Sept 30, 2020 – 31,500)	-	4,568
<b>Canada Nickel Co. Inc.</b>		
<b>Common shares</b> (Sept. 30, 2021– nil, Sept 30, 2020 – 54,867)	-	93,823
	\$ 619,686	\$ 551,271

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, 2021 and September 30, 2020.

During the year ended September 30, 2021, the Company disposed of 20,000 Commander Resources Ltd. shares, 31,500 Maple Gold Mines Ltd. Shares and 54,867 Canada Nickel Co. Inc. shares for net cash proceeds of \$2,540, \$10,560 and \$108,526 respectively.

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.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 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 (\$13,405), on June 6, 2020, the Company paid US\$15,000 (\$20,306) and on June 1, 2021, the Company paid US\$15,000 (\$18,423) 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.

As at September 30, 2021, 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, 2022	20,000	20,000
June 11, 2023	30,000	30,000
<b>Total committed cash payments and minimum exploration expenditures</b>	50,000	50,000
<b>Exploration expenditures to September 30, 2021</b>	-	(1,190,800)
<b>Total remaining commitment as of September 30, 2021</b>	50,000	-

The remaining committed option payments of US\$50,000 would equate to \$63,705 using the September 30, 2021 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 \$6,371.

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 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 (\$13,397) and on February 18, 2021, the Company paid US\$15,000 (\$19,063) 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

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

#### Gold Range Property, Arizona, USA (continued)

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, 2021, under the terms of the Agreement, the Company is committed to the following cash payments:

	<b>Option Payments US\$</b>
<b>Due date</b>	
February 24, 2022	15,000
February 24, 2023	20,000
February 24, 2024	30,000
<b>Total committed cash payments</b>	<b>65,000</b>

The remaining committed option payments of US\$65,000 would equate to \$82,817 using the September 30, 2021 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 \$8,282.

On January 12, 2021, the Company and its wholly owned subsidiary, Canexco Inc., signed a Letter of Intent ("LOI") allowing the Company to earn into the Excelsior Mine Property ("the Property") from a private vendor over 3 stages. The definitive agreement was signed on June 2, 2021 and received TSXV approval on June 17, 2021. During stage 1, CANEX can earn a 25% interest in the Property by issuing 750,000 common shares of CANEX and spending US\$500,000 on exploration. During stage 2, CANEX can earn 51% interest in the Property by issuing 1 million shares of CANEX, spending US\$2,000,000 and paying a bonus payment equivalent to 1% of the gold price on recoverable gold equivalent ounces defined in the measured and indicated resource categories. Stages 1 and 2 must be completed over 2.5 years. On June 25, 2021, the Company issued 750,000 common shares valued at \$84,375, in accordance with the agreement.

During stage 3 CANEX can earn a 90% interest in the Property by issuing 1,000,000 CANEX shares and spending US\$2,000,000 on exploration and development including an economic study. To complete the stage 3 earn in CANEX must make another bonus payment to the Vendors equivalent to 1.5% of the gold price on recoverable gold equivalent ounces defined in the proven and probable reserve categories.

CANEX has 2 years to complete the stage 3 earn in once Stage 2 is complete. Once CANEX has earned a 90% interest in the Property, the Vendors can elect to maintain their 10% ownership by contributing their 10% share to exploration and development or to give up 100% ownership to CANEX and revert to a 1.5% NSR.

As at September 30, 2021, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

	<b>Option payments (Common Shares)</b>	<b>Minimum exploration expenditures (US\$)</b>	<b>Earn in on completion of obligation (%)</b>
Stage 1	750,000	500,000	25
Stage 2	1,000,000	2,000,000	26
Stage 3	1,000,000	2,000,000	39
Total	2,750,000	4,500,000	90
Less obligations fulfilled to September 30, 2021	(750,000)	(374,000)	-
Total remaining commitments to September 30, 2021	2,000,000	4,126,000	

# **CANEX Metals Inc.**

## **Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

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

The remaining committed minimum exploration expenditures of US\$4,126,000 equate to \$5,256,937 using the September 30, 2021 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 \$525,694.

As at September 30, 2021, the Company holds 202 lode mining claims and 2 patented claims (1,504 hectares) in respect of the Gold Range Property, including acquisitions via the option agreements noted above 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, 2021 are \$1,947,701 and \$nil respectively (September 30, 2020 - \$963,577 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, on February 27, 2020, the Company issued 121,951 shares to Steven Scott valued at \$25,000 and on February 26, 2021, the Company issued 185,185 common shares to Steven Scott valued at \$25,000 pursuant to the Underlying Agreement. Under the terms of the underlying agreement with Steven Scott, effective February 26, 2021, the Company has fulfilled its obligations with respect to cash or cash equivalent payments and minimum exploration expenditures. 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. The Company was subsequently granted further extensions to meet its minimum exploration expenditures of \$500,000. The agreement has been amended to allow the Company to meet minimum exploration expenditures by August 30, 2022. All other terms of the agreement remain unchanged. As at September 30, 2021, the Company has determined that further exploration of the Gibson Prospect will not be a priority unless a third party partner can be found to further the exploration program. However, the Company, will continue to hold the property claims which will expire between February 2022 and January 2029. Accordingly, the Company has impaired the full amount of exploration expenditures to September 30, 2021. The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2021 are \$473,527 and \$473,527, respectively (September 30, 2020 - \$448,027 and \$nil).

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

#### Gibson Prospect, British Columbia (continued)

As at September 30, 2021, 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:	Altius	
	Share issues	Minimum exploration expenditures (1)
		(\$)
Expenditure Commitment on or before August 30, 2022	-	500,000
Following the completion of the Expenditure Commitment	1,240,000	-
Total	1,240,000	500,000

(1) As at September 30, 2021, the Company has incurred exploration expenditures of \$293,500

Prior to 2019, Shane Ebert through his company, Vector Resources Inc. (see Note 17 - "Related parties and transactions and key management remuneration"), provided 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, named Ace, Echo, Fulton, Red and Beal. The Ace property was subsequently dropped from the definitive agreement as exploration was conditional upon satisfactory resolution of a property access issue by August 15, 2018, which was not resolved. To earn a 100% interest in the remaining properties, the Company was required to spend a minimum of \$30,000 on exploration on or before September 21, 2019 and issue to Altius 500,000 common shares for each project. In addition, Altius would retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieved a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares would be issued to Altius.

The results from field programs conducted during fiscal 2019 did not support further exploration on the Fulton, Red and Beal properties. As a result, the Company returned the respective properties to the vendor and impaired the full amount of expenditures on each respective property as of September 30, 2019. However, the Company was granted an extension on the expenditure deadline to December 31, 2019 to allow the Company time to conduct further work and evaluations on the Echo property. 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, unable to identify clear targets for advancement, terminated the option, returning the Echo property to the vendor, 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, 2021 are \$23,001 and \$23,001 (September 30, 2020 - \$23,001 and \$23,001).

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

A summary of exploration and evaluation expenditures by category for the years ended September 30, 2021, and September 30, 2020 appear below:

		British Columbia	Arizona, USA
	Total	Gibson Property	Gold Range Property
	\$	\$	\$
<b>Year ended September 30, 2021</b>			
<b>Exploration expenditures:</b>			
Balance, September 30, 2020	1,026,751	220,531	806,220
Geological consulting	152,538	-	152,538
Field costs	31,246	-	31,246
Travel	20,887	-	20,887
Equipment rental	3,674	-	3,674
Geochemical	178,710	-	178,710
Excavating	8,367	-	8,367
Geophysical survey	192	-	192
Drilling	371,319	-	371,319
Decommissioning	14,006	-	14,006
Impairment	(220,531)	(220,531)	-
<b>Balance, September 30, 2021</b>	<b>1,587,159</b>	<b>-</b>	<b>1,587,159</b>
<b>Property acquisition costs</b>			
Balance, September 30, 2020	384,853	227,496	157,357
Acquisition costs incurred	228,685	25,500	203,185
Impairment	(252,996)	(252,996)	-
<b>Balance, September 30, 2021</b>	<b>360,542</b>	<b>-</b>	<b>360,542</b>
<b>Total exploration and evaluation assets, September 30, 2021</b>	<b>1,947,701</b>	<b>-</b>	<b>1,947,701</b>

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

Year ended September 30, 2020	British Columbia		Arizona, USA	
	Total	Gibson Property	Echo Property	Gold Range Property
	\$	\$	\$	\$
<b>Exploration expenditures:</b>				
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)	-
<b>Balance, September 30, 2020</b>	<b>1,026,751</b>	<b>220,531</b>	<b>-</b>	<b>806,220</b>
<b>Property acquisition costs</b>				
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)	-
<b>Balance, September 30, 2020</b>	<b>384,853</b>	<b>227,496</b>	<b>-</b>	<b>157,357</b>
<b>Total exploration and evaluation assets, September 30, 2020</b>	<b>1,411,604</b>	<b>448,027</b>	<b>-</b>	<b>963,577</b>

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, 2021, 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, 2020 - \$10,000 and 27,874 respectively).

### 8. Equipment

Cost	Computer equipment and software
<b>Balance at September 30, 2021 and 2020</b>	<b>\$ 9,685</b>
<b>Accumulated depreciation</b>	
Balance, September 30, 2020	9,637
Depreciation	18
<b>Balance September 30, 2021</b>	<b>\$ 9,655</b>
<b>Net book value</b>	
September 30, 2020	\$ 48
<b>September 30, 2021</b>	<b>\$ 30</b>

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 9. Accounts payable and accrued liabilities

	Sept 30, 2021	Sept 30, 2020
Trade payables	\$ 140,738	\$ 39,453
Due to related parties	18,146	33,124
Accrued liabilities	27,500	25,500
Commodity taxes payable	11	12
	<b>\$ 186,395</b>	<b>\$ 98,089</b>

### 10. Decommissioning obligation

Changes in the decommissioning obligation:

	Sept 30, 2021	Sept 30, 2020
Balance, beginning of year	\$ 33,300	\$ 27,000
Gold Range Property additions	14,006	6,300
Balance, end of year	<b>\$ 47,306</b>	<b>\$ 33,300</b>

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 0.53% (September 30, 2020 – 0.25%). The estimated total undiscounted amount, using an inflation rate of 2.77% (September 30, 2020 – 0.73%) for the year ended September 30, 2021 is \$49,964 (2020 - \$34,116). 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.

### 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 \$
<b>Balance, as at September 30, 2020</b>	<b>53,207,049</b>	<b>15,747,739</b>
Warrants exercised – October 15, 2020	2,300,000	230,000
Share issuance costs	-	(830)
Share issuance – January 7, 2021	16,292,500	1,629,250
Share issuance – January 11, 2021	707,500	70,750
Share issuance – property acquisition	185,185	25,000
Share issuance costs	-	(27,292)
Warrant expiry – March 23, 2021	-	33,120
Share issuance – property acquisition	750,000	84,375
Share issuance costs	-	(2,278)
<b>Balance, as at September 30, 2021</b>	<b>73,442,234</b>	<b>17,789,834</b>



# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

#### b) Issued and outstanding common share capital (continued)

	Shares	Value \$
<b>Balance, as at September 30, 2019</b>	<b>30,866,415</b>	<b>14,243,517</b>
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)
<b>Balance, as at September 30, 2020</b>	<b>53,207,049</b>	<b>15,747,739</b>

### 2021

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 exercised by related parties, comprised of officers and directors.

On January 7, 2021, the Company closed the first tranche of its non-brokered private placement, issuing 16,292,500 common shares at \$0.10 per share for aggregate gross proceeds of \$1,629,250. On January 11, 2021, the Company closed the final tranche of its non-brokered private placement, issuing 707,500 common shares at \$0.10 per share for aggregate gross proceeds of \$70,750. A total of \$16,500 was paid in finder's fees in connection with this financing.

On February 26, 2021, the Company issued 185,185 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 23, 2021, 460,000 warrants, exercisable at \$0.25 per share, expired without exercise.

On June 25, 2021, the Company issued 750,000 common shares valued at \$84,375 pursuant to option agreement on the Gold Range 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.

### 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.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

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

#### b) Issued and outstanding common share capital (continued)

On January 22, 2020, 100,000 warrants exercisable at \$0.08 per share 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 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, 2021 and up to December 22, 2021, the date of these financial statements, there were no shares issued, and none cancelled and returned to treasury.

#### c) Stock options outstanding

<u>Expiry</u>	<u>Number of options</u>		<u>Exercise Price</u>
	<u>Sept 30, 2021</u>	<u>Sept 30, 2020</u>	
June 26, 2022	925,000	925,000	\$0.06
July 27, 2024	1,575,000	-	\$0.15
September 23, 2024	1,200,000	1,200,000	\$0.06
October 4, 2024	710,000	710,000	\$0.055
	<u>4,410,000</u>	<u>2,835,000</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.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

#### d) Stock option transactions

	Number of options	Weighted average exercise price
<b>Balance, September 30, 2020</b>	2,835,000	\$0.059
Issued	1,575,000	\$0.15
<b>Balance, September 30, 2021</b>	4,410,000	\$0.091
	Number of options	Weighted average exercise price
<b>Balance, September 30, 2019</b>	2,375,000	\$0.06
Issued	710,000	\$0.055
Exercised	(250,000)	\$0.059
<b>Balance, September 30, 2020</b>	2,835,000	\$0.059

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, 2021 and up to December 22, 2021, the date of these financial statements, there were no stock options issued or exercised and none expired.

#### 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, 2021

Exercise Price	Expiry	Balance Sept 30, 2020	Warrants Exercised	Warrants Expired	Balance Sept 30, 2021
\$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	1,399,990	-	-	1,399,990
\$0.05	June 6, 2022	13,416	-	-	13,416
		4,173,406	(2,300,000)	(460,000)	1,413,406

##### 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

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

#### e) Warrant transactions and warrants outstanding (continued)

#### 2021

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 exercised by related parties and on March 23, 2021, 460,000 warrants exercisable at \$0.25 per share, expired without exercise.

#### 2020

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.

Subsequent to September 30, 2021 and up to December 22, 2021, the date of these financial statements no warrants were issued and none expired, nor were exercised.

### 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 following summarizes the categories of the various financial instruments:

	Sept 30, 2021	Sept 30, 2020
	Carrying Value	
<b>Financial Assets</b>		
<b>Financial assets measured at fair value:</b>		
Short-term investments	\$ 619,686	\$ 551,271
<b>Financial assets measured at amortized cost:</b>		
Cash	1,198,099	448,978
Accounts receivable	237	902
	\$ 1,198,336	\$ 449,880
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortized cost:</b>		
Accounts payable and accrued liabilities	\$ 186,384	\$ 98,077

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### 12. Financial instruments (continued)

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. At September 30, 2021, the Company had US\$248,777 (\$316,967) (2020 - US\$76,844 (\$102,502)) in a US denominated bank account. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of \$31,697 (2020 - \$10,250). Additionally, at September 30, 2021, accounts payable and accrued liabilities include liabilities of US\$106,101 (\$135,183) (2020 - US\$26,890 (\$35,869)), 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 \$13,518 (2020 - \$3,587) to the amount payable.

### 13. General and administrative

	Sept 30, 2021	Sept 30, 2020
Administrative consulting fees	\$ 234,026	\$ 264,691
Share-based compensation (Note 14)	74,749	37,416
Occupancy costs	18,789	18,347
Office, secretarial, supplies and other	56,628	50,087
Insurance	8,845	7,427
Directors' fees	3,600	2,700
Computer network and website maintenance	2,312	2,458
Travel and promotion	50,582	25,496
	<u>\$ 449,531</u>	<u>\$ 408,622</u>

### 14. Share-based payment transactions

During the year ended September 30, 2021, the Company issued 1,575,000 options that may be exercised at \$0.15 per share to July 27, 2024. The options were valued at \$74,749 using the Black-Scholes Options Pricing model assuming a 3-year term, volatility of 83.86%, a risk free discount rate of 0.55% and a dividend rate of 0%.

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%.

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 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:	2021	2020
Basic and Diluted	68,164,460	47,497,321
Loss per share		
Basic and diluted	\$ (0.01)	\$ 0.00

### 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:

	2021	2020
Income (loss) before income taxes	\$ (805,515)	\$ (198,040)
Computed expected expense (recovery) based on a combined rate of 23.00% (2020 – 24.75%)	(185,268)	(49,015)
Change resulting from:		
Differential tax rate of foreign jurisdiction	(676)	(49)
Non-deductible (taxable) items and other	(28,908)	(38,454)
Change in tax rate	-	5,466
Unrecognized deferred tax asset	214,852	107,779
Change in prior year estimates	-	(25,727)
Income tax expense	\$ -	\$ -

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

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 16. Income tax information (continued)

#### Temporary differences and tax loss not recognized for accounting purposes:

	2021	2020
Non-capital loss carry-forwards	\$ 3,617,692	\$ 3,216,870
Capital loss carry-forwards	782,935	782,935
Share issuance costs	41,042	25,564
US net operating loss	1,258,295	627,337
Property and equipment	18,300	18,281
Mineral properties	4,175,419	4,321,684
Short-term investments	(55,162)	14,003
Interest	4,696	3,175
Total	\$ 9,843,217	\$ 9,009,849

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2021, the Company had unused non-capital loss carry forwards of approximately \$3.62 million that expire between the years 2026 and 2041. Capital loss carry-forwards may be carried forward indefinitely. The Company has unused US net operating loss carry forwards of approximately \$988,000USD (\$1,258,000) (2020 - \$470,000USD (\$627,000)) that may be carried forward indefinitely.

During the year ended September 30, 2021, the Company applied for a British Columbia mining exploration tax credit in the amount of \$Nil (2020 - \$4,450) for qualified expenditures made in 2021 totalling \$Nil (2020 - \$14,835) relating to its British Columbia properties (see Note 7 - Exploration and evaluation assets).

### 17. Related party balances and transactions and key management remuneration

The Company is considered a related party to Jade Leader Corp. ("Jade Leader") 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 related parties. The Company incurred the following amounts charged to (by) related parties:

	Sept 30, 2021	Sept 30, 2020
<b>Key management remuneration</b>		
President and director	a \$ (73,500)	\$ (150,300)
Corporate secretary	b (41,160)	(34,826)
Chief Financial Officer	c (1,150)	(1,900)
Directors' fees	d (3,600)	(2,700)
Total Management remuneration	\$ (119,410)	\$ (189,726)
	Sept 30, 2021	Sept 30, 2020
<b>Other related party transactions</b>		
<b>Jade Leader</b>		
Office rent and operating costs paid	e \$ (18,789)	\$ (18,348)
General and administrative and secretarial costs paid	e \$ (5,971)	\$ (8,582)
General and administrative and secretarial costs received	e \$ 1,056	\$ 2,613
<b>635280 Alberta Ltd.</b>		
Geological consulting services	f \$ (1,563)	\$ (1,200)

# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

### 17. Related party balances and transactions and key management remuneration

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

Balances Receivable (Payable)		Sept 30, 2021	Sept 30, 2020
<b>Consulting fees:</b>			
President and director	a \$	(10,106)	\$ (27,313)
Chief Financial Officer	c \$	(1,208)	\$ -
<b>Exploration and evaluation assets</b>			
President and director	\$	(588)	\$ -
<b>Office rent and operating costs</b>			
Jade Leader	d \$	(4,932)	\$ (4,469)
<b>General and administrative and secretarial costs:</b>			
Jade Leader	d \$	(1,312)	\$ (1,342)
Jade Leader	d \$	237	\$ 246

Management compensation payable to "key management personnel" during the years ended September 30, 2021 and 2020 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, 2021, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$74,749, that is recorded in general administrative expenses (Note 14 - "Share based payment transactions"). 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"). There were no other benefits granted to officers, directors and consultants during the years ended September 30, 2021 and 2020. 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, 2021, \$35,100 (2020 - \$49,800) was expensed through administrative expenses, \$38,400 (2020 - \$100,500) was capitalized to exploration and evaluation assets.
- b) The Corporate Secretary provides services to the Company on a contract basis.
- c) The Chief Financial Officer provides services to the Company on a contract basis.
- d) Commencing January 1, 2021, the Company increased payments to directors who are not officers of the Company to \$500 for meeting attendance in person or by telephone. Prior to January 1, 2021, the Company paid directors who were not officers \$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' feed paid or 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 years ended September 30, 2021 and September 30, 2020, geological consulting services were provided by 635280 Alberta Ltd.



# CANEX Metals Inc.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

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

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. Supplemental disclosure statement of cash flows

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

	Sept 30, 2021	Sept 30, 2020
Loss and comprehensive loss	\$ (805,515)	\$ (198,040)
Depreciation	18	31
Stock-based compensation	74,749	37,416
Mineral property impairments	473,527	17,847
Dividend income	-	(98,575)
Interest and other items	(2,769)	852
Gain on short-term investments	(190,041)	(191,530)
Changes in assets and liabilities pertaining to operations:		
Accounts receivable	853	(3,952)
Prepaid expenses	(33,606)	(29,889)
Accounts payable and accrued liabilities	802	1,807
Cash paid to suppliers and contractors	\$ (481,982)	\$ (464,033)

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

	Sept 30, 2021	Sept 30, 2020
Change in exploration and evaluation assets	\$ (536,097)	\$ (901,336)
Property acquisition – Share issuance	109,375	25,000
Provision for decommissioning	14,006	6,300
Mineral property impairments	(473,527)	(17,847)
Changes in assets and liabilities pertaining to exploration and evaluation		
Mining exploration tax credit receivable	-	58,673
Accounts receivable	1,397	515
Accounts payable and accrued liabilities	87,504	61,248
Cash expended on exploration and evaluation assets	\$ (797,342)	\$ (767,447)

### 19. Segment disclosures

During the years ended September 30, 2021 and September 30, 2020, 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, 2021, the value of non-current assets associated with United States operations is \$1,975,575 (2020 - \$991,451) including exploration and evaluation asset advances and deposits of \$27,874 (2020 - \$27,874) and exploration and evaluation assets of \$1,947,701 (2020 - \$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.

# **CANEX Metals Inc.**

## **Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### **20. 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.

### **21. 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, 2021 and September 30, 2020.

#### **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. The Company also closed a private placement financing on January 11, 2021 for aggregate gross proceeds of \$1,700,000. 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, 2021 and 2020 are as follows:

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

# **CANEX Metals Inc.**

## **Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### **21. Financial risk management (continued)**

#### **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, 2021, the market price fluctuation on the investments held resulted in a net gain of \$138,330 (2020 - net gain of \$164,065) on short-term investments. In 2021, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$61,969 (2020 - \$55,127). 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 three option agreements in Note 7 – "Exploration and evaluation assets". Refer to Note 12 – "Financial instruments for the foreign exchange risk associated with the foreign denominated cash balances held, as well as accounts payable that must be settled in US\$ at September 30, 2021 and September 30, 2020.

### **22. Novel coronavirus pandemic**

In early January 2020, a human infection originating in China was traced to a novel strain of coronavirus. The virus subsequently spread to other parts of the world including North America and Europe, causing unprecedented disruptions in the global economy as efforts to contain the spread of the virus intensified. On March 11, 2020, the World Health Organization declared this outbreak of coronavirus ("COVID-19") as a pandemic as it spread throughout North America. 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 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. The Company was able to continue its fiscal 2021 planned exploration programs through out the year with minimal disruptions due to COVID-19. As the pandemic continues to spread throughout the world, 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.

# **CANEX Metals Inc.**

## **Notes to the Consolidated Financial Statements**

(Expressed in Canadian Dollars)

September 30, 2021 and 2020

---

### **23. Subsequent events**

On October 22, 2021 Spruce Ridge declared a dividend in-kind of common shares of Canada Nickel Company Inc. ("Canada Nickel" or "CNC") that was payable on or before November 5, 2021. The dividend was paid on October 29, 2021 to shareholders of Spruce Ridge at the close of business on October 29, 2021, the record date. One CNC share was paid under the dividend declared for every 71.14 Spruce Ridge shares held. At October 29, 2021, the Company held 5,633,500 Spruce Ridge shares. As a result, the Company received a dividend of 79,189 CNC shares at \$2.92 per share valued on October 29, 2021 for total value of \$231,232.

On November 12, 2021, the Company sold 39,189 CNC common shares for cash proceeds of \$108,948, net of commissions, on November 16, 2021, the Company sold an additional 20,000 CNC common shares for cash proceeds of \$62,534 net of commissions and on November 22, 2021, the Company sold the remaining 20,000 CNC common shares for cash proceeds of \$67,100 net of commissions.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

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, 2021. The information included in this MD&A, with an effective date of December 22, 2021, should be read in conjunction with the Consolidated Financial Statements as at and for the year ended September 30, 2021 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](http://www.sedar.com).

The Company's Consolidated Financial Statements for the year ended September 30, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as at and for the year ended September 30, 2021. 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, 2021. 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, 2021**

### **Gold Range Property, Arizona, USA**

- The Gold Range Property is located in Northern Arizona within an area that has seen historic lode and placer gold production but limited modern gold exploration. Since fiscal 2019, systematic fieldwork by the Company, including geological mapping, structural analyses, airborne geophysics, and surface rock and soil sampling has identified multiple gold exploration targets that are interpreted to be part of the same large mineralizing event.

The summer 2020 field program was completed 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 first 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. 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. On the back of drilling success, the Company staked an additional 47 claims extending the south and southeast part of the property.

The second drill program was conducted between January 28, 2021 and March 1, 2021, consisting of 34 drill holes across 2.5 kilometres of strike length along the southern portion of the Gold Range Property. In total, 2357.6 metres were drilled in holes ranging from 38 to 192 meters deep. 1642 drill samples were collected and submitted for assay. Fifteen holes were drilled at the Eldorado Zone to test and expand the Company's previously announced bulk tonnage oxide discovery, 5 holes tested various targets across the southern part of the property and 14 holes tested the Excelsior Mine area. By July 2021, all results were released for the 34 holes drilled in this program. Refer to News Releases 21-5 dated January 28, 2021, 21-6 dated March 1, 2021, 21-7 dated April 15, 2021, 21-8 dated April 26, 2021, 21-9 dated May 27, 2021, 21-11 dated June 7, 2021, 21-12 dated June 14, 2021, 21-13 dated June 28, 2021 and 21-14 dated July 6, 2021 for more information regarding the drill program and results.

During the second drill program 34 drill holes were completed on the Gold Range property and a new mineralized trend that is 3 kilometres long and potentially composed of multiple flat to moderately dipping mineralized zones showing substantial width potential was identified. Within this trend the Company has intersected significant widths of oxidized and mineralized material exceeding 1 g/t gold, with zones locally exceeding 2g/t gold. Results are highlighted by hole GR31-27 which returned 1.6 g/t gold over 35.1 metres including 2.2 g/t gold over 24.4 metres. The large size potential and strong grades provide a compelling exploration target which the Company plans to aggressively advance.

Additional metallurgical test work was conducted on 8 bottle roll samples achieving final cyanide soluble gold recoveries ranging from 94 to 99%, averaging 97%. The test work showed rapid leach kinetics with the majority of gold extracted with the first 6 hours, and maximum extraction almost complete within 24 hours. As well, sodium cyanide and lime consumption are well with acceptable levels and the overall results indicate Gold Range gold mineralization is well suited for heap leach recovery. These exceptional recoveries throughout the mineralized zone, demonstrate that the system could be amenable to heap leach processing and significantly de-risk the bulk tonnage heap-leach concept at Gold Range. For more information relating to these test results refer to News Release 21-16 dated September 8, 2021.

During Q4, 2021 the Company conducted a field program including additional geologic mapping, collecting soil samples and construction of drill pads in preparation for the third drilling program which

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

commenced in September 2021. The Company plans to drill up to 50 additional holes and 5,000 metres of drilling during this program and will initially focus on expanding high grade near surface mineralization identified at the Excelsior Zone, before expanding outward along the 3-kilometre-long mineralized trend linking the historical Excelsior, Malco and Eldorado Mines. The program is expected to run into December with assay results release in several batches as they become available. (Refer to News Release 21-17 dated September 14, 2021 for more information)

During Q2 2021, the Company made a US\$15,000 (CDN\$19,063) option payment in respect of the Never Get Left Claim in accordance with the terms of the option agreement. For more information, refer to Section 3) "Mineral properties – Gold Range, Arizona, USA" outlined below.

During Q3 2021, the Company made a US\$15,000 (CDN\$18,423) option payment in respect of the option agreement with a prospector. For more information, refer to Section 3) "Mineral properties – Gold Range, Arizona, USA" outlined below.

On January 12, 2021, the Company, through its 100% owned Arizona subsidiary Canexco Inc., signed a binding Letter of Intent to option the Excelsior Mine Property composed of 11 lode mining claims and 2 patented mining claims covering 3 past producing historic gold mines. The definitive agreement was signed on June 2, 2021 and received TSX Venture approval on June 17, 2021. On June 25, 2021, CANEX issued 750,000 common shares valued at \$84,375 in accordance with the terms of the agreement. The Excelsior Mine Property sits within the boundaries of the Gold Range Project. The agreement allows CANEX to earn a 90% interest in the Excelsior Mine Property by issuing 2,750,000 common shares and spending US\$4.5 million on exploration and development in 3 stages over 4.5 years. Refer to News Release NR21-10 dated June 3, 2021 for more information related to this transaction.

- 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
  - 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
  - CANEX stakes 47 additional claims – November 2020
  - Second drill program conducted – January 28 to March 1, 2021
  - Results from the second drill program released – April 15 to July 6, 2021
  - Excelsior Mine Property definitive option agreement signed – June 2, 2021
  - Results from metallurgical bottle roll testing – September 8, 2021
  - Commencement of third drill program – September 14, 2021
- For more information related to the fiscal 2020 and fiscal 2021 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, 20-22 dated November 16, 2020, 21-5 dated January 28, 2021, 21-6 dated March 1, 2021, 21-7 dated April 15, 2021, 21-8 dated

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

April 26, 2021, 21-9 dated May 27, 2021, 21-10 dated June 3, 2021, 21-11 dated June 7, 2021, 21-12 dated June 14, 2021, 21-13 dated June 28, 2021, 21-14 dated July 6, 2021, 21-15 dated July 29, 2021, 21-16 dated September 8, 2021 and 21-17 dated September 14, 2021.

**Gibson Prospect, British Columbia**

- On February 26, 2021, under the terms of an underlying option agreement with Steven Scott, the Company fulfilled its obligations with respect to cash or cash equivalent payments and minimum exploration expenditures, by issuing 185,185 common shares to Steven Scott valued at \$25,000. For more information, refer to Section 3) "Mineral properties – Gibson Prospect, British Columbia" below and Note 7 – "Exploration and evaluation assets, Gibson Prospect, British Columbia" to the audited consolidated financial statements for the year ended September 30, 2021.

**Corporate**

- 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.
- During the three-month period ended December 31, 2020, the Company disposed of 20,000 Commander Resources Ltd. shares, 31,500 Maple Gold Mines Ltd shares and 54,867 Canada Nickel Co. Inc. shares for net cash proceeds of \$2,540, \$10,560 and \$108,526, respectively further bolstering its treasury. (Refer to Note 6 - "Short-term investments" to the audited consolidated financial statements for the year ended September 30, 2021).
- On December 23, 2020, the Company held its Annual General Meeting ("AGM") approving its Financial Statements for the year ended September 30, 2019.
- On December 10 and 11, 2020, the Company announced a non-brokered equity financing for 17,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,700,000. The first tranche closed on January 7, 2021 for 16,292,500 common shares and gross proceeds of \$1,629,250. The final tranche closed on January 11, 2021 for 707,500 common shares and gross proceeds of \$70,750. Proceeds of the financing will be used to drill test and further explore the Gold Range Property and for general working capital.
- On July 27, 2021, the Company issued 1,575,000 options that may be exercised at \$0.15 per share to July 27, 2024. Refer to Note 14 – "Share-based payment transactions" to the Audited Consolidated Financial Statements for September 30, 2021 for more information.

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, 2021, the Company holds 201 lode mining claims and 2 patented claims (1,504 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 systematic modern lode gold exploration. The gross costs and impairments recorded to the Gold Range Property at September 30, 2021 are \$1,947,701 and \$nil, respectively (September 30, 2020 - \$963,577 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



**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

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 192 mining lode claims (1,415 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), on June 6, 2020, the Company paid US\$15,000 (CDN\$20,306) and on June 1, 2021, the Company paid US\$15,000 (CDN\$18,423) 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) b) "Contractual obligations" for the remaining commitments under the terms of the agreement at September 30, 2021.

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 option payments totaling US\$90,000 over four years. The Company paid US\$10,000 (CDN\$13,397) and US\$15,000 (CDN\$19,063) on February 24, 2020 and February 18, 2021, respectively, 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. Refer to Section 7) c) "Contractual obligations" for the remaining commitments under the terms of the agreement at September 30, 2021.

On January 12, 2021, the Company and its wholly owned subsidiary, Canexco Inc., signed a Letter of Intent ("LOI") allowing the Company to earn into the Excelsior Mine Property ("the Property") from a private vendor over 3 stages. The definitive agreement was signed on June 2, 2021 and received TSX-V approval on June 17, 2021. During stage 1, CANEX can earn a 25% interest in the Property by issuing 750,000 common shares of CANEX and spending US\$500,000 on exploration. During stage 2, CANEX can earn 51% interest in the Property by issuing 1 million shares of CANEX, spending US\$2,000,000 and paying a bonus payment equivalent to 1% of the gold price on recoverable gold equivalent ounces defined in the measured and indicated resource categories. Stages 1 and 2 must be completed over 2.5 years. On June 25, 2021, the Company issued 750,000 common shares valued at \$84,375, in accordance with the agreement.

During stage 3 CANEX can earn a 90% interest in the Property by issuing 1,000,000 CANEX shares and spending US\$2,000,000 on exploration and development including an economic study. To complete the stage 3 earn in CANEX must make another bonus payment to the Vendors equivalent to 1.5% of the gold price on recoverable gold equivalent ounces defined in the proven and probable reserve categories.

CANEX has 2 years to complete the stage 3 earn in once Stage 2 is complete. Once CANEX has earned a 90% interest in the Property, the Vendors can elect to maintain their 10% ownership by contributing their 10% share to exploration and development or to give up 100% ownership to CANEX and revert to a 1.5% NSR.

Refer to Section 7) d) "Contractual obligations" for the remaining commitments under the terms of the agreement at September 30, 2021.

CANEX first became interested in the Gold Range property in 2019, following the discovery of a quartz vein containing abundant visible gold by a local prospector. This area is termed the Discovery Zone, and subsequent work by CANEX has demonstrated that soil sampling is 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 conducted soil sampling, mapping, and surface chip sampling around

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

the Discovery Zone defining a 1000-metre-long linear trend of historic workings and exposed quartz veins centered around the Adit zone. 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 an excavator trenching, surface rock and soil sampling and geologic mapping program during Q1 2020. This program was subsequently followed up by a property wide airborne magnetic survey, additional trenching and drilling.

An amended exploration permitting was received in February 2020, and a surface exploration program was initiated in March 2020. This program was ended prior to completion to comply with health and travel advisories related to the Corona virus pandemic (see Section 20) "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 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 prepared for 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 maiden drill program on the property began on August 25, 2020. Equipment limitations forced early termination of the drill program with 88 percent of the planned drilling being completed. This program resulted in a new bulk tonnage target being identified at the Eldorado zone highlighted by hole GR20-9 which returned 0.9 g/t gold over 27.4 metres from surface. Results from this program were released in News Releases 20-20, 20-21 and 20-22 dated October 7, 2020, November 2, 2020 and November 16, 2020. Based on these results, the Company planned and completed a second drill program.

The second drill program was conducted between January 28, 2021 and March 1, 2021, and consisted of 34 drill holes across 2.5 kilometres of strike length along the southern portion of the Gold Range Property. In total, 2357.6 metres were drilled in holes ranging from 38 to 192 meters deep. 1642 drill samples were collected and submitted for assay. Fifteen holes were drilled at the Eldorado Zone to test and expand the Company's previously announced bulk tonnage oxide discovery, 5 holes tested various targets across the southern part of the property and 14 holes tested the Excelsior Mine area. Refer to News Releases 21-5 dated January 28, 2021, 21-6 dated March 1, 2021, 21-7 dated April 15, 2021, 21-8 dated April 26, 2021, 21-9 dated May 27, 2021, 21-11 dated June 7, 2021, 21-12 dated June 14, 2021, 21-13 dated June 28, 2021 and 21-14 dated July 6, 2021 for more information regarding the drill program and results.

Additional metallurgical test work was conducted on 8 bottle roll samples achieving final cyanide soluble gold recoveries ranging from 94 to 99%, averaging 97%. The test work showed rapid leach kinetics with the majority of gold extracted with the first 6 hours, and maximum extraction almost complete within 24 hours. As well, sodium cyanide and lime consumption are well with acceptable levels and the overall results indicate Gold Range gold mineralization is well suited for heap leach recovery. These exceptional recoveries throughout the mineralized zone, demonstrate that the system could be amenable to heap leach processing and significantly de-risk the bulk tonnage heap-leach concept at Gold Range. For more information relating to these test results, refer to News Release 21-16 dated September 8, 2021.

During Q4, 2021 the Company conducted a field program including additional geologic mapping, collecting soil samples and construction of drill pads in preparation for the third drilling program, which commenced in September 2021. The Company plans to drill up to 50 additional holes and 5,000 metres of drilling during this program and will initially focus on expanding high grade near surface mineralization identified at the Excelsior Zone, before expanding outward along the 3-kilometre-long mineralized trend linking the historical Excelsior, Malco and Eldorado Mines. The program is expected to run into December with assay results to be released in

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

several batches as they become available. (Refer to News Release 21-17 dated September 14, 2021 for more information)

**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 Hogen 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 of the 9 holes intersecting significant gold and silver mineralization. The best drill intercept returned 4.26 meters grading 6.77 g/t gold and 1828 g/t silver. The mineralized zone appears to be about 4.5 metres wide and at least 400 metres long and remains open in all directions. Prior to recent work by CANEX no follow up trenching or drilling has been conducted at Gibson since the highly successful Noranda program.

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

On April 4, 2017, the Company announced it had signed a Letter of Intent to acquire a 100% interest in the Gibson property from Altius Resources Inc. ("Altius"), a wholly held subsidiary of Altius Minerals (TSX:ALS). The Option agreement ("the Agreement") was executed on May 12, 2017; and received Exchange approval on May 17, 2017. The Company also assumed the obligation of an underlying option agreement with Steven Scott, an arm's length party (the "Underlying Agreement").

Under the terms of the Agreement, the Company is committed to issue a maximum 3,545,000 common shares to Altius, in three stages plus incur minimum exploration expenditures up to \$500,000 within 18 months, and make \$90,000 in cash or share equivalent payments to Steven Scott, to earn a 100% interest in Gibson. The Company issued 1,125,000 common shares to Altius on signing of the Option Agreement and Exchange approval valued at \$78,750 and paid \$5,000 to Steven Scott pursuant to the Underlying Agreement. On February 14, 2018, the Company paid Steven Scott \$15,000 pursuant to the Underlying Agreement. On October 5, 2018, the Company issued 1,180,000 common shares to Altius valued at \$82,600 pursuant to the Agreement. The Company issued 400,000 common shares valued at \$20,000, 121,951 common shares valued at \$25,000 and 185,185 common shares valued at \$25,000 on February 21, 2019, February 27, 2020 and February 26, 2021, respectively to Steven Scott pursuant to the Underlying Agreement. Effective February 26, 2021, under the terms of the Underlying Agreement with Steven Scott, the Company has fulfilled its obligations with respect to cash or cash equivalent payments and minimum exploration expenditures. 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. The Company was subsequently granted further extensions to meet its minimum exploration expenditures of \$500,000. The agreement has been amended to allow the Company to meet minimum exploration expenditures by August 30, 2022. 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.

Prior to 2019, 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, 2021, which accompany this MD&A) was 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.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

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

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

Exploration permits for Gibson were received allowing the Company to establish an access road into the zone and conduct trenching and drilling. During August 2017, the Company completed an access trail into Gibson and excavated 8 trenches, uncovering considerable zones of alteration and silver-gold mineralization. Detailed trench mapping and sampling was conducted with 161 surface rock samples and 464 soils collected. Highlights of the trenching results include 4.0 g/t gold equivalent (Au Eq) over 12 metres, 24.1 g/t Au Eq over 1 metre, 5.9 g/t Au Eq over 3 metres, 10.7 g/t Au Eq over 1 metre, 1.3 g/t Au Eq over 16 metres, 2.8 g/t Au Eq over 9 metres, and 5.5 g/t Au Eq over 3 metres. As a condition of permitting, the Company has issued a \$10,000 reclamation security deposit to British Columbia Ministry of Energy and Mines.

The Company completed its summer 2018 drilling program on the Gibson Prospect in October 2018. Ten shallow drill holes were completed, testing a small portion of a soil anomaly measuring 850 metre long by up to 500 metres wide. The results for all holes have been received and are summarized in the News Release 19-2, dated January 16, 2019. The main Gibson Vein Zone ("GVZ") shows high grade and bulk minable potential. Five of six holes drilled into the GVZ have returned high grade and indicate continuity over the 200 metres of strike drilled to date. Two to three subparallel veins ranging from 0.5 to 3.7 metres wide occur within the GVZ and the veins remain open in all directions.

During Q4 2021, the Company allowed an exploration permit application for Gibson to expire as it remains focused on its Arizona project. Accordingly, the Company has impaired the full amount of exploration expenditures incurred at Gibson to September 30, 2021. The Company, however, does continue to hold the property claims, which expire between February 2022 and January 2029, keeping possibilities open for the Company to find a third party partner to further the exploration program. The gross costs and impairment recorded to the Gibson Prospect as at September 30, 2021 are \$473,527 and \$473,527, respectively (September 30, 2020 - \$448,027 and \$nil).

**Echo, Fulton, Red and Beal properties, British Columbia**

On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius, named Ace, Echo, Fulton, Red and Beal. The Ace property was subsequently dropped from the definitive agreement as exploration was conditional upon satisfactory resolution of a property access issue by August 15, 2018, which was not resolved. To earn a 100% interest in the remaining properties, the Company was required to spend a minimum of \$30,000 on exploration on or before September 21, 2019 and issue to Altius 500,000 common shares for each project. In addition, Altius would retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieved a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares would be issued to Altius.

The results from field programs conducted during fiscal 2019 did not support further exploration on the Fulton, Red and Beal properties. As a result, the Company returned the respective properties to the vendor and impaired the full amount of expenditures on each respective property as of September 30, 2019. However, the Company was granted an extension on the expenditure deadline to December 31, 2019 to allow the Company time to conduct further work and evaluations on the Echo property. 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, unable to identify clear targets for advancement, terminated the option, returning

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

the Echo property to the vendor, 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 were \$23,001 and \$23,001.

**4. Operating results**

**Year ended September 30, 2021 compared to the year ended September 30, 2020:**

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

	<b>Three months ended September 30</b>		<b>Year ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General and administrative expenses	\$ (138,817)	\$ (51,459)	\$ (449,531)	\$ (408,622)
Reporting to shareholders	-	-	(18,466)	(4,984)
Professional fees	(28,886)	(29,970)	(44,435)	(39,504)
Stock exchange and transfer agent fees	(2,505)	(2,822)	(12,348)	(10,136)
Depreciation	(4)	(7)	(18)	(31)
Recovery (impairment charges)	(473,527)	4,450	(473,527)	(17,847)
Pre-acquisition costs	-	-	-	(6,169)
Dividend income	-	98,575	-	98,575
Interest and other	9,264	(1,537)	2,769	(852)
(Loss) gain from short-term investments	(169,005)	128,998	190,041	191,530
Net and comprehensive (loss) income	\$ (803,480)	\$ 146,228	\$ (805,515)	\$ (198,040)

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 during the year ended September 30, 2021 include fees for filing the fiscal 2020 annual audited financial statements, expenditures for the Annual General Meeting ("AGM") relating to the fiscal 2019 financial statements, both of which took place during Q1 2021 as well as additional reports accessed for investor relations activities during Q3 2021. Expenditures incurred during the year ended September 30, 2020 relate to fees for the fiscal 2019 audited financial statements. The Company did not hold an AGM during the comparative period.
- Stock exchange and transfer agent fees relate directly to the number of security exchange transactions during the periods, which have increased by \$2,200 between the current year and comparative year. The increase is primarily a result of the stock option plan fees of \$2,700 which were incurred during Q2 2021. There was no similar expenditure during the comparative year.
- During the three-month period ended September 30, 2021, the Company impaired the full amount of expenditures relating to the Gibson Prospect property as the Company determined that exploration of the property will not be a priority unless a third party partner can be found to further the exploration program. 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.
- Fiscal 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). There were no similar expenditures during the current year ended September 30, 2021.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

- On June 23, 2020, Spruce Ridge Resources Ltd. ("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 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 during the current periods.
- Other income includes management fees, interest income and foreign exchange gains and losses. During the three- twelve-month periods ended September 30, 2021, the Company recognized a foreign exchange gain of \$9,105 and \$2,133 respectively, on its US\$ account. During the three- and twelve-month periods ended September 30, 2020, the Company recognized a foreign exchange loss of \$2,905 on its US\$ account.
- During the year ended September 30, 2021, the Company recognized a net gain of \$190,041 on its short-term investments, including a net realized gain of \$51,711 on the sale of certain short-term investments for net cash proceeds of \$121,826. Refer to Note 7 "Short-term investments" to the Audited Consolidated Financial Statements for the year ended September 30, 2021, which accompany this document, for further information regarding these transactions. During the year ended September 30, 2020, the Company recognized a net gain of \$191,530 on short-term investments. 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 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**

	<b>Three months ended</b>		<b>Year ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Administrative consulting fees	\$ 29,706	\$ 27,652	\$ 234,026	\$ 264,691
Stock-based compensation	74,749	-	74,749	37,416
Occupancy costs	4,697	4,256	18,789	18,347
Office, secretarial and supplies	12,329	12,637	56,628	50,087
Travel and promotion	12,827	4,070	50,582	25,496
Insurance	3,079	2,038	8,845	7,427
Directors' fees	1,000	300	3,600	2,700
Computer network and website maintenance	430	506	2,312	2,458
Total	\$ 138,817	\$ 51,459	\$ 449,531	\$ 408,622

- Administrative consulting fees, which consist of fees for the CFO, the controller, geological consulting, and services provided by other consultants, have increased by \$2,000 and decreased by \$30,700 during the three- and twelve-month periods ended September 30, 2021, in accordance with planned expenditures for 2021. Fees for the twelve-month period ended September 30, 2021 include geological consulting fees of \$35,100, (September 30, 2020 - \$49,800), fees to the CFO of \$1,150, (September 30, 2020 - \$1,900), fees to the controller of \$23,900, (September 30, 2020 - \$24,700) and fees to other consultants of \$173,900 (September 30, 2020 - \$188,300). Current and comparative period geological consulting and other consulting fees primarily relate to managing investor relations and marketing to secure corporate financing.
- During the year ended September 30, 2021, the Company granted, pursuant to its stock option plan, a total of 1,575,000 options to directors, officers and consultants of the Company, exercisable at \$0.15 per share expiring July 27, 2024. The options were valued at \$74,749 using the Black-Scholes Options Pricing model assuming a 3-year term, volatility of 83.86%, a risk free discount rate of 0.55% and a dividend rate of 0%. 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

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

- 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%.
- There is no significant variance between the current and comparative periods for occupancy costs. On August 1, 2020, the Company entered into a new lease agreement, terminating on August 31, 2021. Since the lease agreement has terminated, the Company has continued to pay rent on a monthly basis at the same rate as incurred under the lease.
  - There is an increase of \$6,500 in office, secretarial and supplies between the twelve-month period and the comparative twelve-month period and no significant variance between the current and comparative three-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 2021.
  - Travel and promotional expenditures have increased by \$8,800 and \$25,000 during the three- and twelve-month periods ended September 30, 2021 respectively and the comparative three- and twelve-month periods, in accordance with the 2021 budget. Due to the COVID-19 pandemic (refer to Section 20) "Novel coronavirus pandemic", marketing and promotional events that the Company has attended in the past were temporarily suspended to reduce the spread of the virus. As a result, promotional travel by the Company was suspended by the end of Q2 2020; however, the Company has continued its promotional efforts with respect to investor relations through a number of other avenues, including presenting to potential investors at virtual conferences, and investments in various on-line investor relations management tools. The comparative periods' 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 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.
  - Insurance premiums related to Directors and Officers liability have increased commencing June 1, 2021 by \$4,100. This increase is reflected in insurance expense for both the current three-month period and the current twelve-month period.
  - Commencing January 1, 2021, the Company increased payments to directors who are not officers of the Company to \$500 for meeting attendance in person or by telephone. Prior to January 1, 2021, the Company paid directors who were not officers \$500 for meeting attendance in person and \$300 for meeting attendance by telephone. There are two directors who are not officers and the amounts above reflect directors' fee paid or payable for meetings attended during the above-noted periods.
  - There is no significant variance between current and comparative periods 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 loss:

	<b>Three months ended September 30</b>		<b>Year ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Legal and filing fees	\$ <b>1,386</b>	\$ 1,470	\$ <b>14,790</b>	\$ 10,582
Audit fees	<b>27,500</b>	28,500	<b>29,645</b>	28,922
Total	\$ <b>28,886</b>	\$ 29,970	\$ <b>44,435</b>	\$ 39,504

- Professional fees consist of annual auditing fees plus legal and other filing fees. The current and comparative three- and twelve-month period audit and accounting fees relate to the audited financial statements, and filing US tax returns on account of Canexco, for the years ended September 30, 2021 and 2020 respectively.
- Legal and filing fees incurred during the year ended September 30, 2021 include \$7,500 for miscellaneous legal consultations and audit support, and include legal fees associated with the Excelsior option agreement (refer to Section 3) "Mineral properties – Gold Range property, Arizona" which was finalized during Q3 2021; the remainder relate to news releases during the period. Legal and filing fees incurred in the comparative twelve-month period were \$4,800 and include \$1,920 on account of Canexco

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

with respect to miscellaneous business operations in the USA, as well as \$2,900 with respect to audit support and other miscellaneous legal services; the remainder relate to filing fees and news releases. Legal and filing fees incurred in the current and comparative three-month period relate to filing fees and news releases.

## **5. Liquidity and Capital Resources**

The Company's working capital position at September 30, 2021 was \$1,707,055 (September 30, 2020 - \$950,919), an increase of \$756,136. Significant changes to working capital are discussed below:

- The Company consumed \$481,982 in operating activities during the year ended September 30, 2021 (\$464,033 – September 30, 2020). Changes 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, 2020 to September 30, 2021, resulted in a net gain of \$138,330 (2020 - \$164,065).
- During the year ended September 30, 2021, the Company disposed of 20,000 Commander Resources Ltd. shares, 31,500 Maple Gold Mines Ltd. shares and 54,867 Canada Nickel Co. Inc. shares resulting in a net realized gain of \$51,711 for net cash proceeds of \$121,626. During the year ended September 30, 2020, the Company disposed of 200,000 Spruce Ridge Resources Ltd. 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. See Note 6 - "Short-term investments" to the Audited Consolidated Financial Statements dated September 30, 2021 for more information.
- During the year ended September 30, 2021, the Company received a British Columbia Mining Exploration Tax Credit of \$4,450 on account of qualified exploration expenditures related to the Echo property incurred during fiscal 2020. There were no similar receipts during the comparative year.
- The company invested \$797,342 (2020 - \$767,447) in exploration and evaluation assets for exploration activities including \$796,800 (2020 - \$752,100) related to the Gold Range Property, Arizona, USA, \$500 (2020 - \$500) related to the Gibson Prospect, and \$Nil, (2020 - \$14,800) related to the Echo, Fulton, Red and Beal Properties in British Columbia. See Note 7 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements dated September 30, 2021 which accompany this document and Section 3) "Mineral properties" for more information.
- 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. 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.
- During the year ended September 30, 2021, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$1,700,000. On October 29, 2019, the Company completed a non-brokered private placement share issue for gross proceeds of \$606,000 and 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 14) "Share capital and equity reserves").
- On November 13, 2019, 100,000 options exercisable at \$0.06 per share, expiring June 26, 2020, were exercised for total proceeds of \$6,000 and on August 27, 2020, 150,000 options exercisable at \$0.06 per share, expiring June 26, 2022, were exercised for total proceeds of \$9,000. Refer to Section 6) "Financing" below for further information. There were no options exercised during current three- and twelve-month periods.
- The Company also incurred \$30,400 (2020 - \$15,402) in cash share issuance costs on account of share transactions during the year ended September 30, 2021.

The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing.



**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

Refer to Note 1 "Nature of operations and continuance of operations" to the Audited Consolidated Financial Statements for the year ended September 30, 2021 that accompany this document.

**6. Financing**

**2021**

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.

On January 7, 2021, the Company closed the first tranche of its non-brokered private placement, issuing 16,292,500 common shares at \$0.10 per share for aggregate gross proceeds of \$1,629,250. On January 11, 2021, the Company closed the final tranche of its non-brokered private placement, issuing 707,750 common shares at \$0.10 per share for aggregate gross proceeds of \$70,750. A total of \$16,500 was paid in finder's fees in connection with this financing.

On February 26, 2021, the Company issued 185,185 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 Section 3) "Mineral properties – Gibson Prospect, British Columbia" for more information.

On March 23, 2021, 460,000 warrants, exercisable at \$0.25 per share, expired without exercise.

On June 25, 2021, the Company issued 750,000 common shares valued at \$84,375 pursuant to an option agreement on the Gold Range property. The share issuance was valued using the closing share price on the transaction date. See Section 3) "Mineral properties – Gold Range property, Arizona, USA".

**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 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.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**7. Contractual Obligations**

- a) 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:

	<b>Altius</b>	
	Share issues	Minimum Exploration Expenditures*
		(\$)
Expenditure commitment, on or before August 30, 2022	-	500,000
Following the completion of the Expenditure Commitment	1,240,000	-
<b>Total remaining commitment</b>	<b>1,240,000</b>	<b>500,000</b>

\* - as at September 30, 2021, the Company has incurred exploration expenditures of \$293,500

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

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

On November 12, 2018, the Company was granted an extension to meet its minimum exploration expenditures of \$500,000 by November 12, 2018 to July 15, 2019, as lack of access during 2018, in part, prevented the Company from completing the required expenditures within the allotted time. The Company was subsequently granted further extensions to meet its minimum exploration expenditures of \$500,000. The agreement has been amended to allow the Company to meet minimum exploration expenditures by August 30, 2022. All other terms of the agreement remain unchanged.

- b) 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:

	<b>Option Payments</b>	<b>Minimum Exploration Expenditures</b>
<b>Due date</b>	<b>US\$</b>	<b>US\$</b>
June 11, 2022	20,000	20,000
June 11, 2023	30,000	30,000
Total cash payments and exploration expenditure commitment	50,000	50,000
Exploration expenditures to September 30, 2021	-	(1,190,800)
<b>Total remaining commitment as of September 30, 2021</b>	<b>50,000</b>	<b>-</b>

The committed option payments and exploration expenditures of US\$50,000 would equate to CDN\$63,705 using the September 30, 2021 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\$6,371.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

c) 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 September 30, 2021, under the terms of the Agreement, the Company is committed to the following cash payments:

<b>Due date</b>	<b>Option</b>
	<b>Payments</b>
	<b>US\$</b>
February 24, 2022	15,000
February 24, 2023	20,000
February 24, 2024	30,000
<b>Total committed cash payments and minimum exploration expenditures</b>	<b>65,000</b>

The remaining committed option payments of US\$65,000 would equate to CDN\$82,817 using the September 30, 2021 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 \$8,282.

d) On January 12, 2021, the Company and its wholly owned subsidiary, Canexco Inc., signed a Letter of Intent ("LOI") allowing the Company to earn into the Excelsior Mine Property ("the Property") from a private vendor over 3 stages. Stages 1 and 2 must be completed over 2.5 years. To complete the stage 2 earn in CANEX must make a bonus payment equivalent to 1.0% on recoverable gold equivalent ounces defined in the measured and indicated resource categories. To complete the stage 3 earn in CANEX must make another bonus payment to the Vendors equivalent to 1.5% of the gold price on recoverable gold equivalent ounces defined in the proven and probable reserve categories. CANEX has 2 years to complete the stage 3 earn in once Stage 2 is complete. Once CANEX has earned a 90% interest in the Property, the Vendors can elect to maintain their 10% ownership by contributing their 10% share to exploration and development or to give up 100% ownership to CANEX and revert to a 1.5% NSR.

As at September 30, 2021, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

	<b>Option payments</b>	<b>Minimum</b>	<b>Earn in on</b>
	<b>Common Shares</b>	<b>exploration</b>	<b>completion of</b>
		<b>expenditures</b>	<b>obligation</b>
		<b>(US\$)</b>	<b>(%)</b>
Stage 1	750,000	500,000	25
Stage 2	1,000,000	2,000,000	26
Stage 3	1,000,000	2,000,000	39
Total	2,750,000	4,500,000	90
Less obligations fulfilled to September 30, 2021	(750,000)	(374,000)	-
Total remaining commitments to September 30, 2021	2,000,000	4,126,000	

The remaining committed minimum exploration expenditures of US\$4,126,000 equate to CDN\$5,256,937 using the September 30, 2021 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 \$525,694.

## **8. Exploration Expenditures**

Refer to "Exploration and evaluation assets," Note 7 to the Audited Consolidated Financial Statements dated September 30, 2021.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

**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, 2021, 2020, and 2019 and should be read in conjunction with those Audited Consolidated Financial Statements.

<b>For the years ended or as at September 30</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Financial Results</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest and other income (loss)	2,769	(852)	809
Net loss and comprehensive loss for the year	(805,515)	(198,040)	(113,432)
Basic and diluted earnings (loss) per share	(0.01)	0.00	0.00
<b>Financial Position</b>			
Working capital	1,707,055	950,919	527,136
Total assets	3,879,055	2,498,534	1,110,086
Capital stock	17,789,834	15,747,739	14,243,517
Reserves	2,109,028	2,067,399	2,054,488
Deficit	(16,253,508)	(15,447,993)	(15,249,953)

Included in the income for 2021 is an impairment of mineral properties aggregating \$473,527, (2020 - \$17,847, 2019 - \$11,563). Other Comprehensive income pertaining to the revaluation of marketable securities from period to period resulted in a gain of \$138,330 in 2021 (2020 - \$164,065, 2019 - \$122,818) and dividends of \$Nil (2020 - \$98,575, 2019 - \$Nil) being included in Net and Comprehensive 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 2021 (Q4 2021)	Jun 30 2021 (Q3 2021)	Mar 31 2021 (Q2 2021)	Dec 31 2020 (Q1 2021)	Sep 30 2020 (Q4 2020)	Jun 30 2020 (Q3 2020)	Mar 31 2020 (Q2 2020)	Dec 31 2019 (Q1 2020)
	\$	\$	\$	\$	\$	\$	\$	\$
Loss before impairment of exploration and evaluation assets	(170,212)	(87,924)	(131,615)	(135,047)	(84,258)	(102,092)	(125,505)	(157,591)
Impairment of exploration and evaluation assets	(473,527)	-	-	-	4,450	-	(22,297)	-
Loss before other items	(643,739)	(87,924)	(131,615)	(135,047)	(79,808)	(102,092)	(147,802)	(157,591)
Dividend income	-	-	-	-	98,575	-	-	-
Interest and other income	9,264	(3,180)	(1,610)	(1,705)	(1,537)	370	237	78
Gain (loss) on short-term investments	(169,005)	(56,335)	84,503	330,878	128,998	200,351	(114,130)	(23,689)
Comprehensive profit (loss)	(803,480)	(147,439)	(48,722)	194,126	146,228	98,629	(261,695)	(181,202)
Basic and diluted earnings (loss) per share	(0.01)	0.00	0.00	0.00	0.00	0.00	(0.01)	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.

The Company's improved working capital position in recent periods has allowed the Company to expand its operations into fiscal 2020 and 2021 which is reflected above including increased expenditures for administrative consulting fees, office expenditures and travel and promotional activities included in travel

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

and promotion as described in Section 4) "Operating results, General and administrative expenses". Q4 2021 and Q4 2020 loss before impairment of exploration and evaluation assets includes stock option compensation of \$74,749 and \$37,417 respectively granted to officers, directors and consultants of the Company. Additionally, the most recent AGM was held in Q1 2021 and prior to that, Q4 2019.

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 2021 impairment is related to the Gibson Prospect mineral property of which the full amount of expenditures was impaired. 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 which was fully impaired during Q2 2020.

Losses in interest and other income in Q4 2020, Q1 2021, Q2 2021 and Q3 2021 during fiscal 2021, reflect foreign exchange losses on a US dollar denominated bank account held by the Company to conduct its business in the United States. During Q4 2021, the Company incurred a foreign exchange gain on its US denominated bank account.

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. In addition, 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 Spruce Ridge shares. On September 4, 2020 (Q4 2020), the Company received 104,867 shares valued at \$0.94 per share for a total value of \$98,575.

## **12. Directors and Officers**

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

## **13. Related Party Transactions and Key Management Remuneration**

Related party transactions for the years ended September 30, 2021 and 2020 are disclosed and explained in Note 17 to the Audited Consolidated Financial Statements for the year ended September 30, 2021 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, 2021 and balances as at that date.

There were no share capital, stock option or warrant transactions during the subsequent period from October 1, 2021 and up to December 22, 2021, 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.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

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\$248,777 (CDN\$316,967) (2020 - US\$76,844, (CDN\$102,502)) in a US denominated bank account at September 30, 2021. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of CDN\$31,697 (2020 - CDN\$10,250). Additionally, at September 30, 2021, accounts payable and accrued liabilities include liabilities of US\$106,101 (CDN\$135,183) (2020 - US\$26,890 (CDN\$35,869)), 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\$13,518 (2020 - CDN\$3,587).

## **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, 2021 and September 30, 2020.

### **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. The Company also closed a private placement financing on January 11, 2021 for aggregate gross proceeds of \$1,700,000. Refer to Note 12 – "Share capital, stock options and warrants" 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 Audited Consolidated Financial Statements, September 30, 2021.

### **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, 2021, the market price fluctuation on the investments held resulted in a net gain of \$138,330 (year ended September 30, 2020 - net gain of \$164,065) on short-term investments. In 2021, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$61,969 (2020 - \$55,127). The Company does not intend to hold these investments for more than one year.

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

### **d) Interest rate risk**

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

**e) Foreign exchange risk**

The Company undertakes transactions denominated in US currency; consequently, it is exposed to exchange rate fluctuations. The Company has disclosed US\$ commitments pertaining to three option agreements in Section 7) "Contractual obligations". Refer to Section 15) "Financial instruments" for the foreign exchange risk associated with the foreign denominated cash balances held, as well as accounts payable that must be settled in US\$ at September 30, 2021 and September 30, 2020.

**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 15, 2020, warrants were exercised for gross proceeds of \$230,000 adding to the Company's working capital position during fiscal 2021. Further, on January 11, 2021 the Company closed its non-brokered private placement issuing 17,000,000 common shares for aggregate gross proceeds of \$1,700,000. Refer to Section 6) "Financing". The proceeds have provided working capital for the Company's operations as well as fund continuing exploration of the Gold Range Property in Arizona. In addition, during the period subsequent to September 30, 2021, the Company sold shares of CNC, which it received as a dividend in kind, for net cash proceeds of \$171,500. Refer to Section 22) "Subsequent events" for more information regarding these transactions.
- During fiscal 2019, 2020 and 2021, 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, further detailed mapping and soil sampling program and an initial drill program to identify priority targets for further evaluation. The results of these exploration programs have been positive. During Q1 2021, the Company continued to evaluate the results of its summer 2020 exploration program and has staked an additional 47 claims. As a result of successful financing efforts, the Company was well funded to continue its planned exploration program which included a second drill program that commenced January 28, 2021 and concluded March 1, 2021, the results of which were received, compiled and evaluated between April 15, 2021 and July 6, 2021.

During Q3 2021, the Company entered an Option agreement to acquire a 90% interest in the Excelsior Mine property which falls within the Gold Range area. The terms of the agreement are outlined in Section 3) "Mineral properties – Gold Range property, Arizona, USA" and Section 7) "Contractual obligations – d) "Excelsior Mine property".

During Q4 2021, the Company conducted a field program including additional geologic mapping, collecting soil samples and construction of drill pads in preparation for the next drilling program, which commenced in mid-September 2021. The drill program is currently on-going and is expected to conclude near the end of 2021. Further exploration on this property will be dependent on the results of the drill program which will be released as they become available. With further exploration success the Company is tentatively planning a further exploration program that would commence in February 2022, and would require additional financing to complete.

- With respect to the Gibson Prospect, throughout fiscal 2019, 2020 and 2021, the Company has met its contractual obligations with the exception of the expenditure commitment as outlined in Section 7a) "Contractual obligations". The Company has received several extensions to meet that expenditure commitment. Under the current terms, the expenditure deadline has been extended to August 30, 2022. To date the Company has expended \$293,500 on exploration activities on the Gibson Prospect. Due to limited resources, including manpower, the Company has focussed its attention on exploration activities on the

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

Gold Range property discussed above. During Q4 2021, the Company determined that it would not move forward with further exploration unless a third-party partner can be found to further exploration programs. As a result, the Company has impaired the full amount of expenditures incurred to September 30, 2021. However, the Company continues to hold core claims which expire between February 2022 and January 2029, keeping possibilities open for the Company to find a third party partner to further the exploration program.

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

## **18. Risks**

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

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

- **Exploration, development and operating risks**

The Company is in the process of exploring its properties and has not yet determined whether its properties contain economically recoverable reserves and, therefore, does not generate any revenues from production. The recovery of expenditures on mineral properties and the related deferred exploration expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its properties, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.

- **Substantial capital requirements and liquidity**

Substantial additional funds for the establishment of the Company's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operation and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

- **Fluctuating mineral prices**

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation. Mineral prices are prone to



fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Company's properties.

- **Regulatory, permit and license requirements**

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on the Properties will be obtainable on a reasonable term, 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

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

- **Environmental risks**

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

- **Conflicts of interest**

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

- **Uninsurable risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject 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

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

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

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

## **20. New Accounting Policies**

The Company did not adopt any new accounting policies during the year ended September 30, 2021.

## **21. Novel coronavirus pandemic**

In early January 2020, a human infection originating in China was traced to a novel strain of coronavirus. The virus subsequently spread to other parts of the world including North America and Europe, causing unprecedented disruptions in the global economy as efforts to contain the spread of the virus intensified. On March 11, 2020, the World Health Organization declared this outbreak of coronavirus ("COVID-19") as a pandemic as it spread throughout North America. 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 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. The Company was able to continue its fiscal 2021 planned exploration programs throughout the year with minimal disruptions due to COVID-19. As the pandemic continues to spread throughout the world, 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.

## **22. Subsequent events**

On October 22, 2021 Spruce Ridge declared a dividend-in-kind of common shares of Canada Nickel Company Inc. ("Canada Nickel" or "CNC") that was payable on or before November 5, 2021. The dividend was paid on October 29, 2021 to shareholders of Spruce Ridge at the close of business on October 29, 2021, the record date. One CNC share was paid under the dividend declared for every 71.14 Spruce Ridge shares held. At October 29, 2021, the Company held 5,633,500 Spruce Ridge shares. As a result, the Company received a dividend of 79,189 CNC shares at \$2.92 per share valued on October 29, 2021 for total value of \$231,232.

**CANEX Metals Inc.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

---

On November 12, 2021, the Company sold 39,189 CNC common shares for cash proceeds of \$108,948, net of commissions. On November 16, 2021, the Company sold an additional 20,000 CNC common shares for cash proceeds of \$62,534 net of commissions.

**23. Other**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).