
CANEX Metals Inc.
Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of CANEX Metals Inc.:

Opinion

We have audited the consolidated financial statements of CANEX Metals Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at September 30, 2022 and September 30, 2021, 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, 2022 and 2021, 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 \$767,455 during the year ended September 30, 2022 and, as of that date, accumulated deficit of \$17,020,963. 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 19, 2022

CANEX Metals Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash (Note 5)	\$ 1,458,563	\$ 1,198,099
Accounts receivable (Note 6)	6,300	5,248
Prepaid expenses	36,209	70,417
Short-term investments (Note 7)	309,842	619,686
	<u>1,810,914</u>	<u>1,893,450</u>
Non-current Assets		
Exploration and evaluation asset advances and deposits (Note 8)	42,966	37,874
Exploration and evaluation assets (Note 8)	3,913,041	1,947,701
Equipment (Note 9)	-	30
	<u>3,956,007</u>	<u>1,985,605</u>
TOTAL ASSETS	\$ 5,766,921	\$ 3,879,055
EQUITY AND LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 93,180	\$ 186,395
Non-current Liabilities		
Decommissioning obligation (Note 11)	51,906	47,306
TOTAL LIABILITIES	145,086	233,701
EQUITY		
Share capital (Note 12)	20,431,391	17,789,834
Reserves	2,225,314	2,109,028
Deficit	(17,034,870)	(16,253,508)
TOTAL EQUITY	5,621,835	3,645,354
TOTAL EQUITY AND LIABILITIES	\$ 5,766,921	\$ 3,879,055

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

	<u>2022</u>		<u>2021</u>
Expenses			
General and administrative (Note 14)	\$ (638,669)	\$	(449,531)
Reporting to shareholders	(19,493)		(18,466)
Professional fees	(42,268)		(44,435)
Stock exchange and transfer agent fees	(12,768)		(12,348)
Depreciation	(30)		(18)
Impairment (Note 8)	-		(473,527)
Loss before other items	<u>(713,228)</u>		<u>(998,325)</u>
Other items			
Dividend income	231,232		-
Interest and other	3,127		2,769
(Loss) gain from short-term investments	(302,493)		190,041
	<u>(68,134)</u>		<u>192,810</u>
Net loss and comprehensive loss for the year	<u>\$ (781,362)</u>	<u>\$</u>	<u>(805,515)</u>
Basic and diluted loss per share (Note 16)	<u>\$ (0.01)</u>	<u>\$</u>	<u>(0.01)</u>
Weighted average shares outstanding - basic and diluted (Note 16)	<u>80,617,331</u>		<u>68,164,460</u>

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended September 30

	2022	2021
Increase in cash and cash equivalents		
Operating activities		
Cash paid to suppliers and contractors (Note 19)	\$ (528,571)	\$ (481,982)
Cash used in operating activities	<u>(528,571)</u>	<u>(481,982)</u>
Investing activities		
Interest and other items (expended) received	3,127	2,769
Cash received on sale of short-term investments	238,583	121,626
Cash received from government grants	-	4,450
Cash expended on exploration and evaluation assets (Note 19)	(2,066,388)	(797,342)
Cash expended on exploration advances and deposits	(5,092)	-
Cash used by investing activities	<u>(1,829,770)</u>	<u>(668,497)</u>
Financing activities		
Share capital and warrant issue proceeds	2,500,021	1,700,000
Options exercised	24,000	-
Warrants exercised	112,670	230,000
Cash share issuance and transaction costs	(17,886)	(30,400)
Cash provided by financing activities	<u>2,618,805</u>	<u>1,899,600</u>
Increase in cash and cash equivalents	<u>260,464</u>	<u>749,121</u>
Cash (Note 5):		
Beginning of period	1,198,099	448,978
End of period	\$ <u>1,458,563</u>	\$ <u>1,198,099</u>

Supplementary information:
Interest and taxes

No cash was expended on interest or taxes during the years ended September 30, 2022 and September 30, 2021.

Non-cash transactions

2022

During the year ended September 30, 2022, the Company received a dividend in-kind of 79,188 common shares of Canada Nickel Company Inc. ("Canada Nickel" or "CNC") valued at \$2.92 per share for a total value of \$231,232. Refer to Note 7 – "Short-term investments" for more information regarding this transaction. The Company also granted 1,525,000 stock options to officers, directors and consultants and recorded a non-cash charge for stock based payments of \$139,038 that is included in general and administrative expenses (Note 14). Refer to Note 15 – "Share-based payment transactions" for further information.

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 8 – "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 14). Refer to Note 15 – "Share-based compensation transactions" for further information.

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

As at September 30

	Reserves					D
	Common share capital	Equity settled share based payments	Warrants	Other Reserves*	Total Reserves	
	\$	\$	\$	\$	\$	
Balance, September 30, 2020	15,747,739	147,408	33,914	1,886,077	2,067,399	(1)
Net and comprehensive loss for the year	-	-	-	-	-	
Warrants exercised	230,000	-	-	-	-	
Share issuance – January 2021	1,700,000	-	-	-	-	
Share issuance – property acquisition (Note 8)	25,000	-	-	-	-	
Warrants expired – March 2021	33,120	-	(33,120)	-	(33,120)	
Share issuance – property acquisition (Note 8)	84,375	-	-	-	-	
Options issued – July 2021	-	74,749	-	-	74,749	
Share issuance costs	(30,400)	-	-	-	-	
Balance, September 30, 2021	17,789,834	222,157	794	1,886,077	2,109,028	(1)
Net and comprehensive loss for the year	-	-	-	-	-	
Warrants exercised - April 2022	40,000	-	-	-	-	
Options issued – May 2022	-	139,038	-	-	139,038	
Share issuance – May 2022	2,500,021	-	-	-	-	
Warrants exercised – May 2022	10,666	-	-	-	-	
Warrants exercised – June 2022	62,798	-	(794)	-	(794)	
Options exercised – June 2022	45,958	(21,958)	-	-	(21,958)	
Options expired – July 2022	-	(28,819)	-	28,819	-	
Share issuance costs	(17,886)	-	-	-	-	
Balance, September 30, 2022	20,431,391	310,418	-	1,914,896	2,225,314	(1)

*Other reserves is comprised of the aggregate of options and warrants that expired or were fully vested and forfeited without exercise. These values are shown in 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)

For the year ended September 30, 2022

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 \$781,362 during the year ended September 30, 2022. The Company has a deficit of \$17,034,870 at September 30, 2022 and a working capital surplus of \$1,717,734. Operating expenses beyond September 30, 2023, increases in expenditures over budget for the twelve month period ended September 30, 2023, 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, 2022 and 2021, using the significant accounting policies outlined in Note 3. The consolidated statements were authorized for issue by the board of directors on December 19, 2022.

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

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 8 - "Exploration and evaluation assets" for more information). All intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are those entities that the Company controls through its power to govern the financial and operating policies of the subsidiary. Subsidiaries are fully consolidated from the date control is obtained and are de-consolidated from the date control ceases.

3. Significant accounting policies

a) New accounting policies

CANEX did not adopt any new accounting policies during the year ended September 30, 2022.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

3. Significant accounting policies (continued)

b) Financial Instruments

The Company's financial instruments consist of the following:

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

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

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

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

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

Financial 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)

For the year ended September 30, 2022

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)

For the year ended September 30, 2022

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)

For the year ended September 30, 2022

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.

When calculating "value in use", 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.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

3. Significant accounting policies (continued)

h) Foreign currencies

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

i) 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 or are cancelled without being exercised, the value associated therewith is transferred from equity-settled share based payment reserve to other reserves.

j) 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 12 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 16 for calculations of loss per share.

k) 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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

3. Significant accounting policies (continued)

k) Income taxes (continued)

reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

l) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term. The Company leases office space pursuant to a sublease agreement that meets the exception criteria noted above and therefore the lease obligations are recognized as an expense on a straight-line basis over the term of the lease.

m) 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.

n) Valuation of equity units issued in private placements

Equity instruments are contracts that give a residual interest in the net assets of the Company. The Company's common shares and warrants are classified as equity instruments. The fair value of common share units issued in private placements is measured using the closing bid price on the announcement date. The full amount of each share unit is allocated to share capital; the Company does not value warrants separately with respect to the measurement of shares and warrants issued a private placement units.

4. 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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

4. Critical accounting judgments and estimates (continued)

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.
- f) Management's assessment of the Company's ability to continue as a going concern involves making judgements as to whether suitable conditions and events exist to support the Company's future operations and is reassessed at each reporting period.

5. Cash

Cash is comprised of:

	Sept 30, 2022	Sept 30, 2021
Current bank accounts	\$ <u>1,440,507</u>	\$ 881,132
Cash held in foreign currencies	18,056	316,967
	\$ <u>1,458,563</u>	\$ <u>1,198,099</u>

6. Accounts receivable

	Sept 30, 2022	Sept 30, 2021
Due from related parties	\$ 18	\$ 237
Sales tax receivables	<u>6,282</u>	<u>5,011</u>
	\$ <u>6,300</u>	\$ <u>5,248</u>

7. Short-term investments

	Sept 30, 2022	Sept 30, 2021
Spruce Ridge Resources Ltd.		
Common shares	\$ <u>309,842</u>	\$ <u>619,686</u>

The 5,633,500 common shares of Spruce Ridge Resources Ltd., were valued at their fair value, based on their respective period-end trading prices, at September 30, 2022 and September 30, 2021, resulting in an unrealized loss of \$309,843 and gain of \$138,330 at each respective year end.

On October 22, 2021, Spruce Ridge declared a dividend in-kind of common shares of Canada Nickel 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 Canada Nickel 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 Canada Nickel shares at \$2.92 per share valued on October 29, 2021, for a total value of \$231,232. During the year ended September 30, 2022, the Company sold 100% of its Canada Nickel holdings for net proceeds of \$238,583, incurring a realized gain on the sale of \$7,350.

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Notes to the Consolidated Financial Statements

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For the year ended September 30, 2022

7. Short-term investments (continued)

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, incurring a realized gain of \$51,711.

8. 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), on June 1, 2021, the Company paid US\$15,000 (\$18,423) and on June 2, 2022, the Company paid US\$20,000 (\$25,536) in accordance with the agreement. The Company met its minimum exploration expenditure commitment during the year ended September 30, 2020. 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, 2022, under the terms of the Agreement, the Company is committed to the following cash payments:

Due date	Option Payments US\$
June 11, 2023	30,000

The remaining committed option payments of US\$30,000 would equate to \$41,121 using the September 29, 2022 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 \$4,112.

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), on February 18, 2021, the Company paid US\$15,000 (\$19,063), and on February 10, 2022, the Company paid US\$15,000 (\$18,993) 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,

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

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

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, 2022, under the terms of the Agreement, the Company is committed to the following cash payments:

Due date	Option Payments
	US\$
February 24, 2023	20,000
February 24, 2024	30,000
Total committed cash payments	50,000

The remaining committed option payments of US\$50,000 would equate to \$68,535 using the September 29, 2022 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 \$6,854.

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 (refer to Note 23) – "Subsequent events" b) for further information). 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, 2022, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

	Option payments (Common Shares)	Minimum exploration expenditures (US\$)	Earn in on completion of obligation (%)
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, 2022	(750,000)	(1,473,700)	-
Total remaining commitments at September 30, 2022	2,000,000	3,026,300	

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

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

The remaining committed minimum exploration expenditures of US\$3,026,300 equate to \$4,148,149 using the September 29, 2022 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 \$414,815.

As at September 30, 2022, the Company holds 243 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 gross costs and impairments recorded to the Gold Range Property at September 30, 2022 are \$3,913,041 and \$Nil respectively (September 30, 2021 - \$1,947,701 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 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, 2023. All other terms of the agreement remain unchanged. As at September 30, 2021, the Company determined that further exploration of the Gibson Prospect would not be a priority unless a third party partner could be found to further the exploration program. However, the Company, will continue to hold property claims which will expire January 2029. Accordingly, the Company recorded an impairment of the full amount of exploration expenditures to September 30, 2021. The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2022 are \$Nil and \$Nil respectively (September 30, 2021 - \$473,527 and \$473,527).

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

8. Exploration and evaluation assets (continued)

A summary of exploration and evaluation expenditures by category for the years ended September 30, 2022 and September 30, 2021 appear below:

	<u>Arizona, USA</u>
	<u>Gold Range Property</u>
	<u>\$</u>
Year ended September 30, 2022	
Exploration expenditures:	
Balance, September 30, 2021	1,587,159
Geological consulting	214,979
Field costs	30,163
Equipment rental	1,932
Travel	89,319
Geochemical	535,707
Drilling	956,050
Decommissioning	4,600
Balance, September 30, 2022	<u>3,419,909</u>
Property acquisition costs	
Balance, September 30, 2021	360,542
Acquisition costs incurred	132,590
Balance, September 30, 2022	<u>493,132</u>
Total exploration and evaluation assets, September 30, 2022	<u>3,913,041</u>

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

8. Exploration and evaluation assets (continued)

Year ended September 30, 2021	Total	British Columbia	Arizona, USA
		Gibson Property	Gold Range Property
	\$	\$	\$
Exploration expenditures:			
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)	-
Balance, September 30, 2021	1,587,159	-	1,587,159
Property acquisition costs			
Balance, September 30, 2020	384,853	227,496	157,357
Acquisition costs incurred	228,685	25,500	203,185
Impairment	(252,996)	(252,996)	-
Balance, September 30, 2021	360,542	-	360,542
Total exploration and evaluation assets, September 30, 2021	1,947,701	-	1,947,701

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, 2022, the Company held \$10,000 in respect of the Gibson Prospect and \$32,966 in respect of the Gold Range Project in exploration and evaluation asset advances and deposits (September 30, 2021 - \$10,000 and \$27,874 respectively).

9. Equipment

Computer equipment and software	Sept 30, 2022	Sept 30, 2021
Cost		
Balance, beginning and end of year	\$ 9,685	\$ 9,685
Accumulated depreciation		
Balance, beginning of period	9,655	9,637
Depreciation	30	18
Balance, end of year	9,685	9,655
Net book value	\$ -	\$ 30

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

10. Accounts payable and accrued liabilities

	<u>Sept 30, 2022</u>	<u>Sept 30, 2021</u>
Trade payables	\$ 45,064	\$ 140,738
Due to related parties	20,615	18,146
Accrued liabilities	27,500	27,500
Commodity taxes payable	1	11
	<u>\$ 93,180</u>	<u>\$ 186,395</u>

11. Decommissioning obligation

Changes in the decommissioning obligation:

	<u>Sept 30, 2022</u>	<u>Sept 30, 2021</u>
Balance, beginning of year	\$ 47,306	\$ 33,300
Accretion	4,600	14,006
Balance, end of year	<u>\$ 51,906</u>	<u>\$ 47,306</u>

The provision noted above represents estimated costs to restore the Company's mineral property which includes the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal and constructive obligations as at the respective year end dates for current and future decommissioning obligations. The year end present value of the decommissioning obligation was determined using a risk-free rate of 3.79% (September 30, 2021 – 0.53%). The estimated total undiscounted amount, using an inflation rate of 6.84% (September 30, 2021 – 2.77%) for the year ended September 30, 2022 is \$52,903 (2021 - \$49,964). 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.

12. Share capital, stock options and warrants

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding common share capital

	<u>Shares</u>	<u>Value</u>
		<u>\$</u>
Balance, as at September 30, 2021	73,442,234	17,789,834
Warrants exercised – April 2022	500,000	40,000
Share issuance – May 27, 2022	19,230,927	2,500,021
Warrants exercised – May 2022	133,330	10,666
Warrants exercised – June 2022	780,076	62,798
Options exercised – June 2022	400,000	45,958
Share issuance costs	-	(17,886)
Balance, as at September 30, 2022	94,486,567	20,431,391

CANEX Metals Inc.

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For the year ended September 30, 2022

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

b) Issued and outstanding common share capital (continued)

	Shares	Value \$
Balance, as at September 30, 2020	53,207,049	15,747,739
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)
Balance, as at September 30, 2021	73,442,234	17,789,834

2022

On April 29, 2022, 500,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$40,000.

On May 27, 2022, the Company closed a non-brokered private placement financing of 19,230,927 units ("Common Units") at a price of \$0.13 per Common Unit for gross proceeds of \$2,500,021. Each Common Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one common share at a price of \$0.18 per share for a period to two years, May 27, 2024. After a 6-month non-callable period, the warrants will be subject to acceleration at the Company's discretion if at any time the Company's 20-day volume weighted average share price trades above \$0.25.

On May 30, 2022, 133,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$10,666.

On June 2, 2022, 133,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised and 13,416 warrants exercisable at \$0.05 per share, expiring June 6, 2022 were exercised, for total proceeds of \$11,338.

On June 3, 2022, 633,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$50,666.

On June 29, 2022, 400,000 options exercisable at \$0.06 per share, expiring July 6, 2022, were exercised for total proceeds of \$24,000.

During the subsequent period, from October 1, 2022 and up to December 19, 2022, the approval date of these financial statements, 1,000,000 common shares were issued in accordance with the Excesior Mine Property option (Note 8 - "Exploration and evaluation assets" and Note 23 - "Subsequent events"). There were no further shares issued, and none cancelled and returned to treasury.

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.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

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

b) Issued and outstanding common share capital (continued)

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 8 – "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 8 – "Exploration and evaluation assets" for more information.

c) Stock options outstanding

<u>Expiry</u>	<u>Number of options</u>		<u>Exercise Price</u>
	<u>Sept 30, 2022</u>	<u>Sept 30, 2021</u>	
June 26, 2022*	-	925,000	\$0.06
July 27, 2024	1,575,000	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
May 1, 2027	1,525,000	-	\$0.18
	<u>5,010,000</u>	<u>4,410,000</u>	

*The expiry date of 925,000 options originally expiring June 26, 2022 was extended to July 6, 2022 due to a blackout period, which automatically extended the expiry date.

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)

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

d) Stock option transactions

	Number of options	Weighted average exercise price
Balance, September 30, 2021	4,410,000	\$0.09
Issued	1,525,000	\$0.18
Exercised	(400,000)	\$0.06
Expired	(525,000)	\$0.06
Balance, September 30, 2022	5,010,000	\$0.12

	Number of options	Weighted average exercise price
Balance, September 30, 2020	2,835,000	\$0.059
Issued	1,575,000	\$0.15
Balance, September 30, 2021	4,410,000	\$0.09

On May 1, 2022, the Company issued 1,525,000 options exercisable at \$0.18 per share to May 1, 2027. All of the options have vested as of September 30, 2022 with the exception of 200,000 vesting May 1, 2023 and 200,000 vesting May 1, 2024. The weighted average exercise price of vested options at September 30, 2022 is \$0.12 (September 30, 2021 - \$0.09). Refer to Note 15 – “Share-based payment transactions” for more information regarding the options issued during the years ended September 30, 2022 and September 30, 2021.

On June 29, 2022, 400,000 options exercisable at \$0.06 per share, expiring July 6, 2022, were exercised for total proceeds of \$24,000.

On July 6, 2022, 525,000 options exercisable at \$0.06 per share, expired without exercise.

During the subsequent period from to October 1, 2022 and up to December 19, 2022, the approval date of these financial statements, no stock options were issued nor expired and none were exercised.

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, 2022					
Exercise Price	Expiry	Balance Sept 30, 2021	Warrants Exercised	Warrants Issued	Balance Sept 30, 2022
\$0.08	June 6, 2022	1,399,990	(1,399,990)	-	-
\$0.05	June 6, 2022	13,416	(13,416)	-	-
\$0.18	May 27, 2024	-	-	9,615,458	9,615,458
		1,413,406	(1,413,406)	9,615,458	9,615,458

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

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

e) Warrant transactions and warrants outstanding (continued)

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

Subsequent to September 30, 2022 and up to December 19, 2022, the date of these financial statements no warrants were issued and none expired, nor were exercised.

13. Financial instruments

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

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

Level 1 has been utilized to value common shares included in short-term investments.

The following summarizes the categories of the various financial instruments:

	Sept 30, 2022	Sept 30, 2021
	<u>Carrying Value</u>	
Financial Assets		
Financial assets measured at fair value:		
Short-term investments	\$ 309,842	\$ 619,686
Financial assets measured at amortized cost:		
Cash	1,458,563	1,198,099
Accounts receivable	18	237
	<u>\$ 1,458,581</u>	<u>\$ 1,198,336</u>
Financial Liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 93,179	\$ 186,384

The above noted financial instruments are exclusive of any sales tax.

The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

13. Financial instruments (continued)

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, 2022, the Company had US\$13,173 (\$18,056) (2021 - US\$248,777 (\$316,967)) 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 \$1,806 (2021 - \$31,697). Additionally, at September 30, 2022, accounts payable and accrued liabilities include liabilities of US\$32,829 (\$44,999) (2021 - US\$106,101 (\$135,183)), 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 \$4,500 (2021 - \$13,518) to the amount payable.

14. General and administrative

	Sept 30, 2022	Sept 30, 2021
Administrative consulting fees	\$ 350,145	\$ 234,026
Share-based compensation (Note 15)	139,038	74,749
Occupancy costs	18,789	18,789
Office, secretarial, supplies and other	53,929	56,628
Insurance	13,462	8,845
Directors' fees	4,500	3,600
Computer network and website maintenance	1,929	2,312
Travel and promotion	56,877	50,582
	\$ 638,669	\$ 449,531

15. Share-based payment transactions

During the year ended September 30, 2022, the Company issued 1,525,000 options that may be exercised at \$0.18 per share to May 1, 2027. All of the options have vested as of September 30, 2022 with the exception of 200,000 options vesting May 1, 2023 and 200,000 options vesting May 1, 2024. The options were valued at \$139,068, \$24,105 and \$6,490 respectively, using the Black-Scholes Options Pricing model assuming a 5-year term volatility of 102.32%, a risk free discount rate of 2.75% and a dividend rate of 0%, on the grant date, May 1, 2022.

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%.

16. 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:	2022	2021
Basic and Diluted	80,617,331	68,164,460
Loss per share		
Basic and diluted	\$ (0.01)	\$ (0.01)

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

17. Income tax information

Rate reconciliation:

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

	<u>2022</u>	<u>2021</u>
Income (loss) before income taxes	\$ (781,362)	\$ (805,515)
Computed expected expense (recovery) based on a combined rate of 23.00% (2021 – 23.00%)	(179,713)	(185,268)
Change resulting from:		
Differential tax rate of foreign jurisdiction	3,308	(676)
Non-deductible (taxable) items and other	(125,508)	(28,908)
Change in tax rate	(2,130)	-
Unrecognized deferred tax asset	304,043	214,852
Income tax expense	\$ -	\$ -

The combined statutory rate is 23.00% for 2022 (2021 – 23.00%). The deferred combined statutory rate is expected to be 23.00% for 2022 and subsequent years (2021 – 23.00%).

Temporary differences and tax loss not recognized for accounting purposes:

	<u>2022</u>	<u>2021</u>
Non-capital loss carry-forwards	\$ 4,139,877	\$ 3,617,692
Capital loss carry-forwards	782,935	782,935
Share issuance costs	42,246	41,042
US net operating loss	2,970,538	1,258,295
Property and equipment	-	18,300
Mineral properties	2,813,014	4,175,419
Short-term investments	99,760	(55,162)
Interest	39,907	4,696
Total	\$ 10,888,277	\$ 9,843,217

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2022, the Company had unused non-capital loss carry forwards of approximately \$4.14 million that expire between the years 2026 and 2042. Capital loss carry-forwards may be carried forward indefinitely. The Company has unused US net operating loss carry forwards of approximately \$2,167,000USD (\$2,971,000) (2021 - \$988,000USD (\$1,258,000)) that may be carried forward indefinitely.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

18. Related party balances and transactions and key management remuneration

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

		<u>Sept 30, 2022</u>		<u>Sept 30, 2021</u>
Key management remuneration				
President and director	a	\$ (77,350)	\$	(73,500)
Corporate secretary	b	(39,375)		(41,160)
Chief Financial Officer	c	(1,200)		(1,150)
Directors' fees	d	(4,500)		(3,600)
Total Management remuneration		<u>\$ (122,425)</u>	\$	<u>(119,410)</u>
Other related party transactions				
Jade Leader				
Office rent and operating costs paid	e	\$ (18,789)	\$	(18,789)
General and administrative and secretarial costs paid	e	(9,638)	\$	(5,971)
General and administrative and secretarial costs received	e	695	\$	1,056
635280 Alberta Ltd.				
Geological consulting services	f	\$ (18,462)	\$	(1,563)

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

		<u>Sept 30, 2022</u>		<u>Sept 30, 2021</u>
Balances Receivable (Payable)				
Consulting fees:				
President and director	a	\$ (5,513)	\$	(10,106)
Chief Financial Officer	c	(1,200)	\$	(1,208)
Exploration and evaluation assets				
President and director	a	-	\$	(588)
Office rent and operating costs				
Jade Leader	e	\$ (4,932)	\$	(4,932)
General and administrative and secretarial costs:				
Jade Leader	e	\$ (951)	\$	(1,312)
Jade Leader	e	18	\$	237
President and director	a	\$ (8,019)	\$	-

Management compensation payable to "key management personnel" during the years ended September 30, 2022 and 2021 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, 2022, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$125,131, (September 30, 2021 - \$74,749) that is recorded in general administrative expenses (Note 14) (Note 15 - "Share based payment transactions"). There were no other benefits granted to officers, directors and consultants during the years ended September 30, 2022 and 2021. 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.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

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

- 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 8). During the year ended September 30, 2022, \$33,775 (2021 - \$35,100) was expensed through administrative expenses, \$43,575 (2021 - \$38,400) 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) Up to December 31, 2020, the Company paid directors who were not officers of the Company \$500 for meeting attendance in person and \$300 for meeting attendance by telephone. Effective January 1, 2021, the Company began paying directors \$500 for meeting attendance regardless of whether it is attended by phone or in person. There are three directors who are not officers and the amounts above reflect directors' fees paid/payable for meetings attended during the above-noted periods.
- e) During the years ended September 30, 2022 and September 30, 2021, geological consulting services were provided by 635280 Alberta Ltd.

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

19. Supplemental disclosure statement of cash flows

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

	<u>Sept 30, 2022</u>	<u>Sept 30, 2021</u>
Loss and comprehensive loss	\$ (781,362)	\$ (805,515)
Depreciation	30	18
Stock-based compensation	139,038	74,749
Mineral property impairments	-	473,527
Dividend income	(231,232)	-
Interest and other items	(3,127)	(2,769)
Loss (gain) on short-term investments	302,493	(190,041)
Changes in assets and liabilities pertaining to operations:		
Accounts receivable	(741)	853
Prepaid expenses	34,208	(33,606)
Accounts payable and accrued liabilities	12,122	802
Cash paid to suppliers and contractors	\$ (528,571)	\$ (481,982)

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

19. Supplemental disclosure statement of cash flows (continued)

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

	<u>Sept 30, 2022</u>	<u>Sept 30, 2021</u>
Change in exploration and evaluation assets	\$ (1,965,340)	\$ (536,097)
Property acquisition – Share issuance	-	109,375
Provision for decommissioning	4,600	14,006
Mineral property impairments	-	(473,527)
Changes in assets and liabilities pertaining to exploration and evaluation		
Accounts receivable	(311)	1,397
Accounts payable and accrued liabilities	(105,337)	87,504
Cash expended on exploration and evaluation assets	\$ (2,066,388)	\$ (797,342)

20. Segment disclosures

During the years ended September 30, 2022 and September 30, 2021, 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, 2022, the value of non-current assets associated with United States operations is \$3,946,007 (2021 - \$1,975,575) including exploration and evaluation asset advances and deposits of \$32,966 (2021 - \$27,874) and exploration and evaluation assets of \$3,913,041 (2021 - \$1,947,701). All remaining non-current assets are associated with Canadian operations. Consequently, segmented information is not presented in these financial statements. Refer to Note 8 – “Exploration and evaluation assets” for details of the carrying amounts of these assets at the respective period ends.

21. Capital

The Company’s objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Capital is defined as capital stock, warrants, contributed surplus and deficit. The Company has traditionally financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options will be investigated. The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers’ Acceptances and Term Deposits until such time as it required to pay operating expenses and mineral property costs, including option payments (Note 8). The Company objective is to manage its capital to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital.

22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company’s financial instruments that could be subject to credit risk consist of receivables, excluding sales tax. The Company has had a history of prompt receipt of its receivables and considers credit risk to be low on these instruments as at September 30, 2022 and September 30, 2021.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

22. Financial risk management (continued)

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. During the year ended September 30, 2022, the Company closed a private placement financing for aggregate gross proceeds of \$2,500,021. In addition, 1,413,406 warrants were exercised for total proceeds of \$112,670 and 400,000 options were exercised for total proceeds of \$24,000. Refer to Note 12 – "Share capital, stock options and warrants" for further details. Increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 - "Nature of operations and continuance of operations".

The Company's significant remaining contractual maturities for financial liabilities as at September 30, 2022 and 2021 are as follows:

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

c) Market risk

The Company's equity investments are subject to market price risk. The investments in common shares are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price value of these investments can vary from period to period. During the year ended September 30, 2022, the market price fluctuation on the investments held resulted in a net loss of \$309,843 (2021 - net gain of \$138,330) on short-term investments. In 2022, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$30,984 (2021 - \$61,969). 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 8 – "Exploration and evaluation assets". Refer to Note 13 – "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, 2022 and September 30, 2021.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the year ended September 30, 2022

23. Subsequent events

- a) On October 24, 2022, the Company acquired one mineral property mining lode claim (16.52 acres) for total consideration of US\$20,000 (\$27,444), situated in Mohave County, Arizona adjacent to the existing Gold Range Property (Note 8).
- b) During the year ended September 30, 2022, the Company fulfilled its Stage 1 minimum exploration obligation in accordance with the Excelsior Mine Property Option and on November 11, 2022, the Company also issued 1,000,000 common shares valued at \$112,500 in accordance with the agreement, signifying the beginning of Stage 2 obligations. (Note 8)

On November 11, 2022, the agreement was amended to extend the Stage 2 termination date by 10 months from July 25, 2023 to May 25, 2024 for no additional consideration. Both the Company and the vendor agreed that an extension was warranted due to industry wide delays in exploration services, permitting and assay result turnaround times. All other terms of the agreement remain unchanged.

CANEX Metals Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022. The information included in this MD&A, with an effective date of December 19, 2022, should be read in conjunction with the Consolidated Financial Statements as at and for the year ended September 30, 2022 and related notes thereto. CANEX Metal's common shares trade on the TSX Venture Exchange under the symbol "CANX". The Company's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com.

The Company's Consolidated Financial Statements for the year ended September 30, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as at and for the year ended September 30, 2022. 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, 2022. 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.

CANEX Metals Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2. Highlights – year ended September 30, 2022

- The third drill program on the Gold Range project commenced from September of 2021 and concluded in March 2022. The results from this program further confirmed the presence of a large 3,200 metre by 500 metre mineralized corridor with new additional sub parallel exploration targets identified. Highlights to September 30, 2022 include:
 - 1 g/t over 59.45 metres - Hole GR21-57 Excelsior zone - (press release 2021-12-16)
 - 1.8 g/t gold over 19.8 metres - Hole GR21-59 Excelsior zone - (press release 2021-12-16)
 - 0.5 g/t gold over 22.87 metres - Hole GR21-49 Excelsior zone - (press release 2022-02-10)
 - 0.6 g/t gold over 30.5 metres - Hole GR21-73 Eldorado zone - (press release 2022-06-13)
 - 1.0 g/t gold over 48.8 metres - Hole GR21-82 Excelsior zone - (press release 2022-06-27)
 - 0.9 g/t gold over 44.2 metres - Hole GR21-83 Excelsior zone - (press release 2022-06-27)
 - 0.7 g/t gold over 9.15 metres and 0.6 g/t gold over 18.29 metres, for a cumulative mineralized interval of 27.44 metres grading 0.6 g/t gold – Hole GR22-91 Central zone -(press release 2022-09-06)
- A mix of chip and grab rock samples from the Excelsior-Malco-Eldorado trend had grades ranging from nil to 66.6 g/t gold, with an average from all 42 samples of 2.8 g/t gold, has given the team additional targets to expand mineralized district through new drilling.
- In May 2022, as a result of a very successful third drill program and excellent field work, Canex announced a \$2.5 Million financing to fund its fourth drill program. The oversubscribed financing was headlined by a new, over 10% filing shareholder, Michael Gentile, CFA. Michael is a well-respected investor known for identifying and investing in undervalued mining projects.
- A newly appointed Board of Director, Blair Schultz, also participated in the financing, and is now a 5.3% shareholder. Blair brings tremendous experience in mining, management and finance, while adding a significant shareholder to the board and management.
- The start of the fourth drill program ran from May to July 2022, and drill results for 11 drill holes are pending.
- An amended exploration permit for Gold Range was received in September 2022 allowing the Company to construct up to 40 additional drill pads on federal lands.

Gold Range Property, Arizona, USA

- The Gold Range Property is in Northern Arizona within an area that has seen historic lode and placer gold production but limited modern gold exploration. Since assembling the Gold Range property as a grass roots exploration target, the Company has conducted extensive surface mapping, flown a drone magnetic survey, collected 692 surface rock samples, 3,078 surface soil samples, conducted positive bottle roll metallurgical test work, and drilled 6,853 meters in 78 holes. Ongoing surface exploration is adding to the Company's understanding of existing targets and continually identifying new ones which will be systematically advanced, prioritized and drill tested.

To date, multiple large gold exploration targets have identified in the 3-kilometre-long mineralized corridor stretching from the Eldorado to the Excelsior Zones. This mineralized corridor hosts structurally controlled high grade and bulk tonnage style gold mineralization and initial drill testing has returned multiple intercepts of oxide gold mineralization starting at surface.

Results from 670 soil samples and 42 rock samples were received and released during Q2 2022 (News Release 22-3, dated March 9, 2022); and combined with geologic mapping have added new exploration targets, and increased the Company's understanding and confidence in, the 3-kilometre-long oxide gold exploration target at Eldorado-Malco-Excelsior. Additionally, 40 new claims were staked to cover the projected strike zone of the Excelsior mineralized trend.

CANEX Metals Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The third drilling program, which commenced in September 2021, was completed during Q2 2022. A total of 48 holes were drilled for 5,382 metres (17,657 feet) exceeding the planned target of 5,000 metres. As at September 30, 2022, results for all 48 holes have been received and released; the results from the final 11 holes were released in News Release 22-10 dated September 6, 2022. This program initially focused on the Excelsior Zone; and was then extended to the Eldorado and Malco zones, testing a large portion of the 3-kilometre-long mineralized corridor from Eldorado to Excelsior. Additional targets in the northern part of the property were also drill tested during this program. For more detailed information regarding the third drill program, refer to News Releases NR 21-18 dated December 16, 2021, NR 22-1 dated January 13, 2022, NR 22-2 dated February 10, 2022, NR 22-4 dated March 21, 2022, NR22-8 dated June 13, 2022, NR 22-9 dated June 27, 2022 and NR 22-10, dated September 6, 2022.
- Prior to putting the fourth drill program on hold during Q4 2022, which commenced in May 2022, a total of 18 holes were completed for 3,027 metres. The Company was waiting to receive an amended permit from the BLM, allowing the Company to construct an additional 40 drill pads. In addition, assay results from the 11 completed holes are pending. The permit amendment, received August 10, 2022, will allow CANEX to systematically test the larger scale potential of the main mineralized district scale structure at Gold Range, which shows potential to contain multiple parallel mineralized zones across a 500 metre width. With receipt of the amended permit, planning is underway to resume the drill program; however, it will remain on hold until receipt of pending assay results and market conditions. The planned reverse circulation drilling program is expected to exceed 5000 metres of drilling; starting with Excelsior, and then testing priority targets at Malco, Eldorado and the northern part of the claim block. As at September 30, 2022, the Company has drilled at total of 144 holes, for a total of 12,249 meters.
- On February 10, 2022, the Company made a US\$15,000 (\$18,993) 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.
- On June 2, 2022, the Company made a US\$20,000 (\$25,536) option payment in respect of the option agreement with a prospector, in accordance with the terms of the agreement. For more information, refer to Section 3) “Mineral properties – Gold Range, Arizona, USA” outlined below.
- On October 24, 2022, the Company acquired one mineral property mining lode claim (16.52 acres) for total consideration of US\$20,000 (\$27,444), situated in Mohave County, Arizona, adjacent to the existing Gold Range Property. (Section 21) “Subsequent events”)
- a) On November 11, 2022, the Company issued 1,000,000 common shares valued at \$112,500 in accordance with the Excelsior Property option agreement, signifying the beginning of Stage 2 obligations. (Section 21) “Subsequent events”)
- 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

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- Excelsior Mine Property definitive option agreement signed – June 2, 2021
- Results from metallurgical bottle roll testing – September 8, 2021
- Third drill program conducted – September, 2021 – March, 2022
- Results from surface sampling and mapping – March, 2022
- Results from the third drill program – December, 2021 to June, 2022
- Fourth drill program conducted – Commencing May, 2022 – suspended as of mid-July

Gibson Prospect, British Columbia

- During the year ended September 30, 2021, the Company determined that further exploration on this property would no longer be a priority unless a third-party partner could be found to further advance the exploration program; however, the Company continues to hold claims which expire in January 2029. Accordingly, the Company recorded an impairment of the full amount of exploration expenditures to September 30, 2021. In November 2022, the Company received a further extension to meet its minimum exploration expenditures to August 30, 2023. All other terms of the option agreement remain unchanged. For more information, refer to Section 3) “Mineral properties – Gibson Prospect, British Columbia” below.

Corporate

- During the year ended September 30, 2022, the Company received a dividend-in-kind of common shares of Canada Nickel Company Inc. (“Canada Nickel”) from Spruce Ridge Resources Ltd. One Canada Nickel share was paid under the dividend declared for every 71.14 Spruce Ridge shares held on October 29, 2021, the record date. On October 29, 2021, the Company held 5,633,500 Spruce Ridge shares. As a result, the Company received a dividend of 79,189 Canada Nickel shares valued at \$2.92 per share, for a total value of \$231,232. During the year ended September 30, 2022, the Company sold 100% of its Canada Nickel holdings for net proceeds of \$238,583 and incurred a realized gain on the sale of \$7,350.
- During the year ended September 30, 2022, the Company held its Annual General Meeting (“AGM”) approving the annual Audited Consolidated Financial Statements for the years ended September 30, 2020 and September 30, 2021, and re-electing the Board of Directors.
- On May 27, 2022, the Company closed a non-brokered private placement financing consisting of 19,230,927 Units (“Common Units”) at a price of \$0.13 per Common Unit for aggregate gross proceeds of \$2,500,021. The proceeds will be used to drill test and further explore the Gold Range Property and to fund general working capital. Refer to Section 6) “Financing” for more information related to this transaction.
- Mr. Blair Schultz, who was appointed to the board of Directors during the three-month period ended June 30, 2022, participated in the above noted financing and currently owns 5.3% of the Company. Mr. Schultz has over 25 years of capital markets and financial experience including several mining senior executive roles and brings significant merger and acquisition experience to the board.
- The Company also welcomes Mr. Michael Gentile, CFA, as a key shareholder and new insider of the Company with 10.7% ownership. Mr. Gentile is considered one of the leading strategic investors in the junior mining sector, owning significant positions in over 15 small-cap mining companies. Mr. Gentile is currently a strategic advisor to Arizona Metals (TSXV:AMC) and a director of Northern Superior Resources (TSXV:SUP), Roscan Gold (TSXV:ROS), Radisson Mining Resources (TSXV:RDS) and Solstice Gold (TSXV:SGC). Mr. Gentile recently co-founded Bastion Asset Management, an investment management firm based out of Montreal, Quebec and was previously a Senior Portfolio Manager with Formula Growth Limited.
- During the year ended September 30, 2022, 1,413,406 warrants were exercised for proceeds of \$112,670. As well, 400,000 options were exercised for proceeds of \$24,000. Refer to Section 6) “Financing” for more information related to these transactions.

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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 below in Section 3) "Mineral Properties".

3. Mineral Properties

Gold Range Property, Arizona, USA

As at September 30, 2022 the Company holds 243 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, 2022 are \$3,913,041 and \$nil, respectively (September 30, 2021 - \$1,947,701 and \$nil).

On June 11, 2019, the Company's wholly owned subsidiary, Canexco Inc., entered into an Option Agreement to acquire a 100% interest in the Gold Range Property, Arizona, USA from a Prospector, the "Optionor". The Gold Range Property, under option, is comprised of three staked lode mineral claims with a total area of 61.98 acres and is in Mohave County, Arizona, USA. Since the acquisition through the option agreement, the Company has continued to stake additional lode mining claims increasing its holdings to 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 (\$13,405), on June 6, 2020, the Company paid US\$15,000 (\$20,306), on June 1, 2021, the Company paid US\$15,000 (\$18,423) and on June 2, 2022, the Company paid US\$20,000 (\$25,536) in accordance with the agreement. The Company met its minimum exploration expenditure commitment during the year ended September 30, 2020. 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, 2022.

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. On February 24, 2020, the Company paid US\$10,000 (\$13,397) on February 18, 2021, the Company paid US\$15,000 (\$19,063) and on February 10, 2022, the Company paid US\$15,000 (\$18,993), 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, 2022.

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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 by May 25, 2024 (Section 21 b) – “Subsequent events”). 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, 2022.

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 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 permit 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,

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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 third drilling program was completed during Q2 2022. A total of 48 holes were drilled for 5,382 metres (17,657 feet) exceeding the planned target of 5,000 metres. As at September 30, 2022, the results for all 48 holes have been received and released. This program initially focused on the Excelsior Zone; and was then extended to the Eldorado and Malco zones, testing a large portion of the 3-kilometre-long mineralized corridor from Eldorado to Excelsior. Additional targets in the northern part of the property were also drill tested during this program. For more detailed information regarding the third drill program, refer to News Releases NR 21-18 dated December 16, 2021, NR 22-1 dated January 13, 2022, NR 22-2 dated February 10, 2022, NR 22-4 dated March 21, 2022, NR22-8 dated June 13, 2022, NR 22-9 dated June 27, 2022 and NR 22-10 dated September 6, 2022. Results from 670 soil samples and 42 rock samples were received and released during Q2 2022 (News Release 22-3, dated March 9, 2022); and combined with geologic mapping have added new exploration targets, and increased the main exploration target extending from Eldorado-Malco-Excelsior to 3.2 kilometres long by 500 metres wide. Additionally, 40 new claims were staked to cover an additional 2 kilometres of projected strike length extending northeast of the Excelsior mineralized trend under basin cover.

Prior to putting the fourth drill program on hold during Q4 2022, which commenced in May 2022, a total of 18 holes were completed for 3,027 metres. The Company was waiting to receive an amended permit from the BLM, allowing the Company to construct an additional 40 drill pads. In addition, assay results from the 11 completed holes during the program to that date are pending. The permit amendment, received August 10, 2022, will allow CANEX to systematically test the larger scale potential of the main mineralized district scale structure at Gold Range, which shows potential to contain multiple parallel mineralized zones across a 500 metre width. With receipt of the amended permit planning is underway to resume the drill program; however, it will remain on hold until receipt of pending assay results and market conditions. The planned reverse circulation drilling program is expected to exceed 5000 metres of drilling; starting with Excelsior, and then testing priority targets at Malco, Eldorado and the northern part of the claim block. As at September 30, 2022, the Company has drilled at total of 144 holes, for a total of 12,249 meters.

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

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rocks adjacent to the Hogem Batholith. The zone was discovered and explored by Noranda Exploration Company from 1989 to 1991. Following soil sampling and induced polarization geophysical surveys, Noranda exposed precious metal mineralization in hand trenches with surface samples returning 12.86 g/t gold and 144.7 g/t silver over 1.5 meters and 5.35 g/t gold and 2136 g/t silver over 1.7 meters. Noranda subsequently drilled 9 holes with 8 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, 2023. 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) a) Contractual obligations in this report.

Prior to 2019, Shane Ebert through his company, Vector Resources (see Note 18 - "Related parties and transactions and key management remuneration" to the Audited Consolidated Financial Statements for the year ended September 30, 2022, 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.

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.

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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 recorded an impairment of 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 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, 2022 are \$Nil and \$Nil respectively (September 30, 2021 - \$473,527 and \$473,527).

4. Operating results

Year ended September 30, 2022 compared to the year ended September 30, 2021:

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

	Three months ended		Year ended	
	September 30		September 30	
	2022	2021	2022	2021
General and administrative expenses	\$ (46,238)	\$ (138,817)	\$ (638,669)	\$ (449,531)
Reporting to shareholders	999	-	(19,493)	(18,466)
Professional fees	(29,522)	(28,886)	(42,268)	(44,435)
Stock exchange and transfer agent fees	(2,600)	(2,505)	(12,768)	(12,348)
Depreciation	-	(4)	(30)	(18)
Impairment charges	-	(473,527)	-	(473,527)
Dividend income	-	-	231,232	-
Interest and other	6,284	9,264	3,127	2,769
Gain (loss) from short-term investments	28,167	(169,005)	(302,493)	190,041
Net and comprehensive loss	\$ (42,910)	\$ (803,480)	\$ (781,362)	\$ (805,515)

The most significant changes in other expenditures follow:

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- 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, 2022 include fees for filing the fiscal 2021 annual audited financial statements (Q1 2022) as well as expenditures for the Annual General Meeting ("AGM") held during Q2 2022, relating to the fiscal 2020 and 2021 annual audited financial statements. Q4 2022 includes an adjustment for postage related to AGM mailings. Reporting to shareholders' expenditures during the year ended September 30, 2021 include fees for filing the fiscal 2020 annual audited financial statements as well as expenditures for the AGM relating to the fiscal 2019 annual audited financial statements, both of which took place during Q1 2021.
- There is no significant variance between the current three- and twelve-month periods and the comparative three- and twelve-month periods for Stock exchange and transfer agent fees. Transfer agent fees relate directly to the number of security exchange transactions during the respective periods.
- During the three-month period and year ended September 30, 2021, the Company recorded an impairment for the full amount of expenditures relating to the Gibson Prospect property as the Company determined that exploration of the property would not be a priority. There were no impairments recorded in the current year.
- On October 22, 2021, Spruce Ridge declared a dividend in-kind of common shares of Canada Nickel 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 Canada Nickel 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 Canada Nickel shares at \$2.92 per share valued on October 29, 2021, for a total value of \$231,232. There was no similar transaction during the current three-month period and the comparative three- and twelve-month periods.
- Interest and other income include interest earned from a high interest savings account, management fees and foreign exchange gains and losses. There was no significant variance between the current and comparative periods.
- During the year ended September 30, 2022, the Company recognized a net loss of \$302,493 on its short-term investments, including a net realized gain of \$7,350 on the sale of certain short-term investments and net cash proceeds of \$238,600. 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 and 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, 2022, which accompany this document, for further information regarding these transactions. The remainder of the gains or losses in each respective period result from adjusting the Company's holdings in common shares to fair value at the respective period ends. These market price changes result in significant valuation adjustments from period to period.

General and administrative expenses

	Three months ended		Year ended	
	September 30		September 30	
	2022	2021	2022	2021
Administrative consulting fees	\$ 38,497	\$ 29,706	\$ 350,145	\$ 234,026
Stock-based compensation	(30,595)	74,749	139,038	74,749
Occupancy costs	4,698	4,697	18,789	18,789
Office, secretarial and supplies	11,552	12,329	53,929	56,628
Travel and promotion	16,207	12,827	56,877	50,582
Insurance	3,938	3,079	13,462	8,845
Directors' fees	1,500	1,000	4,500	3,600
Computer network and website maintenance	441	430	1,929	2,312
Total	\$ 46,238	\$ 138,817	\$ 638,669	\$ 449,531

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- Administrative consulting fees, which consist of fees for the CFO, the controller, geological consulting, and services provided by other consultants, have increased by \$8,791 and \$116,119 during the three- and twelve-month periods ended September 30, 2022, in accordance with planned expenditures for 2022. Fees for the twelve-month period ended September 30, 2022 include geological consulting fees of \$33,075, (September 30, 2021 - \$35,100), fees to the CFO of \$1,200, (September 30, 2021 - \$1,150), fees to the controller of \$23,330, (September 30, 2021 - \$23,900) and fees to other consultants of \$292,540 (September 30, 2021 - \$173,900). 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, 2022, the Company issued 1,525,000 options that may be exercised at \$0.18 per share to May 1, 2027. All of the options have vested as of September 30, 2022 with the exception of 200,000 options vesting May 1, 2023 and 200,000 options vesting May 1, 2024. The options were valued, on the grant date, at \$139,038, \$24,105 and \$6,490 respectively, using the Black-Scholes Options Pricing model assuming a 5-year term volatility of 102.32%, a risk free discount rate of 2.75% and a dividend rate of 0%. The Q4 2022 credit of \$30,595 reflects the adjustment required pertaining to the remaining 400,000 options vesting in future periods as noted above. 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%.
- There is a decrease of \$777 and \$2,699 between the current three- and twelve-month periods respectively and to the comparative three- and twelve-month periods in office, secretarial and supplies. The majority of the variance relates to contract fees for administrative services and office supply expenditures. The year ended September 30, 2022, also includes \$1,083 in payroll expenses relating to the exercise of 400,000 options during the period. Refer to Note 12) "Share capital, stock options and warrants to the Audited Consolidated Financial Statements for the year ended September 30, 2022, for more information relating to that transaction. There was no similar expenditure in the comparative year. These variances are consistent with the activities and expenditures incurred during the respective period ends.
- Travel and promotional expenditures have increased by \$3,380 and \$6,295 during the three- and twelve-month periods ended September 30, 2022 respectively and the comparative three- and twelve-month periods, in accordance with the 2022 budget. The Company has continued its promotional efforts with respect to investor relations through a number of avenues, including presenting to potential investors at virtual conferences, and investments in various on-line investor relations management tools.
- Insurance premiums have increased during the current three- and twelve month periods. Specifically, premiums related to Directors and Officers liability, have increased commencing June 1, 2021, and June 1, 2022 by \$4,100 and \$2,280 respectively. These increases are reflected in insurance expense for the current three- and twelve-month periods.
- 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. There are currently three directors who are not officers and the amounts above reflect directors' fees paid or payable for meetings attended during the above-noted periods.

Professional fees

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

	Three months ended		Year ended	
	September 30		September 30	
	2022	2021	2022	2021
Legal and filing fees	\$ 2,022	\$ 1,386	\$ 9,625	\$ 14,790
Audit fees	27,500	27,500	32,643	29,645
Total	\$ 29,522	\$ 28,886	\$ 42,268	\$ 44,435

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- Professional fees consist of annual auditing fees plus legal and other filing fees. Both the current and comparative three- and twelve-month periods 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, 2022 and 2021 respectively.
- Legal and filing fees incurred during the current and comparative three-month periods ended September 30, 2022 and September 30, 2021, primarily relate to filing fees for news releases during the respective periods. Legal and filing fees incurred during the year ended September 30, 2022 include \$2,440 for miscellaneous legal consultations and audit support; the remainder relate to news releases during the period. Legal and filing fees incurred during the year ended September 30, 2021 legal and filing fees \$8,400 for miscellaneous legal consultations, audit support, and 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.

5. Liquidity and Capital Resources

The Company's working capital position at September 30, 2022 was \$1,717,734 (September 30, 2021 - \$1,707,055), an increase of \$10,679. Significant changes to working capital are discussed below:

- The Company consumed \$528,571 in operating activities during the year ended September 30, 2022 (\$481,982 – September 30, 2021). 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, 2021 to September 30, 2022, resulted in a net loss of \$309,843 (2021 – net gain of \$138,330).
- During the year ended September 30, 2022, the Company disposed of 79,189 Canada Nickel common shares resulting in a net realized gain of \$7,350 and net cash proceeds of \$238,583. 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. See Note 7 - "Short-term investments" to the Audited Consolidated Financial Statements dated September 30, 2022 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 current year.
- The company invested \$2,066,388 (2021 - \$797,342) in exploration and evaluation assets for exploration activities including \$2,066,388 (2021 - \$796,800) related to the Gold Range Property, Arizona, USA, and \$Nil (2021 - \$500) related to the Gibson Prospect, British Columbia. See Note 8 - "Exploration and evaluation assets" of the Audited Consolidated Financial Statements dated September 30, 2022 which accompany this document and Section 3) "Mineral properties" for more information. Further, the Company expended \$5,092 (US\$3,900) to increase the bond held by the BLM in respect of the Gold Range Property, (2021 – \$Nil).
- During the year ended September 30, 2022, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$2,500,021. During the year September 30, 2021, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$1,700,000. (refer to Section 6) "Financing").
- During the year ended September 30, 2022, 400,000 options exercisable at \$0.06 per share, expiring July 6, 2022, were exercised for total proceeds of \$24,000. There was no similar transaction during the comparative year.
- During the year ended September 30, 2022, 1,399,990 warrants exercisable at \$0.08 per share, expiring June 6, 2022 and 13,416 warrants exercisable at \$0.05 per share, expiring June 6, 2022, were exercised for total proceeds of \$112,670. During the year ended September 30, 2021, 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, 2022, the Company incurred cash share issuance costs of \$17,886 (September 30, 2021 - \$30,400).

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

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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 will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature of operations and continuance of operations" to the Audited Consolidated Financial Statements for the year ended September 30, 2022 that accompany this document.

6. Financing

Year ended September 30, 2022

On April 29, 2022, 500,000 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$40,000.

On May 27, 2022, the Company closed a non-brokered private placement financing of 19,230,927 units ("Common Units") at a price of \$0.13 per Common Unit for gross proceeds of \$2,500,021. Each Common Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one common share at a price of \$0.18 per share for a period to two years, May 27, 2024. After a 6-month non-callable period, the warrants will be subject to acceleration at the Company's discretion if at any time the Company's 20-day volume weighted average share price trades above \$0.25.

On May 30, 2022, 133,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$10,666.

On June 2, 2022, 133,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised, and 13,416 warrants exercisable at \$0.05 per share, expiring June 6, 2022, were exercised for total proceeds of \$11,338.

On June 3, 2022, 633,330 warrants exercisable at \$0.08 per share, expiring June 6, 2022, were exercised for total proceeds of \$50,666.

On June 29, 2022, 400,000 options exercisable at \$0.06 per share, expiring July 6, 2022, were exercised for total proceeds of \$24,000.

Year ended September 30, 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

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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".

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:

	<u>Altius</u>	
	Share issues	Minimum Exploration Expenditures*
		(\$)
Expenditure commitment, on or before August 30, 2023	-	500,000
Following the completion of the Expenditure Commitment	1,240,000	-
Total remaining commitment	<u>1,240,000</u>	<u>500,000</u>

* - as at September 30, 2022, 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, 2023. 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:

	<u>Option Payments</u>
	<u>US\$</u>
Due date	
June 11, 2023	<u>30,000</u>

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The committed option payment of US\$30,000 would equate to \$41,121 using the September 29, 2022 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\$4,112.

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, 2022, under the terms of the Agreement, the Company is committed to the following cash payments:

Due date	Option Payments
	US\$
February 24, 2023	20,000
February 24, 2024	30,000
Total committed cash payments and minimum exploration expenditures	50,000

The remaining committed option payments of US\$50,000 would equate to \$68,535 using the September 29, 2022 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 \$6,854.

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 by May 25, 2024 (Section 21) b) "Subsequent events"). 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, 2022, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

	Option payments Common Shares	Minimum exploration expenditures (US\$)	Earn in on completion of obligation (%)
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, 2022	(750,000)	(1,473,700)	-
Total remaining commitments to September 30, 2022	2,000,000	3,026,300	

The remaining committed minimum exploration expenditures of US\$3,026,300 equate to \$4,148,149 using the September 29, 2022 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 \$414,815.

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8. Exploration Expenditures

Refer to "Exploration and evaluation assets," Note 8 to the Audited Consolidated Financial Statements dated September 30, 2022.

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, 2022, 2021, and 2020 and should be read in conjunction with those Audited Consolidated Financial Statements.

For the years ended or as at September 30	2022	2021	2020
Financial Results	\$	\$	\$
Interest and other income (loss)	3,127	2,769	(852)
Net loss and comprehensive loss for the year	(781,362)	(805,515)	(198,040)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	0.00
Financial Position			
Working capital	1,717,734	1,707,055	950,919
Total assets	5,766,921	3,879,055	2,498,534
Capital stock	20,431,391	17,789,834	15,747,739
Reserves	2,225,314	2,109,028	2,067,399
Deficit	(17,034,870)	(16,253,508)	(15,447,993)

Included in the income for 2022 is an impairment of mineral properties aggregating \$Nil, (2021 - \$473,527, 2020 - \$17,847). Other Comprehensive (loss) income pertaining to the revaluation of marketable securities from period to period resulted in a loss of \$309,843 in 2022 (2021 - gain of \$138,330, 2020 - gain of \$164,065) and dividends of \$231,232 (2021 - \$Nil, 2020 - \$98,575) being included in Net and Comprehensive Loss.

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11. Selected Quarterly Financial Information

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

Three months ended	Sep 30 2022 (Q4 2022)	Jun 30 2022 (Q3 2022)	Mar 31 2022 (Q2 2022)	Dec 31 2021 (Q1 2022)	Sep 30 2021 (Q4 2021)	Jun 30 2021 (Q3 2021)	Mar 31 2021 (Q2 2021)	Dec 31 2020 (Q1 2021)
	\$	\$	\$	\$	\$	\$	\$	\$
Loss before impairment of exploration and evaluation assets	(77,361)	(454,007)	(79,063)	(102,797)	(170,212)	(87,924)	(131,615)	(135,047)
Impairment of exploration and evaluation assets	-	-	-	-	(473,527)	-	-	-
Loss before other items	(77,361)	(454,007)	(79,063)	(102,797)	(643,739)	(87,924)	(131,615)	(135,047)
Dividend income	-	-	-	231,232	-	-	-	-
Interest and other	6,284	4,893	(3,589)	(4,461)	9,264	(3,180)	(1,610)	(1,705)
Gain (loss) on short-term investments	28,167	(281,675)	(112,670)	63,685	(169,005)	(56,335)	84,503	330,878
Comprehensive profit (loss)	(42,910)	(730,789)	(195,322)	187,659	(803,480)	(147,439)	(48,722)	194,126
Basic and diluted earnings (loss) per share	0.00	(0.01)	0.00	0.00	(0.01)	0.00	0.00	0.00

Generally, the most significant influences on the variability of profit or loss are the amount of stock-based compensation, the amount of exploration and evaluation asset impairments or recoveries, and gains or losses on short-term investments. However, the increase in activity in the junior mining sector in recent years has 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, 2021 and 2022 which is reflected above including expenditures for administrative consulting fees, office expenditures and travel and promotional activities as described in Section 4) "Operating results, General and administrative expenses". Q3 2022 and Q4 2021 loss before impairment of exploration and evaluation assets includes stock option compensation, a non-cash charge, of \$139,038 and \$74,749 respectively, granted to officers, directors, and consultants of the Company. Additionally, the most recent AGMs were held in Q2 2022 and Q1 2021.

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.

Interest and other reflect foreign exchange gains and losses incurred on a US dollar denominated bank account held by the Company to conduct its business in the United States.

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 October 22, 2021 (Q1 2022), Spruce Ridge declared a dividend-in-kind of Canada Nickel common shares, based on the number of shares held on October 29, 2021, the record date, at a ratio of 1 CNC share to 71.14 Spruce Ridge shares. On October 29, 2021, the Company received 79,189 CNC shares valued at \$2.92 per share for a total value of \$231,232.

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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>
Blair Schultz	<i>Director</i>		

13. Related Party Transactions and Key Management Remuneration

Related party transactions for the years ended September 30, 2022 and 2021 are disclosed and explained in Note 18 to the Audited Consolidated Financial Statements for the year ended September 30, 2022 that accompany this MD&A.

14. Share Capital and Equity Reserves

Refer to Note 12 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, 2022 and balances as at that date.

On November 11, 2022, 1,000,000 common shares were issued pursuant to the Excelsior property option agreement (Section 3 – “Mineral properties, Gold Range property, Arizona, USA”). There were no further share capital, stock option or warrant transactions during the subsequent period from October 1, 2022 and up to December 19, 2022, the date of this report.

15. Financial Instruments

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

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The 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\$13,173 (\$18,056) (2021 - US\$248,777, (\$316,967)) in a US denominated bank account at September 30, 2022. The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of \$1,806 (2021 - \$31,697). Additionally, at September 30, 2022, accounts payable and accrued liabilities include liabilities of US\$32,829 (\$44,999) (2021 - US\$106,101 (\$135,183)), 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 \$4,500 (2021 - \$13,518).

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, 2022 and September 30, 2021.

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

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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. During the year ended September 30, 2022, the Company closed a private placement financing for aggregate gross proceeds of \$2,500,021. In addition, 1,413,406 warrants were exercised for total proceeds of \$112,670 and 400,000 options were exercised for total proceeds of \$24,000. 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 will 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, 2022.

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, 2022, the market price fluctuation on the investments held resulted in a net loss of \$309,843 (year ended September 30, 2021 - net gain of \$138,330) on short-term investments. In 2022, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$30,984 (2021 - \$61,969). 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, 2022 and September 30, 2021.

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.

- During fiscal 2021, the Company's treasury was increased by a number of different events including the exercise of warrants, a private placement financing and the sale of short-term investments bringing in \$230,000, \$1,700,000 and \$121,600 in cash, respectively. During fiscal 2022, the Company's treasury was also increased by a number of different events including the sale of short-term investments, a private placement financing, the exercise of certain warrants and the exercise of certain options bringing in \$238,500, \$2,500,021, \$112,670 and \$24,000 in cash, respectively.
- The increase in the Company's treasury, in addition to funding the Company's working capital for general operations, has allowed the Company to implement an extensive drilling program on its Gold Range Property in Arizona, USA, that commenced in mid-September 2021 and was completed in March 2022. A

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fourth drill program which commenced during May 2022, was paused in Q4, 2022 for reasons outlined in Section 3) Mineral properties; however, it is expected to resume pending receipt of assay results and pending favourable market conditions.

During the year ended September 30, 2022, the Company fulfilled its Stage 1 minimum exploration obligation in accordance with the Excelsior Mine Property Option and on November 11, 2022, the Company also issued 1,000,000 common shares valued at \$112,500 in accordance with the agreement, signifying the beginning of Stage 2 obligations. (Section 21) "Subsequent events")

As at September 30, 2022, the Company is planning to conduct further exploration programs during November 2022 with an exploration budget of US\$20,000 (\$30,000) and Q2 2023 of US\$630,000 (\$865,000) with respect to the Gold Range Property, Arizona, USA.

On October 24, 2022, the Company also acquired one mineral property mining lode claim (16.52 acres) for total consideration of US\$20,000 (\$27,444), situated in Mohave County, Arizona adjacent to the existing Gold Range Property (Section 21) "Subsequent events")

For more details regarding the Gold Range property and the exploration activities conducted to date, refer to Section 3) "Mineral properties, Gold Range Property, Arizona, USA).

- With respect to the Gibson Prospect, throughout fiscal 2019, 2020 and 2021, the Company has met its contractual obligations except for 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, 2023. 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 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 recorded an impairment of the full amount of expenditures incurred to September 30, 2021. However, the Company continues to hold core claims which expire 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

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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

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adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

- **Title to properties**

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

- **Competition**

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

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

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

- **Environmental risks**

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

- **Conflicts of interest**

Certain of the Directors and Officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such Directors and Officers of the Company may become subject to conflicts of interest. Canadian corporate laws provide that in the event that a Director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such 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

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of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares.

- **Litigation**

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

19. Critical Accounting Estimates

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

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

Another significant accounting estimate relates to valuing stock-based compensation and warrants. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions 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, 2022.

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21. Subsequent events

- a) On October 24, 2022, the Company acquired one mineral property mining lode claim (16.52 acres) for total consideration of US\$20,000 (\$27,444), situated in Mohave County, Arizona adjacent to the existing Gold Range Property (Section 3) "Mineral properties, Gold Range property, Arizona, USA").
- b) During the year ended September 30, 2022, the Company fulfilled its Stage 1 minimum exploration obligation in accordance with the Excelsior Mine Property Option and on November 11, 2022, the Company issued 1,000,000 common shares valued at \$112,500 in accordance with the agreement, signifying the beginning of Stage 2 obligations.

On November 11, 2022, the agreement was amended to extend the Stage 2 termination date by 10 months from July 25, 2023 to May 25, 2024 for no additional consideration. Both the Company and the vendor agreed that an extension was warranted due to industry wide delays in exploration services, permitting and assay result turnaround times. All other terms of the agreement remain unchanged.

Refer to Section 7) "Contractual obligations d)" for more information.

22. Other

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