

**CANEX Metals Inc.**  
**Condensed Interim Consolidated Financial Statements**  
(Expressed in Canadian Dollars)  
Three and Six Months Ended March 31, 2023

(Unaudited)

# **CANEX Metals Inc.**

(Unaudited - Prepared by Management)  
For The Three and Six Months Ended March 31, 2023

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May 5, 2023

## **Notice to Reader**

The condensed interim consolidated financial statements of CANEX Metal Inc. (“the Company”) for the six-month period ended March 31, 2023 are the responsibility of the Company’s management. These condensed interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company.

The condensed interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

“Shane Ebert”

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Shane Ebert  
President/Director

“Chantelle Collins”

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Chantelle Collins  
Chief Financial Officer

# CANEX Metals Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at March 31, 2023 and September 30, 2022

(Unaudited - Prepared by Management)

|  | March 31<br>2023    | September 30<br>2022 |
|--|---------------------|----------------------|
| <b>ASSETS</b>  |                     |                      |
| <b>Current Assets</b>  |                     |                      |
| Cash (Note 5)  | \$ 1,281,711        | \$ 1,458,563         |
| Accounts receivable (Note 6)                                       | 15,781              | 6,300                |
| Prepaid expenses   | 72,684              | 36,209               |
| Short-term investments (Note 7)                                    | 309,842             | 309,842              |
|  | <u>1,680,018</u>    | <u>1,810,914</u>     |
| <b>Non-current Assets</b>  |                     |                      |
| Exploration and evaluation asset advances and deposits<br>(Note 8) | 42,966              | 42,966               |
| Exploration and evaluation assets (Note 8)                         | 4,476,483           | 3,913,041            |
| Equipment (Note 9)   | -                   | -                    |
|  | <u>4,519,449</u>    | <u>3,956,007</u>     |
| <b>TOTAL ASSETS</b>  | <b>\$ 6,199,467</b> | <b>\$ 5,766,921</b>  |
| <b>EQUITY AND LIABILITIES</b>                                      |                     |                      |
| <b>Current Liabilities</b>   |                     |                      |
| Accounts payable and accrued liabilities (Note 10)                 | \$ 252,767          | \$ 93,180            |
| Obligation to issue common shares                                  | 347,940             | -                    |
|  | <u>600,707</u>      | <u>93,180</u>        |
| <b>Non-current Liabilities</b>                                     |                     |                      |
| Decommissioning obligation (Note 11)                               | 38,380              | 51,906               |
|  | <u>639,087</u>      | <u>145,086</u>       |
| <b>EQUITY</b>  |                     |                      |
| Share capital (Note 12)  | 20,537,683          | 20,431,391           |
| Reserves   | 2,225,314           | 2,225,314            |
| Deficit  | (17,202,617)        | (17,034,870)         |
| <b>TOTAL EQUITY</b>  | <b>5,560,380</b>    | <b>5,621,835</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                | <b>\$ 6,199,467</b> | <b>\$ 5,766,921</b>  |

Nature and continuance of operations (Note 1)

Subsequent event (Note 23)

Approved by the Board

“Shane Ebert”

Director

Shane Ebert

“Jean Pierre Jutras”

Director

Jean Pierre Jutras

See accompanying notes to the financial statements.

**CANEX Metals Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian Dollars)  
(Unaudited - Prepared by Management)  
For the Three and Six Months Ended March 31

|   | Three months ended |                     | Six months ended    |                   |
|---|--------------------|---------------------|---------------------|-------------------|
|   | 2023               | 2022                | 2023                | 2022              |
| <b>Expenses</b>   |                    |                     |                     |                   |
| General and administrative<br>(Note 14)                   | \$ 97,271          | \$ 57,730           | \$ 157,499          | \$ 146,615        |
| Reporting to shareholders                                 | 100                | 13,950              | 4,195               | 18,240            |
| Professional fees   | 1,264              | 2,254               | 11,546              | 9,704             |
| Stock exchange and transfer<br>agent fees                 | 3,425              | 5,129               | 5,599               | 7,271             |
| Depreciation  | -                  | -                   | -                   | 30                |
| Pre-acquisition expenditures                              | 3,381              | -                   | 3,381               | -                 |
|   | <u>105,441</u>     | <u>79,063</u>       | <u>182,220</u>      | <u>181,860</u>    |
| <b>Loss before other items</b>                            | <u>(105,441)</u>   | <u>(79,063)</u>     | <u>(182,220)</u>    | <u>(181,860)</u>  |
| <b>Other items</b>  |                    |                     |                     |                   |
| Dividend income   | -                  | -                   | -                   | 231,232           |
| Interest and other  | 7,634              | (3,589)             | 14,473              | (8,050)           |
| Loss from short-term<br>investments                       | -                  | (112,670)           | -                   | (48,985)          |
|   | <u>7,634</u>       | <u>(116,259)</u>    | <u>14,473</u>       | <u>174,197</u>    |
| <b>Net loss and comprehensive<br/>loss for the period</b> | <u>\$ (97,807)</u> | <u>\$ (195,322)</u> | <u>\$ (167,747)</u> | <u>\$ (7,663)</u> |
| <b>Basic and diluted loss per<br/>share</b> (Note 16)     | <u>\$ 0.00</u>     | <u>\$ 0.00</u>      | <u>\$ 0.00</u>      | <u>\$ 0.00</u>    |
| <b>Weighted average shares<br/>outstanding</b> (Note 16)  |                    |                     |                     |                   |
| Basic   | <u>95,486,567</u>  | <u>73,442,234</u>   | <u>95,261,292</u>   | <u>73,442,234</u> |
| Diluted   | <u>95,486,567</u>  | <u>73,442,234</u>   | <u>95,261,292</u>   | <u>73,442,234</u> |

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

See accompanying notes to the financial statements.

# CANEX Metals Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)  
(Unaudited - Prepared by Management)  
For the Three and Six Months Ended March 31

|  | Three months ended  |                   | Six months ended    |                   |
|--|---------------------|-------------------|---------------------|-------------------|
|  | 2023                | 2022              | 2023                | 2022              |
| <b>Increase (decrease) in cash</b>                           |                     |                   |                     |                   |
| <b>Operating activities</b>                                  |                     |                   |                     |                   |
| Cash paid to suppliers and contractors                       | \$ (160,059)        | \$ (77,999)       | \$ (252,726)        | \$ (177,908)      |
| <b>Cash used in operating activities</b><br>(Note 18)        | <b>(160,059)</b>    | <b>(77,999)</b>   | <b>(252,726)</b>    | <b>(177,908)</b>  |
| <b>Investing activities</b>                                  |                     |                   |                     |                   |
| Interest and other loss                                      | 7,634               | (3,589)           | 14,473              | (8,050)           |
| Cash received on sale of short-term investments              | -                   | -                 | -                   | 238,582           |
| Cash expended on exploration and evaluation assets (Note 18) | (166,532)           | (637,926)         | (266,805)           | (1,016,662)       |
| Cash expended on decommissioning obligations                 | (13,526)            | -                 | (13,526)            | -                 |
| <b>Cash used in investing activities</b>                     | <b>(172,424)</b>    | <b>(641,515)</b>  | <b>(265,858)</b>    | <b>(786,130)</b>  |
| <b>Financing activities</b>                                  |                     |                   |                     |                   |
| Cash share issue costs                                       | (4,486)             | -                 | (6,208)             | -                 |
| Obligation to issue common shares                            | 347,940             | -                 | 347,940             | -                 |
| <b>Cash provided by financing activities</b>                 | <b>343,454</b>      | <b>-</b>          | <b>341,732</b>      | <b>-</b>          |
| <b>Increase (decrease) in cash</b>                           | <b>10,971</b>       | <b>(719,514)</b>  | <b>(176,852)</b>    | <b>(964,038)</b>  |
| <b>Beginning of period</b>                                   | <b>1,270,740</b>    | <b>953,575</b>    | <b>1,458,563</b>    | <b>1,198,099</b>  |
| <b>End of period</b>   | <b>\$ 1,281,711</b> | <b>\$ 234,061</b> | <b>\$ 1,281,711</b> | <b>\$ 234,061</b> |

### Supplementary information:

#### Interest and taxes

No cash was expended on interest or taxes during the three- and six-month periods ended March 31, 2023 and March 31, 2022.

#### Non-cash transactions

##### Six months ended March 31

During the six-month period ended March 31, 2023, the Company issued 1,000,000 common shares pursuant to an option agreement on the Gold Range Property. (See Note 8 – “Exploration and evaluation assets” for more information). During the six-month period ended March 31, 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.

##### Three months ended March 31

During the three-month periods ended March 31, 2023 and March 31, 2022, there were no non-cash transactions.

See accompanying notes to the financial statements.

## CANEX Metals Inc.

### Condensed Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

|  | Reserves                   |  |            |                    |                   |                     | Total            |
|--|----------------------------|--|------------|--------------------|-------------------|---------------------|------------------|
|  | Common<br>share<br>capital | Equity-<br>settled<br>share based<br>payment | Warrant    | Other<br>Reserves* | Total<br>Reserves | Deficit             |                  |
|  |                            |  |            |                    |                   |                     |                  |
| <b>Balance, September 30, 2021</b>             | <b>17,789,834</b>          | <b>222,157</b>                               | <b>794</b> | <b>1,886,077</b>   | <b>2,109,028</b>  | <b>(16,253,508)</b> | <b>3,645,354</b> |
| Net and comprehensive loss for the period      | -                          | -  | -          | -                  | -                 | (7,663)             | (7,663)          |
| <b>Balance, March 31, 2022</b>                 | <b>17,789,834</b>          | <b>222,157</b>                               | <b>794</b> | <b>1,886,077</b>   | <b>2,109,028</b>  | <b>(16,261,171)</b> | <b>3,637,691</b> |
| Net and comprehensive loss for the period      | -                          | -  | -          | -                  | -                 | (773,699)           | (773,699)        |
| Warrants exercised – April 2022                | 40,000                     | -  | -          | -                  | -                 | -                   | 40,000           |
| Options issued – May 2022                      | -                          | 139,038                                      | -          | -                  | 139,038           | -                   | 139,038          |
| Share issuance – May 2022                      | 2,500,021                  | -  | -          | -                  | -                 | -                   | 2,500,021        |
| Warrants exercised – May 2022                  | 10,666                     | -  | -          | -                  | -                 | -                   | 10,666           |
| Warrants exercised – June 2022                 | 62,798                     | -  | (794)      | -                  | (794)             | -                   | 62,004           |
| Options exercised – June 2022                  | 45,958                     | (21,958)                                     | -          | -                  | (21,958)          | -                   | 24,000           |
| Options expired – July 2022                    | -                          | (28,819)                                     | -          | 28,819             | -                 | -                   | -                |
| Share issuance costs                           | (17,886)                   | -  | -          | -                  | -                 | -                   | (17,886)         |
| <b>Balance, September 30, 2022</b>             | <b>20,431,391</b>          | <b>310,418</b>                               | <b>-</b>   | <b>1,914,896</b>   | <b>2,225,314</b>  | <b>(17,034,870)</b> | <b>5,621,835</b> |
| Net and comprehensive loss for the period      | -                          | -  | -          | -                  | -                 | (167,747)           | (167,747)        |
| Share issuance – property acquisition (Note 8) | 112,500                    | -  | -          | -                  | -                 | -                   | 112,500          |
| Share issuance costs                           | (6,208)                    | -  | -          | -                  | -                 | -                   | (6,208)          |
| <b>Balance, March 31, 2023</b>                 | <b>20,537,683</b>          | <b>310,418</b>                               | <b>-</b>   | <b>1,914,896</b>   | <b>2,225,314</b>  | <b>(17,202,617)</b> | <b>5,560,380</b> |

\*Other Reserves, is comprised of the aggregate of options and warrants that expired or were forfeited without exercise. These values were relieved from Common share capital, Equity-settled share based payment reserve and Warrants reserve respectively upon the expiry of the equity instrument.

See accompanying notes to the financial statements

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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### 1. Nature and continuance of operations

CANEX Metals Inc. ("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 1620, 734 – 7<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 3P8. The Company's common shares are listed on the TSX Venture Exchange under the symbol CANX.

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

The Company incurred a net loss of \$167,747 during the six-month period ended March 31, 2023 and has a deficit of \$17,202,617 at March 31, 2023. The Company believes it has sufficient working capital to fund its administrative and other operating expenses for the next twelve-month period. Operating expenses beyond March 31, 2024, increases in expenditures over budget for the twelve-month period ended March 31, 2024, exploration programs and new property acquisitions may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments which could be significant should the Company be unable to continue as a going concern.

### 2. Basis of presentation

#### a) Basis of presentation

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

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

#### b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Canexco Inc. ("Canexco"). Canexco was incorporated by the Company on June 5, 2019, in Arizona, USA, to conduct its exploration and development business in the USA, (refer to Note 8 - "Exploration and evaluation assets" for more information). All intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are those entities that the Company controls through its power to govern the financial and operating policies of the subsidiary. Subsidiaries are fully consolidated from the date control is obtained and are de-consolidated from the date control ceases.

### 3. Significant accounting policies

The financial framework and accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those as disclosed in its most recently completed audited annual consolidated financial statements for the year ended September 30, 2022.

CANEX Metals did not adopt any new accounting policies during the three and six months ended March 31, 2023.

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

### 4. Significant accounting judgments and estimates

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

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

Critical estimates include:

- a) The carrying 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 decommissioning obligation and the inputs used in determining the net present value of the liabilities for decommissioning 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:

|                                 | <u>Mar 31, 2023</u> |           | <u>Sept 30, 2022</u> |
|---------------------------------|---------------------|-----------|----------------------|
| Current bank accounts           | \$ 1,242,613        | \$        | 1,440,507            |
| Cash held in foreign currencies | 39,098              |           | 18,056               |
|                                 | <u>\$ 1,281,711</u> | <u>\$</u> | <u>1,458,563</u>     |

### 6. Accounts receivable

|                          | <u>Mar 31, 2023</u> |           | <u>Sept 30, 2022</u> |
|--------------------------|---------------------|-----------|----------------------|
| Due from related parties | \$ 155              | \$        | 18                   |
| Sales tax receivables    | 15,626              |           | 6,282                |
|                          | <u>\$ 15,781</u>    | <u>\$</u> | <u>6,300</u>         |



# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

### 7. Short-term investments

|                                    | <u>Mar 31, 2023</u> | <u>Sept 30, 2022</u> |
|------------------------------------|---------------------|----------------------|
| <b>Spruce Ridge Resources Ltd.</b> |                     |                      |
| <b>Common shares</b>               | <b>\$ 309,842</b>   | <b>\$ 309,842</b>    |

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 March 31, 2023 and September 30, 2022.

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 six-month period ended March 31, 2022, the Company sold 100% of its Canada Nickel holdings for net proceeds of \$238,582, including a realized gain on the sale of \$7,350.

### 8. Exploration and evaluation assets

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 3 (f) "Exploration and evaluation assets" of the annual financial statements for the year ended September 30, 2022. 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.

#### 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 March 31, 2023, under the terms of the Agreement, the Company is committed to the following cash payments and minimum exploration expenditures:

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

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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

The remaining committed option payments of US\$30,000 would equate to \$40,599 using the March 31, 2023 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 \$4,060.

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), on February 10, 2022, the Company paid US\$15,000 (\$18,993) and on February 7, 2023, the Company paid US\$20,000 (\$27,304) in accordance with the agreement. In addition, the Optionor will retain a 2% NSR, half of which can be bought back by the Company for US\$500,000; the remaining half can be bought back for US\$500,000. Additionally, the Company must pay 10% of any profits realized from the processing and recovery of metals from the existing leach pad materials located within the Optionor's claim.

As at March 31, 2023, under the terms of the Agreement, the Company is committed to the following cash payments:

| <b>Due date</b>   | <b>Option<br/>Payments<br/>US\$</b> |
|-------------------|-------------------------------------|
| February 24, 2024 | <u>30,000</u>                       |

The remaining committed option payments of US\$30,000 would equate to \$40,599 using the March 31, 2023 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 \$4,060.

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

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%

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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

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 March 31, 2023, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

|   | Termination date | Option payments (Common Shares) | Minimum exploration expenditures (US\$) | Earn in on completion of obligation (%) |
|---|------------------|---------------------------------|---|---|
| Stage 1                                       |                  | 750,000                         | 500,000                                 | 25                                      |
| Stage 2                                       | May 25, 2024     | 1,000,000                       | 2,000,000                               | 26                                      |
| Stage 3                                       | May 25, 2026     | 1,000,000                       | 2,000,000                               | 39                                      |
| Total   |                  | 2,750,000                       | 4,500,000                               | 90                                      |
| Less obligations fulfilled to March 31, 2023  |                  | (1,750,000)                     | (1,637,630)                             |   |
| Total remaining commitments to March 31, 2023 |                  | 1,000,000                       | 2,862,370                               |   |

The remaining committed minimum exploration expenditures of US\$2,862,370 equate to \$3,873,645 using the March 31, 2023 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 \$387,365.

As at March 31, 2023, the Company holds 261 lode mining claims and 2 patented claims (1649 hectares) in respect of the Gold Range Property, including acquisitions via the option agreements noted above as well as staking. The area has seen historic lode and placer gold production but limited modern lode gold exploration. The gross costs and impairments recorded to the Gold Range Property at March 31, 2023 are \$4,476,483 and \$nil respectively (September 30, 2022 - \$3,913,041 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"). 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 also assumed the obligations of an underlying option agreement with Steven Scott. The gross costs and impairments recorded to the Gibson Prospect as at March 31, 2023 are \$473,527 and \$473,527 respectively (September 30, 2022 - \$473,527 and \$473,527).

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 of \$500,000 to August 30, 2023. All other terms of the option agreement remain unchanged.

# CANEX Metals Inc.

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(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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

As at March 31, 2023, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

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

\* - as at March 31, 2023, 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.

A summary of exploration and evaluation expenditures by category for the six-month period ended March 31, 2023 and year ended September 30, 2022 appear below:

| <b>Six-month period ended March 31, 2023</b>                   | <b>Arizona, USA</b>        |
|--|----------------------------|
|  | <b>Gold Range Property</b> |
|  | <b>\$</b>                  |
| <b>Exploration expenditures:</b>                               |                            |
| <b>Balance, September 30, 2022</b>                             | 3,419,909                  |
| Geological consulting  | 80,100                     |
| Field costs  | 6,600                      |
| Travel   | 34,814                     |
| Geophysical survey   | 6,703                      |
| Geochemical  | 59,633                     |
| Drilling   | 191,784                    |
| <b>Balance, March 31, 2023</b>                                 | <b>3,799,543</b>           |
| <b>Property acquisition costs:</b>                             |                            |
| <b>Balance, September 30, 2022</b>                             | 493,132                    |
| Acquisition costs incurred                                     | 183,808                    |
| <b>Balance, March 31, 2023</b>                                 | <b>676,940</b>             |
| <b>Total Exploration and evaluation assets, March 31, 2023</b> | <b>4,476,483</b>           |

# CANEX Metals Inc.

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(Unaudited - Prepared by Management)

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

|  | <u>Arizona,<br/>USA</u>    |
|--|----------------------------|
| Year ended September 30, 2022                                      | <u>Gold Range Property</u> |
|  | <u>\$</u>                  |
| <b>Exploration expenditures:</b>                                   |                            |
| <b>Balance, September 30, 2021</b>                                 | 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                      |
| <b>Balance, September 30, 2022</b>                                 | <b>3,419,909</b>           |
| <b>Property acquisition costs:</b>                                 |                            |
| <b>Balance, September 30, 2021</b>                                 | 360,542                    |
| Acquisition costs incurred   | 132,590                    |
| <b>Balance, September 30, 2022</b>                                 | <b>493,132</b>             |
| <b>Total Exploration and evaluation assets, September 30, 2022</b> | <b>3,913,041</b>           |

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interest. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. On March 31, 2023, 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, 2022 - \$10,000 and \$32,966 respectively).

### 9. Equipment

| Computer equipment and software     | <u>Mar 31, 2023</u> | <u>Sept 30, 2022</u> |
|-------------------------------------|---------------------|----------------------|
| <b>Cost</b>                         |                     |                      |
| <b>Balance, beginning of period</b> | \$ -                | \$ 9,685             |
| Disposition                         | -                   | (9,685)              |
| <b>Balance, end of period</b>       | <b>-</b>            | <b>-</b>             |
| <b>Accumulated depreciation</b>     |                     |                      |
| Balance, beginning of period        | -                   | 9,655                |
| Depreciation                        | -                   | 30                   |
| Disposition                         | -                   | (9,685)              |
| <b>Balance, end of period</b>       | <b>-</b>            | <b>-</b>             |
| <b>Net book value</b>               | <b>\$ -</b>         | <b>\$ -</b>          |

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

### 10. Accounts payable and accrued liabilities

|                         | <u>Mar 31, 2023</u> | <u>Sept 30, 2022</u> |
|-------------------------|---------------------|----------------------|
| Trade payables          | \$ 185,706          | \$ 45,064            |
| Due to related parties  | 50,674              | 20,615               |
| Accrued liabilities     | 16,380              | 27,500               |
| Commodity taxes payable | 7                   | 1                    |
|                         | <u>\$ 252,767</u>   | <u>\$ 93,180</u>     |

### 11. Decommissioning obligation

Changes in the decommissioning obligation:

|                              | <u>Mar 31, 2023</u> | <u>Sept 30, 2022</u> |
|------------------------------|---------------------|----------------------|
| Balance, beginning of period | \$ 51,906           | \$ 47,306            |
| Accretion                    | -                   | 4,600                |
| Obligations fulfilled        | (13,526)            | -                    |
|                              | <u>\$ 38,380</u>    | <u>\$ 51,906</u>     |

The above noted provision represents estimated costs to restore the Company's mineral property which includes the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal obligations as at the respective period end dates for current and future decommissioning obligations. The period end present value of the decommissioning obligation was determined using a risk-free rate of 3.74% (September 30, 2022 – 3.79%). The estimated total undiscounted amount, using an inflation rate of 5.58% (September 30, 2022 – 6.84%) for the six-month period ended March 31, 2023 is \$41,899 (year ended September 30, 2022 - \$52,903). 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 must have been completed. No accretion expense has been recorded in the current period because the amount is immaterial.

### 12. Share capital, stock options and warrants

#### a) Authorized

Unlimited number of common shares without par value

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

|  | Shares            | Value<br>\$       |
|--|-------------------|-------------------|
| <b>Balance, as at September 30, 2022</b> | <b>94,486,567</b> | <b>20,431,391</b> |
| Share issuance – property acquisition    | 1,000,000         | 112,500           |
| Share issuance costs                     | -                 | (6,208)           |
| <b>Balance, as at March 31, 2023</b>     | <b>95,486,567</b> | <b>20,537,683</b> |

# CANEX Metals Inc.

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(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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

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

|  | Shares            | Value<br>\$       |
|--|-------------------|-------------------|
| <b>Balance, as at September 30, 2021</b> | <b>73,442,234</b> | <b>17,789,834</b> |
| 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)          |
| <b>Balance, as at September 30, 2022</b> | <b>94,486,567</b> | <b>20,431,391</b> |

#### Six-month period ended March 31, 2023

On November 11, 2022, 1,000,000 common shares were issued in accordance with the Excelsior Mine Property option agreement. The share issuance was valued using the closing share price on the transaction date. (Note 8 - "Exploration and evaluation assets").

During the subsequent period, from April 1, 2023 to May 5, 2023, the approval date of these financial statements, there were no shares cancelled and returned to treasury. However, the Company closed a non-brokered private placement financing for 10,000,000 common shares at a price of \$0.06 per share for gross proceeds of \$600,000. Related parties, comprised of officers and directors, acquired 1,835,869 of the common shares issued.

#### 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.

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Three and Six Months Ended March 31, 2023

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

#### c) Stock options outstanding

| <u>Expiry</u>      | <u>Number of options</u> |                      | <u>Exercise Price</u> |
|--------------------|--------------------------|----------------------|-----------------------|
|                    | <u>Mar 31, 2023</u>      | <u>Sept 30, 2022</u> |                       |
| July 27, 2024      | <b>1,575,000</b>         | 1,575,000            | \$0.15                |
| September 23, 2024 | <b>1,200,000</b>         | 1,200,000            | \$0.06                |
| October 4, 2024    | <b>710,000</b>           | 710,000              | \$0.055               |
| May 1, 2027        | <b>1,525,000</b>         | 1,525,000            | \$0.18                |
|                    | <b>5,010,000</b>         | 5,010,000            |                       |

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.

#### d) Stock option transactions

##### Six-month period ended March 31, 2023

There were no stock option transactions during the three-month and six-month periods ended March 31, 2023. The weighted average exercise price of vested options at March 31, 2023 is \$0.12.

During the subsequent period from to April 1, 2023 and May 5, 2023, the approval date of these financial statements, no stock options were issued, expired or exercised.

##### Year ended September 30, 2022

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

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. Refer to Note 15 – “Share-based payment transactions” for more information regarding the options issued during the year ended September 30, 2022.

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.



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Three and Six Months Ended March 31, 2023

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

#### e) Warrant transactions and warrants outstanding

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

#### Six-month period ended March 31, 2023

| Exercise Price | Expiry       | Balance Sept 30, 2022 | Warrants Exercised | Warrants Issued | Balance Mar 31, 2023 |
|----------------|--------------|-----------------------|--------------------|-----------------|----------------------|
| \$0.18         | May 27, 2024 | 9,615,458             | -                  | -               | 9,615,458            |

#### 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             |

During the subsequent period from April 1, 2023 to May 5, 2023, the approval date of these financial statements, no warrants were issued, expired or 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:

|  | March 31, 2023 | September 30, 2022 |
|--|----------------|--------------------|
|  | Carrying Value |                    |
| <b>Financial Assets</b>                                  |                |                    |
| <b>Financial assets measured at fair value:</b>          |                |                    |
| Short-term investments                                   | \$ 309,842     | \$ 309,842         |
| <b>Financial asset measured at amortized cost:</b>       |                |                    |
| Cash   | \$ 1,281,711   | \$ 1,458,563       |
| Accounts receivable                                      | 155            | 18                 |
|  | \$ 1,281,866   | \$ 1,458,581       |
| <b>Financial Liabilities</b>                             |                |                    |
| <b>Financial liabilities measured at amortized cost:</b> |                |                    |
| Accounts payable and accrued liabilities                 | \$ 252,760     | \$ 93,179          |

# CANEX Metals Inc.

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Three and Six Months Ended March 31, 2023

### 13. Financial instruments (continued)

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

The Company undertakes transactions denominated in US currency through its exploration in the US; consequently, it is exposed to exchange rate fluctuations. The Company will acquire US funds from time to time to settle US\$ denominated liabilities. At March 31, 2023, the Company had US\$28,891, (\$39,098) in a US denominated bank account (September 30, 2022 - US\$13,173, (\$18,056)). The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of \$3,910 (September 30, 2022 - \$1,806). Additionally, on March 31, 2023, accounts payable and accrued liabilities include liabilities of US\$137,224, (\$185,706) (September 30, 2022 - US\$32,829 (\$44,999)), 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 \$18,571 (September 30, 2022 - \$4,500) to the amount payable.

### 14. General and administrative

|  | Three months ended Mar 31 |           | Six months ended Mar 31 |            |
|--|---------------------------|-----------|-------------------------|------------|
|  | 2023                      | 2022      | 2023                    | 2022       |
| Administrative consulting fees           | \$ 65,523                 | \$ 32,309 | \$ 105,351              | \$ 75,123  |
| Occupancy costs                          | 4,697                     | 4,697     | 9,394                   | 9,394      |
| Office, secretarial and supplies         | 13,317                    | 9,166     | 22,116                  | 22,182     |
| Travel and promotion                     | 8,087                     | 7,076     | 8,376                   | 30,667     |
| Insurance                                | 3,939                     | 3,079     | 7,877                   | 6,158      |
| Directors' fees                          | 1,000                     | 1,000     | 2,500                   | 2,000      |
| Computer network and website maintenance | 708                       | 403       | 1,885                   | 1,091      |
|  | \$ 97,271                 | \$ 57,730 | \$ 157,499              | \$ 146,615 |

### 15. Stock-based payment transactions

During the three- and six-month periods ended March 31, 2023 and March 31, 2022, there were no stock-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.

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### 16. Earnings per share

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

The following adjustments were made in arriving at diluted weighted average number of common shares for the period ended March 31:

| Weighted average number of common shares: | 2023              | 2022              |
|---|-------------------|-------------------|
| <b>Basic</b>                              | <b>95,486,567</b> | <b>73,442,234</b> |
| <b>Diluted</b>                            | <b>95,486,567</b> | <b>73,442,234</b> |
| <br>                                      |                   |                   |
| <b>Income per share</b>                   |                   |                   |
| Basic                                     | \$ 0.00           | \$ 0.00           |
| Diluted                                   | \$ 0.00           | \$ 0.00           |

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

The Company is considered a related party to Jade Leader Corp. ("Jade Leader") by virtue of common officers and directors. 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; 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:

|   | Note | Three months ended Mar 31 |             | Six months ended Mar 31 |             |
|---|------|---------------------------|-------------|-------------------------|-------------|
|   |      | 2023                      | 2022        | 2023                    | 2022        |
| <b>Key management remuneration:</b>                       |      |                           |             |                         |             |
| President and director                                    | a)   | \$ (41,650)               | \$ (20,125) | \$ (61,075)             | \$ (42,350) |
| Corporate secretary                                       | b)   | (11,154)                  | (8,115)     | (18,474)                | (16,860)    |
| Chief financial officer                                   | c)   | -                         | -           | (300)                   | -           |
| Director's fees   | d)   | (1,000)                   | (1,000)     | (2,500)                 | (2,000)     |
|   |      | \$ (53,804)               | \$ (29,240) | \$ (82,349)             | \$ (61,210) |
| <br>  |      |                           |             |                         |             |
| <b>Other related party transactions:</b>                  |      |                           |             |                         |             |
| <b>Jade Leader Corp. ("Jade Leader")</b>                  |      |                           |             |                         |             |
| Office rent and operating costs paid                      | e)   | \$ (4,697)                | \$ (4,697)  | \$ (9,394)              | \$ (9,394)  |
| General and administrative and secretarial costs paid     | e)   | \$ (1,289)                | \$ (2,875)  | \$ (2,632)              | \$ (5,397)  |
| General and administrative and secretarial costs received | e)   | \$ 147                    | \$ 80       | \$ 463                  | \$ 502      |
| <b>635280 Alberta Ltd.</b>                                |      |                           |             |                         |             |
| Geological consulting services                            | f)   | \$ (9,013)                | \$ -        | \$ (9,363)              | \$ -        |

# CANEX Metals Inc.

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Three and Six Months Ended March 31, 2023

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

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

|  | Note | Mar 31, 2023 | Sept 30, 2022 |
|--|------|--------------|---------------|
| <b>Balances receivable (payable)</b>                     |      |              |               |
| <b>Consulting fees:</b>                                  |      |              |               |
| President and director                                   | a)   | \$ (16,905)  | \$ (5,513)    |
| Chief financial officer                                  | c)   | \$ -         | \$ (1,200)    |
| Corporate secretary                                      | b)   | \$ (4,961)   | \$ -          |
| 635280 Alberta Ltd.                                      | f)   | \$ (276)     | \$ -          |
| <b>Exploration and evaluation assets</b>                 |      |              |               |
| President and director                                   | a)   | \$ (22,166)  | \$ -          |
| <b>Office rent and operating costs:</b>                  |      |              |               |
| Jade Leader Corp.  | e)   | \$ -         | \$ (4,932)    |
| <b>General and administrative and secretarial costs:</b> |      |              |               |
| Jade Leader Corp.  | e)   | \$ (1,354)   | \$ (951)      |
| Jade Leader Corp.  | e)   | \$ 155       | \$ 18         |
| President and director                                   | a)   | \$ (5,012)   | \$ (8,019)    |

Management compensation payable to “key management personnel” during the respective three- and six-month periods is reflected in the table above and consists of consulting fees paid to the President, the CFO, and the Corporate Secretary and directors’ fees. Officers and directors are also compensated through the granting of options from time-to-time. There were no options granted to officers and directors during the three- and six-month periods ended March 31, 2023 or March 31, 2022.

- a) The President and director of the Company billed for consulting services that were either expensed or, when his services related directly to mineral property exploration, capitalized to exploration and evaluation assets. During the six months ended March 31, 2023 \$23,275, (2022 - \$14,525), was expensed through reporting to general and administrative expenses, and \$37,800, (2022 - \$27,825), was capitalized to exploration and evaluation assets.
- b) The Corporate Secretary provides services to the Company on a contract basis.
- c) The Chief financial officer provides services to the Company on a contract basis.
- d) The Company pays directors who are not officers of the Company to \$500 for meeting attendance in person or by telephone. As at March 31, 2023, there are three directors (March 31, 2022 – two directors) who are not officers and the amounts above reflect directors’ fees paid or payable for meetings attended during the above-noted periods.
- e) Jade Leader incurred certain administrative expenses on the Company’s behalf that were subsequently billed to the Company on a quarterly basis. Further, the Company incurred certain administrative costs on behalf of Jade Leader that were billed on a quarterly basis. The Company has leased office space from Jade Leader since April 1, 2015. Jade Leader and the Company share two common officers and two common directors.
- f) During the six-month period ended March 31, 2023, 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.

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

### 18. Supplemental disclosure statement of cash flows

Reconciliation of cash used in operating activities to operating loss:

|  | Three months ended<br>March 31 |             | Six months ended<br>March 31 |              |
|--|--------------------------------|-------------|------------------------------|--------------|
|  | 2023                           | 2022        | 2023                         | 2022         |
| Loss before other items                                    | \$ (105,441)                   | \$ (79,063) | \$ (182,220)                 | \$ (181,860) |
| Depreciation   | -                              | -           | -                            | 30           |
| Changes in assets and liabilities pertaining to operations |                                |             |                              |              |
| Accounts receivable  | (6,831)                        | 1,033       | (7,408)                      | (1,180)      |
| Prepaid expenses   | (38,530)                       | 7,591       | (36,475)                     | 29,794       |
| Accounts payable and accrued liabilities                   | (9,257)                        | (7,560)     | (26,623)                     | (24,692)     |
| Cash paid to suppliers and contractors                     | \$ (160,059)                   | \$ (77,999) | \$ (252,726)                 | \$ (177,908) |

Reconciliation of cash expended on exploration and evaluation assets:

|  | Three months ended<br>Mar 31 |              | Six months ended<br>Mar 31 |                |
|--|------------------------------|--------------|----------------------------|----------------|
|  | 2023                         | 2022         | 2023                       | 2022           |
| Change in exploration and evaluation assets  | \$ (384,773)                 | \$ (577,838) | \$ (563,442)               | \$ (1,186,542) |
| Property acquisition – Share issuance  | -                            | -            | 112,500                    | -              |
| Changes in assets and liabilities pertaining to exploration and evaluation assets: |                              |              |                            |                |
| Accounts receivable  | (1,159)                      | 959          | (2,073)                    | (1,049)        |
| Accounts payable and accrued liabilities   | 219,400                      | (61,047)     | 186,210                    | 170,929        |
| Cash expended on exploration and evaluation assets                                 | \$ (166,532)                 | \$ (637,926) | \$ (266,805)               | \$ (1,016,662) |

### 19. Segment disclosures

During the six-month periods ended March 31, 2023 and March 31, 2022 and the year ended September 30, 2022, 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 March 31, 2023, the value of non-current assets associated with United States operations is \$4,509,449 (September 30, 2022 - \$3,946,007) including exploration and evaluation asset advances and deposits of \$32,966 (September 30, 2022 - \$32,966) and exploration and evaluation assets of \$4,476,483 (September 30, 2022 - \$3,913,041). 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.

# **CANEX Metals Inc.**

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

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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### **20. Capital**

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

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments such as Bankers' Acceptances and Term Deposits until such time as it is required to pay operating expenses and mineral property costs, including option payments (Note 8). The Company objective is to manage its capital to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital.

### **21. Financial risk management**

#### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, excluding sales tax. The Company has had a history of prompt receipt of its receivables and considers credit risk to be low on these instruments as at March 31, 2023 and September 30, 2022.

#### **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. 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 March 31, 2023 and September 30, 2022 are as follows:

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

# CANEX Metals Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

Three and Six Months Ended March 31, 2023

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### 21. Financial risk management (continued)

#### c) Market risk

The Company's equity investments are subject to market price risk. The investments in common shares are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price value of these investments can vary from period to period. During the six-month period ended March 31, 2023, the market price fluctuation on the investments held resulted in a net gain of \$nil (September 30, 2022 - net loss of \$309,843) on short-term investments. In 2023, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$30,984 (2022 - \$30,984).

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". The effect of a foreign currency increase or decrease of 10% on the US denominated cash balance and liabilities has been disclosed in Note 13 – "Financial instruments".

### 22. Subsequent events

- a) During the subsequent period, from April 1, 2023 to May 5, 2023, the approval date of these financial statements the Company closed a non-brokered private placement financing for 10,000,000 common shares at a price of \$0.06 per share for gross proceeds of \$600,000. Related parties, comprised of officers and directors, acquired 1,835,869 of the common shares issued.
- b) On April 5, 2023, the Company entered into a new sublease arrangement for office space at a new location, with Jade Leader Corp. The occupancy date was April 15, 2023 with a rent-free period to September 1, 2023 and a termination date of August 31, 2025. The following commitments under the arrangement is below:

| Period ended September 30 | 2023  | 2024   | 2025   |
|---------------------------|-------|--------|--------|
|                           | \$    | \$     | \$     |
| Occupancy lease           | 1,890 | 22,686 | 20,795 |

# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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The following management discussion and analysis (MD&A) is management's assessment of the results and financial condition of CANEX Metals Inc. ("CANEX Metals" or "the Company") for the three and six month periods ended March 31, 2023 and should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements as at and for the three- and six-month periods ended March 31, 2023 ("Q2 2023") and related notes thereto as well as the Audited Consolidated Financial Statements for the year ended September 30, 2022 and related notes thereto. The date of this MD&A is May 5, 2023. CANEX Metals' common shares trade on the TSX Venture Exchange under the symbol "CANX". The Company's most recent filings are available on the System for Electronic Document Analysis and Retrieval ('SEDAR') and can be accessed at [www.sedar.com](http://www.sedar.com).

The Company's Unaudited Condensed Interim Consolidated Financial Statements for the six months ended March 31, 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the IFRS accounting policies the Company adopted in its initial IFRS Annual Consolidated Financial Statements as at and for the year ended September 30, 2022. 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 discussion and analysis is Dr. Shane Ebert, P. Geo., a Professional Geologist, registered in the Province of British Columbia and the President and Director of CANEX Metals. The scientific and technical information concerning such properties contained herein has been reviewed by Dr. Ebert.

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

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

#### **1) Principal Business of the Company**

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

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



# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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#### **2) Highlights – Three and six months ended March 31, 2023**

- The fourth drill program on the Gold Range project was conducted from May to mid-July 2022, with a fifth drill program commencing March 2023 ending late April 2023. The results from the fourth program have further expanded known mineralized zones at the Eldorado, Excelsior, and Central Zones, and a new discovery at the Shaft zone has been made. Results from the fifth program are pending. Highlights from the fourth drill program, include:
  - 1.4 g/t over 6.1 metres - Hole GR22-97 New Zone East of Excelsior (press release 2022-12-12)
  - 1.2 g/t gold over 12.19 metres - Hole GR22-90 Excelsior zone (press release 2022-09-6)
  - 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)
  - 1.1 g/t gold over 27.4 – Hole GR22-110 Shaft zone (press release 2023-01-23)
- Surface exploration conducted during Q4 2022 and Q1 2023 has identified a new gold in soil anomaly (WestGold target) that is 400 metres long, over 125 metres wide, and remains open along strike, with gold in soil values ranging from 122 to 612 parts per billion.
- The Company's first drill test of the Shaft Target in the northern part of the Gold Range Property has resulted in the discovery of a new and potentially significant zone of gold mineralization with hole GR22-110 returning 1.1 g/t gold over 27.44 metres including 1.7 g/t over 15.24 metres.
- CANEX purchased a lode mining claim adjacent to the WestGold target to consolidate the area and facilitate drill testing.

#### **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, conducted a LiDAR and air photo survey, collected over 880 surface rock samples, over 3600 surface soil samples, staked 246 claims, conducted positive bottle roll metallurgical test work, and drilled 15,000 metres in 135 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.

Exploration programs, including surface sampling, mapping and drill testing, conducted during fiscal 2022 and the first two quarters of fiscal 2023 have identified multiple large gold exploration targets in the 3-kilometre-long mineralized corridor stretching from the Eldorado to the Excelsior Zones as well as the new Shaft and WestGold targets. The Eldorado to Excelsior Zones 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. Fieldwork completed at the WestGold target has defined a new 500-metre-long shallow dipping zone of quartz veining in granite directly associated with a gold in soil anomaly. The zone remains open along strike and evidence for additional parallel mineralized zones is indicated, providing a new and compelling drill target. During the January 2023 field program, 17 claims were staked to secure additional ground adjacent to the Shaft target.

After having received all of the necessary permitting and new data from recent exploration programs, the fifth drill program commenced during March, 2023 and was completed late April, 2023. The drill program has focused on testing the three new target areas recently defined, including WestGold, the zones parallel to Excelsior, and the new Shaft discovery. The WestGold target contains the largest and highest grade gold in soil anomaly defined on the Gold Range property to date and had never been drill tested. Within the Excelsior Zone, the Company has defined multiple parallel mineralized structures that had also never been drill tested. The current drill program has tested these parallel structures, which with success, have potential to materially expand the size potential of the Excelsior area and the larger corridor along strike. Additional drilling has been conducted at the Shaft target to test zone at depth and along strike. The Company was initially planning a minimum of 15 holes; however, recent financing described below in the Corporate highlights section, has allowed the Company to increase the number of holes allowing more testing of key exploration targets.

# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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During Q2 2023, the Company also initiated a LiDar and air photo survey covering the Gold Range property. This high quality and detailed topographic and photo data set will be useful for ongoing exploration, permitting and compliance, and future resource studies.

- On October 24, 2022, the Company acquired one mineral property mining lode claim (Never Get Left Prospect) (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).
- 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 and Stage 1 25% earn in. (Section 7 d) "Contractual obligations")
- On February 7, 2023, the Company made a US\$20,000 (\$27,304) 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.
- Key exploration events at Gold Range include:
  - Option agreement signed on 3 key claims over a new gold discovery – June 2019
  - CANEX stakes 11 claims surrounding the new gold discovery – June 2019
  - CANEX stakes 23 additional claims – October 2019
  - Trenching and Drilling permits received – October 2019
  - Trenching and mapping program conducted – October 2019
  - CANEX stakes 32 additional claims – November 2019
  - Drone airborne magnetic survey results received – January 2020
  - CANEX stakes 73 additional claims – January 2020
  - Amended exploration permit received – February 2020
  - CANEX options Never Get Left Claim – February 2020
  - Field mapping, prospecting, and soil sampling conducted – Feb to May 2020
  - Field mapping and soil sampling conducted – July to August 2020
  - Drill program conducted – August to September 2020
  - CANEX stakes 47 additional claims – November 2020
  - Second drill program conducted – January 28 to March 1, 2021
  - Results from the second drill program released – April 15 to July 6, 2021
  - Excelsior Mine Property definitive option agreement signed – June 2, 2021
  - Results from metallurgical bottle roll testing – September 8, 2021
  - 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 – paused as of mid-July 2022
  - Acquisition of "Never Get Left Prospect" claim – October 24, 2022
  - Results from surface sampling conducted during Q4 2022 – November 22, 2022
  - Results from fourth drill program released – December, 2022 to January 2023
  - Preliminary surface sampling and mapping of the WestGold target – December 2022
  - CANEX stakes 17 additional claims – January 2023
  - Surface exploration program, Shaft and WestGold targets – January 2023
  - Fifth drill program commenced – March 2023 – April 2023

#### **Gibson Prospect, British Columbia**

- During the year ended September 30, 2021, the Company determined that further exploration on this property, which it acquired under option, 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 7 a) "Contractual obligations" below.

# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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#### **Corporate**

- During the subsequent period from April 1, 2023 to May 5, 2023, the date of this report, the Company closed a non-brokered private placement financing of 10,000,000 common shares at \$0.06 per share for gross proceeds of \$600,000. The current financing will allow CANEX to significantly expand its exploration efforts including doubling its planned drilling program from 15 to 30 holes, allowing further testing of priority exploration and expansion targets, as well as provide funding for general working capital.

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 March 31, 2023 the Company holds 261 lode mining claims and 2 patented claims (1649 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 March 31, 2023 are \$4,476,483 and \$nil, respectively (September 30, 2022 - \$3,913,041 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. 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 March 31, 2023.

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), on February 10, 2022, the Company paid US\$15,000 (\$18,993) and on February 7, 2023, the Company paid US\$20,000 (\$27,304) 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 March 31, 2023.

## **CANEX METALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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. On June 25, 2021, the Company issued 750,000 common shares valued at \$84,375, in accordance with the agreement. 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 and 25% earn in. As well, 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. 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.

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 March 31, 2023.

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. 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.

During fiscal 2020, a surface exploration program was conducted including soil sampling and mapping, focusing on expanding existing zones and discovering new zones of gold mineralization. Multiple new gold exploration targets were identified and prepared for testing.

The first drill program on the property began on August 25, 2020. 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. Based on the results from this program, which were encouraging, the Company planned and completed a second drill program.

The second drill program, which was conducted between January 28, 2021, and March 1, 2021, 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, expanding the Company's previous bulk tonnage oxide discovery, 5 holes tested various targets across the southern part of the property and 14 holes tested the Excelsior Mine area.

During fiscal 2021, 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

## **CANEX METALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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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.

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. 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. 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 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.

In November, 2022, the Company purchased a 100% interest in a lode mining claim ("Never Get Left Prospect") (16.52 acres) from an unrelated third party for US\$20,000 (\$27,444), situated in Mohave County, Arizona adjacent to the existing Gold Range Property. The Never Get Left Prospect, known to have zones of high-grade gold mineralization, was a small-scale gold producer that operated between 1901 to 1911 with multiple workings and about 335 metres (1100 feet) of underground developments. It is situated directly adjacent to the WestGold target. Total gold production remains undocumented.

During Q1 and Q2 2023, the Company conducted a two field programs focusing on delineating the WestGold soil anomaly and mapping and sampling the Never Get Left Prospect in preparation for permitting and drilling the newly identified target areas. Fieldwork completed on at the WestGold target has defined a new 500-metre-long shallow dipping zone of quartz veining in granite directly associated with a gold in soil anomaly. The zone remains open along strike and evidence for additional parallel mineralized zones is indicated, providing a new and compelling drill target. Additionally, 17 claims were staked during this period. A fifth drill program commenced during this period and was completed during April 2023, the results of which will be released as they become available are analyzed. The Company has focused its efforts on drill testing the three new target areas: WestGold, the zones parallel to Excelsior and the new Shaft discovery. As at March 31, 2023, the Company has drilled at total of 135 holes, for a total of 15,000 metres.

### **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"). 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 also assumed the obligations of an underlying option agreement with Steven Scott. The gross costs and impairments recorded to the Gibson Prospect as at December 31, 2022 are \$473,527 and \$473,527 respectively (September 30, 2022 - \$473,527 and \$473,527).

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 of \$500,000 to August 30, 2023. All other terms of the option agreement remain unchanged. Refer to Section 7) a) "Contractual obligations" for further information.

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**4) Operating Results**

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

|  | Three months ended<br>March 31 |                     | Six months ended<br>March 31 |                   |
|--|--------------------------------|---------------------|------------------------------|-------------------|
|  | 2023                           | 2022                | 2023                         | 2022              |
| General and administrative             | \$ (97,271)                    | \$ (57,730)         | \$ (157,499)                 | \$ (146,615)      |
| Reporting to shareholders              | (100)                          | (13,950)            | (4,195)                      | (18,240)          |
| Professional fees                      | (1,264)                        | (2,254)             | (11,546)                     | (9,704)           |
| Stock exchange and transfer agent fees | (3,425)                        | (5,129)             | (5,599)                      | (7,271)           |
| Depreciation                           | -                              | -                   | -                            | (30)              |
| Pre-acquisition expenditures           | (3,381)                        | -                   | (3,381)                      | -                 |
| Dividend income                        | -                              | -                   | -                            | 231,232           |
| Interest and other                     | 7,634                          | (3,589)             | 14,473                       | (8,050)           |
| Gain (loss) on short-term investments  | -                              | (112,670)           | -                            | (48,985)          |
| <b>Net and comprehensive loss</b>      | <b>\$ (97,807)</b>             | <b>\$ (195,322)</b> | <b>\$ (167,747)</b>          | <b>\$ (7,663)</b> |

The most significant changes in other expenditures follow:

- Variances in general and administrative expenditures and professional fees are examined in further detail in the chart below.
- Reporting to shareholders' expenditures during the six-month period ended March 31, 2023 include nominal expenditures related to Annual General Meeting ("AGM") which will be held during Q3 2023; the remaining expenditures relate to fees for filing the fiscal 2022 annual audited financial statements. Reporting to shareholders' expenditures during the six-month period ended March 31, 2022 include fees for filing the fiscal 2021 annual audited financial statements as well as expenditures for the AGM held during Q2 2022, relating to the fiscal 2020 and 2021 annual audited financial statements.
- Stock exchange and transfer agent fees, which related directly to the security exchange transactions during each period, have decreased by \$1,704 and \$1,672 during the current three- and six-month periods respectively from the comparative three- and six-month respective periods.
- Pre-acquisition expenditures incurred during the three-month period ended March 31, 2023, relate to lease research conducted during the period for exploration and evaluation properties. There were no similar expenditures during the remainder of fiscal 2023 or during the comparative periods.
- 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 and six-month periods the comparative three-month period.
- Interest and other income include interest earned from a high interest savings account, management fees and foreign exchange gains and losses. During the current three- and six month periods the Company recognized \$1,740 and \$3,400 in foreign exchange losses respectively; however, due to higher interest rates incurred during the current period, the company earned \$9,300 and \$17,800 respectively on its operating accounts, offsetting the foreign exchange losses. During the comparative three- and six-month period, the Company recognized foreign exchange losses of \$3,700 and \$8,300 and nominal amounts of interest revenue and management fees.
- During the three- and six-month period ended March 31, 2022, the Company recognized net losses of \$112,670 and \$48,985 respectively 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. Refer to Note 7 "Short-term investments" to the Unaudited Condensed Interim Consolidated Financial Statements for the three- and six-month period ended March 31, 2023, 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.

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**General and administrative expenses**

Details of the components of General and Administrative expenses appear below to assist in the discussion that follows:

|  | Three months ended<br>March 31 |                  | Six months ended<br>March 31 |                   |
|--|--------------------------------|------------------|------------------------------|-------------------|
|  | 2023                           | 2022             | 2023                         | 2022              |
| Administrative consulting fees                   | \$ 65,523                      | \$ 32,309        | \$ 105,351                   | \$ 75,123         |
| Occupancy costs                                  | 4,697                          | 4,697            | 9,394                        | 9,394             |
| Office, secretarial and supplies                 | 13,317                         | 9,166            | 22,116                       | 22,182            |
| Travel and promotion                             | 8,087                          | 7,076            | 8,376                        | 30,667            |
| Insurance  | 3,939                          | 3,079            | 7,877                        | 6,158             |
| Directors' fees                                  | 1,000                          | 1,000            | 2,500                        | 2,000             |
| Computer network and website maintenance         | 708                            | 403              | 1,885                        | 1,091             |
| <b>Total general and administrative expenses</b> | <b>\$ 97,271</b>               | <b>\$ 57,730</b> | <b>\$ 157,499</b>            | <b>\$ 146,615</b> |

- Administrative consulting fees, which consist of fees for the President, CFO, the controller, and services provided by other consultants, during the current three- and six-month period respectively, have increased by \$33,214 and \$30,228 from the comparative three- and six-month respective periods. Q2 2023 fees include fees to the President of \$15,925 (Q2 2022 – \$4,900), fees to the controller of \$4,335 (Q2 2022 - \$4,909) and fees to other consultants of \$45,263 (Q2 2022 – \$22,500). Year to date expenditures include fees to the President of \$23,275 (March 31, 2022 - \$14,525), fees to the CFO of \$300 (March 31, 2022 - \$Nil), fees to the controller of \$13,664 (March 31, 2022 - \$15,598) and fees to other consultants of \$68,112 (March 31, 2022 - \$45,000). Current and comparative period geological consulting and other consulting fees primarily relate to managing investor relations and marketing to secure corporate financing.
- There is no change in occupancy costs between the current and comparative periods. See Note 17 - "Related party balances and transactions and key management remuneration" to the Unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023, which accompany this document.
- There is an increase of \$4,151 during the three-month period ended March 31, 2023 from the comparative period and a decrease of \$66 from the six-month period ended March 31, 2023 from the comparative period for office, secretarial and supplies. The majority of the variance relates to contract fees for administrative services and office supply expenditures. These variances are consistent with the activities and expenditures incurred during the respective period ends.
- Travel and promotional expenditures have increased by \$1,011 and decreased by \$22,291 between the current and comparative three- and six-month periods respectively and are in accordance with the 2023 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. The comparative three- and six-month periods include expenditures for investor and lead generation subscriptions which were not incurred during the current three- and six-month periods.
- Insurance premiums have increased by \$860 and \$1,719 during the current three- and six-month periods respectively from the comparative three- and six-month respective periods reflecting increases in insurance rates that were incurred up renewal of insurance policies.
- The Company compensates directors who are not officers of the Company \$500 for meeting attendance in person or online. As at March 31, 2023, there are three directors who are not officers (March 31, 2022 – two directors); the amounts above reflect directors' fees paid or payable for meetings attended during the above noted periods.
- There is no significant variance between current and comparative three- and six-month period expenditures for computer network and website maintenance. These expenditures include website hosting fees, internet fees and other computer related expenditures.

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**Professional fees**

|                                | Three months ended |                 | Six months ended |                 |
|--------------------------------|--------------------|-----------------|------------------|-----------------|
|                                | March 31           |                 | March 31         |                 |
|                                | 2023               | 2022            | 2023             | 2022            |
| Audit and accounting           | \$ -               | \$ 186          | \$ 8,505         | \$ 5,143        |
| Legal and filing fees          | 1,264              | 2,068           | 3,041            | 4,561           |
| <b>Total professional fees</b> | <b>\$ 1,264</b>    | <b>\$ 2,254</b> | <b>\$ 11,546</b> | <b>\$ 9,704</b> |

- Professional fees consist of annual auditing fees plus legal and other filing fees. The current and comparative six-month period audit and accounting fees relate to the audited financial statements, and filing US tax returns on account of Canexco, for the years ended September 30, 2022 and 2021 respectively.
- Legal and filing fees incurred during Q1 and Q2 2023 include \$335 for miscellaneous legal consultations and audit support and \$2,706 for news releases during the period. Legal and filing fees incurred in Q1 and Q2 2022 include \$1,075 for miscellaneous legal consultations and audit support; the remainder relate to news releases during the period.

**5) Liquidity and Capital Resources**

The Company's working capital position at March 31, 2023 was \$1,079,311 (September 30, 2022 - \$1,717,734) a decrease of \$638,423. Changes to working capital and cash flow in the current and comparative periods are discussed below:

- The current three- and six-month periods operating expenditures resulted in a cash outflow of \$160,059 and \$252,726 respectively, compared to \$77,999 and \$177,908 during the respective comparative three- and six-month periods. The variances are consistent with the factors described in Section 4) "Operating results".
- During the current three- and six-month periods, the Company incurred net cash inflows \$7,634 and \$14,473 respectively which were comprised primarily of interest revenue earned on operating accounts as well as foreign exchange losses on its US\$ operating account. The increase in interest rates during the respective periods are reflected in the net cash inflow. During the three- and six-month periods ended March 31, 2022, the Company primarily incurred foreign exchange losses on its US dollar denominated bank account resulting in net cash outflows of \$3,589 and \$8,050 in each respective period.
- A decrease in the fair market value of the short-term investments from September 30, 2021 to March 31, 2022 resulted in a net loss of \$56,335 and a decrease in working capital. There was no change during the three- and six-month periods ended March 31, 2023.
- During the six-month period ended March 31, 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 \$238,582. See Note 7 – "Short-term investments" to the Unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023 for more information. There were no similar transactions during the three- and six-month periods ended March 31, 2023.
- During the six-month period ended March 31, 2023, the Company incurred a cash outflow of \$266,805 (March 31, 2022, - \$1,016,662) in exploration and evaluation assets for exploration activities, all of which relate to the Gold Range property in Arizona, USA. See Note 8 – "Exploration and evaluation assets" and Note 18 – "Supplemental disclosure statement of cash flows" to the Unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023, which accompany this document and Section 3) "Mineral Properties" for more information.
- During the three-month period ended March 31, 2023, the Company received \$347,940 as partial proceeds on a non-brokered private placement share issuance which closed subsequent to the period end on April 3, 2023 and incurred \$4,486 in share issuance costs. During the six-month period ended March 31, 2023, the Company issued 1,000,000 common shares valued at \$112,500 related to mineral property acquisitions (a non-cash transaction) incurring an additional \$1,722 in share issuance costs. Refer to Note 8 – "Exploration and evaluation assets" of the Unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023 which accompany this document, Section 3) – "Mineral properties" and Section 6) – "Financing" for more information. There were no financing activities during the comparative three- and six-month periods March 31, 2022.

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.



# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and increased levels of exploration on its mineral properties will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature and continuance of operations" to the Unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023.

#### **6) Financing**

##### **Six-month period ended March 31, 2023**

During the six-month period ended March 31, 2023, the Company issued 1,000,000 common shares valued at \$112,500 pursuant to an option agreement on the Gold Range property. The share issuance price was valued in accordance with the agreement. See Section 3) "Mineral properties – Gold Range Property, Arizona, USA" for more information.

During the subsequent period, from April 1, 2023 to May 5, 2023, the approval date of these financial statements, there were no shares cancelled and returned to treasury. However, the Company closed a non-brokered private placement financing for 10,000,000 common shares at a price of \$0.06 per share for gross proceeds of \$600,000. Related parties, comprised of officers and directors, acquired 1,835,869 of the common shares issued.

##### **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.

#### **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 also assumed the obligations of an underlying option agreement with Steven Scott.

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The remaining commitments of the agreement are as follows:

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

\* - as at March 31, 2023, 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:

| <b>Due date</b> | <u>Option payments</u> |
|-----------------|------------------------|
|                 | <u>US\$</u>            |
| June 11, 2023   | <u>30,000</u>          |

The committed option payments and exploration expenditures of US\$30,000 would equate to \$40,599 using the March 31, 2023 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\$4,060.

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 March 31, 2023, under the terms of the Agreement, the Company is committed to the following cash payments:

| <b>Due date</b>   | <u>Option Payments</u> |
|-------------------|------------------------|
|                   | <u>US\$</u>            |
| February 24, 2024 | <u>30,000</u>          |

The remaining committed option payments of US\$30,000 would equate to CDN\$40,599, using the March 31, 2023 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 \$4,060.

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

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over 3 stages. Stages 1 and 2 must be completed over 2.5 years. To complete the stage 2 earn in, CANEX must make a bonus payment equivalent to 1.0% on recoverable gold equivalent ounces defined in the measured and indicated resource categories. To complete the stage 3 earn in, CANEX must make another bonus payment to the Vendors equivalent to 1.5% of the gold price on recoverable gold equivalent ounces defined in the proven and probable reserve categories. CANEX has 2 years to complete the stage 3 earn in once Stage 2 is complete. Once CANEX has earned a 90% interest in the Property, the Vendors can elect to maintain their 10% ownership by contributing their 10% share to exploration and development or to give up 100% ownership to CANEX and revert to a 1.5% NSR.

As at March 31, 2023, under the terms of the Agreement, the Company is committed to the following share issuances and minimum exploration expenditures:

|   | <b>Option payments<br/>Common Shares</b> | <b>Minimum exploration<br/>expenditures<br/>(US\$)</b> | <b>Earn in on<br/>completion of<br/>obligation<br/>(%)</b> |
|---|--|--|--|
| Stage 1   | 750,000                                  | 500,000  | 25   |
| Stage 2   | 1,000,000                                | 2,000,000  | 26   |
| Stage 3   | 1,000,000                                | 2,000,000  | 39   |
| Total   | 2,750,000                                | 4,500,000  | 90   |
| Less obligations fulfilled to<br>March 31, 2022     | (1,750,000)                              | (1,637,630)  | -  |
| Total remaining<br>commitments to March 31,<br>2023 | 1,000,000                                | 2,862,370  |  |

The remaining committed minimum exploration expenditures of US\$2,862,370 equate to CDN\$3,873,645 using the March 31, 2023 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 \$387,645.

**8) Exploration Expenditures**

Refer to Note 8 "Exploration and evaluation assets," to the Unaudited Condensed Interim Consolidated Financial Statements for exploration and evaluation asset expenditures for the three- and six-month periods ended March 31, 2023.

**9) Off-Balance Sheet Transactions**

There are no off-balance sheet transactions to report.

**10) Selected Quarterly Financial Information**

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

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| Three months ended  | Mar 31<br>2023<br>(Q2<br>2023) | Dec 31<br>2022<br>(Q1<br>2023) | Sep 30<br>2022<br>(Q4<br>2022) | Jun 30<br>2022<br>(Q3<br>2022) | Mar 31<br>2022<br>(Q2<br>2022) | Dec 31<br>2021<br>(Q1<br>2022) | Sep 30<br>2021<br>(Q4<br>2021) | Jun 30<br>2021<br>(Q3<br>2021) |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | \$                             | \$                             | \$                             | \$                             | \$                             | \$                             | \$                             | \$                             |
| Loss before impairment of exploration and evaluation assets | (105,441)                      | (76,779)                       | (77,361)                       | (454,007)                      | (79,063)                       | (102,797)                      | (170,212)                      | (87,924)                       |
| Impairment of exploration and evaluation assets             | -                              | -                              | -                              | -                              | -                              | -                              | (473,527)                      | -                              |
| Loss before other items                                     | (105,441)                      | (76,779)                       | (77,361)                       | (454,007)                      | (79,063)                       | (102,797)                      | (643,739)                      | (87,924)                       |
| Dividend income   | -                              | -                              | -                              | -                              | -                              | 231,232                        | -                              | -                              |
| Interest and other income                                   | 7,634                          | 6,839                          | 6,284                          | 4,893                          | (3,589)                        | (4,461)                        | 9,264                          | (3,180)                        |
| Gain (loss) on short-term investments                       | -                              | -                              | 28,167                         | (281,675)                      | (112,670)                      | 63,685                         | (169,005)                      | (56,335)                       |
| Comprehensive profit (loss)                                 | (97,807)                       | (69,940)                       | (42,910)                       | (730,789)                      | (195,322)                      | 187,659                        | (803,480)                      | (147,439)                      |
| Basic and diluted earnings (loss) per share                 | 0.00                           | 0.00                           | 0.00                           | (0.01)                         | 0.00                           | 0.00                           | (0.01)                         | 0.00                           |

Generally, the most significant influences on the variability of profit or loss are the amount of stock-based compensation, the amount of exploration and evaluation asset impairments or recoveries, and gains or losses on short-term investments. However, 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 2021, 2022 and 2023 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 AGM was held in Q2 2022.

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.

**11) 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>                    |                   |                                |

# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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#### **12) Related Party balances and transactions and key management remuneration**

Transactions and balances are disclosed and explained in Note 17 to the Unaudited Condensed Interim Consolidated Financial Statements for the three- and six-month periods ended March 31, 2023 which accompany this document.

#### **13) Share capital and equity reserves**

Refer to Note 12 to the financial statements and the Condensed Interim Statement of Changes in Equity for common share capital, stock option and warrant transactions during the three- and six-month periods ended March 31, 2023, and balances as at that date.

Refer to Section 6) – “Financing” for common shares issued during the subsequent period from April 1, 2023 to May 5, 2023, the date of this report.

Except as noted above, there were no further changes in share capital issued, cancelled and returned to treasury, warrants issued, exercised or expired or options issued, exercised or expired during the subsequent period from April 1, 2023 to May 5, 2023, the date of this report.

#### **14) Financial instruments**

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

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 March 31, 2023, the Company had US\$28,891, (\$39,098) in a US denominated bank account (September 30, 2022 - US\$13,173, (\$18,056)). The effect of a foreign currency increase or decrease of 10% on this cash holding would result in an increase or decrease of \$3,910 (September 30, 2022 - \$1,806). Additionally, on March 31, 2023, accounts payable and accrued liabilities include liabilities of US\$137,224, (\$185,706) (September 30, 2022 - US\$32,829 (\$44,999)), 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 \$18,571 (September 30, 2022 – \$4,500) to the amount payable.

#### **15) Financial risk management**

##### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at March 31, 2023 and September 30, 2022.

##### **b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. The Company feels that it has sufficient working capital to finance general and administration and other operating expenses for 12 months assuming similar activity levels to the previous year. However, increases in activity levels, new property acquisitions and increased levels of exploration on its mineral properties will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 "Nature and continuance of operations" to the unaudited Condensed Interim Consolidated Financial Statements dated March 31, 2023.

# **CANEX METALS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Company's significant remaining contractual maturities for financial liabilities at March 31, 2023 and September 30, 2022 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 six-month period ended March 31, 2023, the market price fluctuation on the investments held resulted in a net gain of \$Nil (September 30, 2022 - net loss of \$309,843) on short-term investments. In 2023, a 10% change in fair value of the Company's marketable investments would result in a charge to income of \$30,984 (2022 - \$30,984).

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 effect of a foreign currency increase or decrease of 10% on the US denominated cash balance and liabilities has been disclosed in Section 14) "Financial instruments". The Company has disclosed US dollar commitments pertaining to three option agreement in Section 7) "Contractual obligations b), c) and d)".

#### **16) Outlook**

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

- During the subsequent period, April 1, 2023 to May 5, 2023, the Company closed a private placement financing for gross proceeds of \$600,000. 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 described above, has been used to fund, and will continue to fund the Company's working capital for general operations. It has also allowed the Company to implement ongoing extensive exploration programs on its Gold Range Property in Arizona, USA, throughout fiscal 2022 and into fiscal 2023 including the fifth drill program that was completed during April, 2023. In upcoming periods, the Company is planning to continue following up on recent discoveries and new target areas in addition to defining and expanding established zones of gold mineralization.

As at March 31, 2023, CANEX is fully financed to complete its planned exploration program. The budget to complete this program is \$US447,000 (\$599,000).

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 and 25% earn in. (Section 7d) "Contractual obligations").

# CANEX METALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023

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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.

#### 17) Risks

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

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

- **Exploration, development and operating risks**

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

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

# CANEX METALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023

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- **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 reasonable terms, or that such laws and regulation will not have an adverse effect on any exploration or development project which the Company might undertake.

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

- **Financing risks and dilution to shareholders**

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

- **Title to properties**

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

- **Competition**

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



# CANEX METALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

#### 18) Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its exploration and evaluation assets. Exploration and evaluation assets consist of the capitalized costs of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonments. The estimated values of exploration and evaluation assets are evaluated by management on a regular basis to determine whether facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Reference is made to project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, financing, the extent to which optionees have committed, or are expected to commit to, exploration

# CANEX METALS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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on the property and the imminent expiry of the right to explore, among other factors. When it becomes apparent that the carrying value of a specific property will not be realized, an impairment provision is made for the estimated decline in value.

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

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

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

#### 19) New Accounting Policies

The Company did not adopt any new accounting policies during the six-month period ended March 31, 2023.

#### 20) Subsequent events

- a) During the subsequent period, from April 1, 2023 to May 5, 2023, the approval date of these financial statements, the Company closed a non-brokered private placement financing for 10,000,000 common shares at a price of \$0.06 per share for gross proceeds of \$600,000. Related parties, comprised of officers and directors, acquired 1,835,869 of the common shares issued.
- b) On April 5, 2023, the Company entered into a new sublease arrangement for office space at a new location, with Jade Leader Corp., a related corporation. The occupancy date was April 15, 2023 with a rent-free period to September 1, 2023 and a termination date of August 31, 2025. The following commitments under the arrangement is below:

| Period ended September 30 | 2023  | 2024   | 2025   |
|---------------------------|-------|--------|--------|
|                           | \$    | \$     | \$     |
| Occupancy lease           | 1,890 | 22,686 | 20,795 |

#### 22) Other

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