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

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Independent Auditor's Report

To the Shareholders of CANEX Metals Inc.:

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Other Information

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
December 17, 2020

CANEX Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at September 30

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

Nature of operations and continuance of operations (Note 1)

Commitments (Note 18)

Subsequent events (Note 24)

Approved by the Board

"Shane Ebert" Director

"Jean-Pierre Jutras" Director

See accompanying notes to consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended September 30

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

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statements of Cash Flows

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

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

Supplementary information:

Interest and taxes

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

Non-cash transactions

2020

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

2019

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

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

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

See accompanying notes to the consolidated financial statements.

CANEX Metals Inc.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

As at September 30

	Reserves						
	Common share capital	Equity settled share based payments	Warrants	Other Reserves*	Total Reserves	Deficit	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, September 30, 2018	13,835,176	64,500	33,120	1,886,077	1,983,697	(15,136,521)	682,352
Net and comprehensive loss for the year	-	-	-	-	-	(113,432)	(113,432)
Share issuance – property acquisition (Note 7)	82,600	-	-	-	-	-	82,600
Private placement share and warrant issue	115,000	-	-	-	-	-	115,000
Share issuance – property acquisition (Note 7)	20,000	-	-	-	-	-	20,000
Share issuance and transaction costs	(3,934)	-	-	-	-	-	(3,934)
Private placement share and warrant issue	220,000	-	-	-	-	-	220,000
Share issuance and transaction costs	(25,325)	-	11,575	-	11,575	-	(13,750)
Options issued	-	59,216	-	-	59,216	-	59,216
Balance, September 30, 2019	14,243,517	123,716	44,695	1,886,077	2,054,488	(15,249,953)	1,048,052
Net and comprehensive loss for the year	-	-	-	-	-	(198,040)	(198,040)
Options issued	-	37,417	-	-	37,417	-	37,417
Private placement share issue	606,000	-	-	-	-	-	606,000
Share issuance costs	(6,441)	-	-	-	-	-	(6,441)
Options exercised	11,490	(5,490)	-	-	(5,490)	-	6,000
Warrants exercised	258,956	-	(10,289)	-	(10,289)	-	248,667
Share issuance costs	(1,953)	-	-	-	-	-	(1,953)
Share issuance – property acquisition (Note 7)	25,000	-	-	-	-	-	25,000
Share issuance costs	(1,504)	-	-	-	-	-	(1,504)
Private placement share issue	600,039	-	-	-	-	-	600,039
Share issuance costs	(5,164)	-	-	-	-	-	(5,164)
Warrant exercise	904	-	(492)	-	(492)	-	412
Option exercised	17,235	(8,235)	-	-	(8,235)	-	9,000
Share issuance costs	(340)	-	-	-	-	-	(340)
Balance, September 30, 2020	15,747,739	147,408	33,914	1,886,077	2,067,399	(15,447,993)	2,367,145

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

See accompanying notes to the consolidated financial statements

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

1. Nature of operations and continuance of operations

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

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

The Company incurred a net loss of \$198,040 during the year ended September 30, 2020. The Company has a deficit of \$15,447,993 at September 30, 2020. Operating expenses beyond September 30, 2021, increases in expenditures over budget for the twelve month period ended September 30, 2021, exploration programs and new property acquisitions will require additional financing. There can be no assurance that the Company will be successful in obtaining financing. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments which could be significant should the Company be unable to continue as a going concern.

2. Basis of presentation

a) Basis of presentation

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

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

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

b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned US subsidiary, Canexco Inc. ("Canexco"). Canexco was incorporated by the Company on June 5, 2019 in Arizona, USA, to conduct its exploration and development business in the USA, (refer to Note 7 - "Exploration and evaluation assets" for more information). All intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are those entities that the Company controls through its power to govern the financial and operating policies of the subsidiary. Subsidiaries are fully consolidated from the date control is obtained and are de-consolidated from the date control ceases. During the year ended September 30, 2019, the Company determined that its dormant wholly-owned subsidiary, NAMCOEX Inc., ("NAMCOEX"), incorporated during the year ended September 30, 2005 to acquire Nevada mineral property interests, was dissolved. As the operations of Namcoex had been fully consolidated, there was no financial impact to the Company as a result of the dissolution.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies

a) New accounting policies

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

b) Financial Instruments

The Company's financial instruments consist of the following:

Financial Assets

Cash
Accounts receivable
Short-term investments

Classification

Financial asset measured at amortized cost
Financial asset measured at amortized cost
Financial asset measured at fair value

Financial Liabilities

Accounts payable and accrued liabilities

Classification

Financial liabilities measured at amortized cost

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

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

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

Financial asset measured at fair value

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

Financial assets measured at amortized cost

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

Financial liabilities measured at amortized cost

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

b) Financial Instruments (continued)

Impairment of financial assets

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

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

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

Cash

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

c) Provisions

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

d) Decommissioning obligation

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

e) Exploration and evaluation assets

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

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

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

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

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

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

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

e) Exploration and evaluation assets (continued)

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

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

f) Equipment

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

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

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

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

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

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

g) Gains and losses on short-term investments

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

h) Foreign currencies

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

i) Critical accounting judgments and estimates

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

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

Critical estimates include:

- a) the carrying values of exploration and evaluation assets that are included in the statement of financial position, including the assumptions that are incorporated into the impairment assessments, and the amount of impairments that are included in the statement of loss and comprehensive loss. (Refer to Note 1 - "Nature of operations and continuance of operations")
 - b) the estimate of the amount of asset retirement obligation and the inputs used in determining the net present value of the liabilities for asset retirement obligations included in the statement of financial position.
 - c) the estimated fair value of share purchase options and broker warrants requires determining the most appropriate model as well as the applicable inputs.
 - d) Judgment is required in determining whether or not deferred tax assets are recognized on the statement of financial position.
 - e) Estimates are required in determining the amount of government incentives. Judgment is also required to determine the recoverability of the government incentives.
-

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

j) Share-based payment transactions

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

k) Loss per share

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

l) Income taxes

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

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

m) Leases

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

n) Government incentives

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

3. Significant accounting policies (continued)

n) Government incentives (continued)

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

4. Cash

Cash is comprised of:

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

5. Accounts receivable

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

6. Short-term investments

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

6. Short-term investments (continued)

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

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

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

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

7. Exploration and evaluation assets

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

Gold Range Property, Arizona, USA

On June 11, 2019, the Company's wholly-owned subsidiary, Canexco Inc., entered into an arm's length Option Agreement to acquire a 100% interest in the Gold Range Property, Arizona, USA from a Prospector, the "Optionor". The Gold Range Property, under option, is comprised of three staked lode mineral claims with a total area of 61.98 acres and is located in Mohave County, Arizona, USA.

Under the terms of the agreement, the Company is committed to make options payments and minimum exploration expenditures totaling US\$90,000 and US\$80,000 over four years, respectively. On June 11, 2019, the Company paid US\$10,000 (CDN\$13,405) and on June 6, 2020, the Company paid US\$15,000 (CDN\$20,306) in accordance with the agreement. In addition, the Optionor will retain a 2% NSR, half of which can be bought back by the Company for US\$500,000; the remaining half can be bought back for US\$1,000,000.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

Gold Range Property, Arizona, USA (continued)

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

Due date	Option Payments	Minimum Exploration Expenditures
	US\$	US\$
June 11, 2021	15,000	20,000
June 11, 2022	20,000	20,000
June 11, 2023	30,000	30,000
Total committed cash payments and minimum exploration expenditures	65,000	70,000
Exploration expenditures to September 30, 2020	-	797,300
Total remaining commitment as of September 30, 2020	65,000	-

The remaining committed option payments of US\$65,000 would equate to CDN\$86,704 using the September 30, 2020 Bank of Canada exchange rate. An increase or decrease of 10% to the exchange rate would result in an increase or decrease in required option payments of \$8,670.

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

Under the terms of the agreement, the Company is committed to make options payments totaling US\$90,000 over four years. On February 24, 2020, the Company paid US\$10,000 (CDN\$13,397) in accordance with the agreement. In addition, the Optionor will retain a 2% NSR, half of which can be bought back by the Company for US\$500,000; the remaining half can be bought back for US\$500,000. Additionally, the Company must pay 10% of any profits realized from the processing and recovery of metals from the existing leach pad materials located within the Optionor's claim.

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

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

The remaining committed option payments of US\$80,000 would equate to CDN\$106,712 using the September 30, 2020 Bank of Canada exchange rate. An increase or decrease of 10% to the exchange rate would result in an increase or decrease in required option payments of \$10,671.

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

Gold Range Property, Arizona, USA (continued)

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

Gibson Prospect, British Columbia

On April 4, 2017, the Company announced it had signed a Letter of Intent to acquire a 100% interest in the Gibson property from Altius Resources Inc. ("Altius"), a wholly held subsidiary of Altius Minerals Corp. (TSX:ALS), which is an arm's length party. Gibson is 887 Ha in size and located in central British Columbia, approximately 95 kilometres northwest of Fort St. James. The option purchase agreement (the "Agreement") was executed on May 12, 2017; and received Exchange approval on May 17, 2017. The Company also assumed the obligations of an underlying option agreement with Steven Scott, an arm's length party (the "Underlying Agreement").

Under the terms of the Agreement, the Company is committed to issue a maximum of 3,545,000 common shares to Altius in three stages plus incur minimum exploration expenditures up to \$500,000 within 18 months, and make \$90,000 in cash or share equivalent payments to Steven Scott. Upon approval of the Agreement, the Company issued 1,125,000 common shares to Altius valued at \$78,750 and paid \$5,000 to Steven Scott. On February 14, 2018, the Company paid \$15,000 to Steven Scott pursuant to the Underlying Agreement. On October 5, 2018, the Company issued 1,180,000 common shares to Altius valued at \$82,600 pursuant to the Agreement. On February 21, 2019, the Company issued 400,000 common shares to Steven Scott valued at \$20,000 and on February 27, 2020, the Company issued 121,951 shares to Steven Scott valued at \$25,000 pursuant to the Underlying Agreement. On November 12, 2018, the Company was granted an extension to meet its minimum exploration expenditures of \$500,000 by November 12, 2018 to July 15, 2019, as lack of access during 2018, in part, prevented the Company from completing the required expenditures within the allotted time. On June 20, 2019, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 by July 15, 2019 to July 15, 2020. On July 16, 2020, the Company was granted a further extension to meet its minimum exploration expenditures of \$500,000 by July 15, 2020 to November 30, 2020, which was subsequently extended to July 31, 2021. All other terms of the Agreement remain unchanged. The gross costs and impairments recorded to the Gibson Prospect as at September 30, 2020 are \$448,027 and \$nil, respectively (September 30, 2019 - \$422,527 and \$nil).

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

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

* - included in total minimum exploration expenditure commitments

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

Gibson Prospect, British Columbia (continued)

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

In addition, Altius will retain a right to purchase an underlying 1.5% Net Smelter Royalty ("NSR") and preferential rights on any future royalties or streams granted on the Property. If the Company achieves a measured and indicated mineral resource in excess of 1 million gold equivalent ounces, a Milestone Payment of 1,275,000 shares will be issued to Altius. Pursuant to the underlying option agreement, Steven Scott is also entitled to the additional milestone bonuses 1) \$25,000 in cash or securities upon a Bankable Feasibility Study; and 2) \$50,000 in cash or securities upon Commercial Production.

Echo, Fulton, Red and Beal properties, British Columbia

On June 21, 2018, the Company signed a Definitive Agreement granting the Company an option to acquire a 100% interest in five mineral exploration properties in British Columbia from Altius. The five properties are named Ace, Echo, Fulton, Red and Beal. Pursuant to the Definitive Agreement, the acquisition of the Ace property was conditional upon satisfactory resolution of a property access issue by August 15, 2018. Since the access issue remained unresolved, the Ace Property was dropped from the Definitive Agreement. All other terms of the agreement remain unchanged. There were no financing obligations attached to the Definitive Agreement.

The terms of the agreement are summarized below:

To acquire a 100% interest in the Echo, Fulton, Red and Beal properties, the Company was required to spend a minimum of \$30,000 on exploration within 15 months (on or before September 21, 2019) of closing the Definitive Agreement and issue to Altius 500,000 common shares for each project. In addition, Altius would retain a 1.75% Gross Smelter Royalty ("GSR") on all properties within a 5 km area of interest. For each property that achieves a measured and indicated mineral resource in excess of 0.5 million gold equivalent ounces, a Milestone Payment of 1.5 million shares will be issued to Altius.

Altius agreed to extend the expenditure deadline to December 31, 2019 to allow the Company time to complete further evaluations of the properties. The Company conducted additional fieldwork in September 2019 determined that it would no longer continue to explore the Fulton, Red and Beal properties, and therefore impaired the full amount of expenditures on each respective property as of September 30, 2019. During the three month period ended December 31, 2019, the Company conducted a ground magnetic survey at Echo. After thorough analysis of the results of this program, the Company was unable to identify clear targets for advancement and therefore terminated the option, returning the Echo property to the vendor, and fully impairing the remaining expenditures as of September 30, 2020. The gross costs and impairments recorded to the Echo, Fulton, Red and Beal properties combined as at September 30, 2020 are \$23,001 and \$23,001, respectively (September 30, 2019 - \$12,617 and \$5,154).

Cariboo Gold Property, British Columbia

During the year ended September 30, 2015, the Company staked the Cariboo Gold Property located in central British Columbia. During the year ended September 30, 2019, the Company determined that it would no longer continue to explore the Cariboo Gold Property, and therefore impaired the full amount of expenditures to date. The Company will continue to hold the mineral claims until they expire on June 23, 2021. The gross costs and impairments recorded to the Cariboo Gold Property as at September 30, 2020 are \$6,409 and \$6,409, respectively (September 30, 2019 - \$6,409 and \$6,409).

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

Year ended September 30, 2019	British Columbia							Arizona, USA
	Total	Gibson Property	Cariboo Gold Property	Echo Property	Fulton Property	Red Property	Beal Property	Gold Range Property
	\$	\$	\$	\$	\$	\$	\$	\$
Exploration expenditures:								
Balance, September 30, 2018	84,588	78,484	2,243	1,546	2,315	-	-	-
Geological consulting	65,596	31,640	-	3,300	150	150	2,100	28,256
Field costs	5,579	3,179	-	206	-	-	205	1,989
Travel	16,804	11,053	-	-	-	-	-	5,751
Geochemical	23,642	11,738	715	-	483	-	-	10,706
Excavating	12,482	12,482	-	-	-	-	-	-
Drilling	128,000	128,000	-	-	-	-	-	-
Equipment rental	5,011	4,567	-	222	-	-	222	-
Provision for decommissioning	12,000	-	-	-	-	-	-	12,000
BC Mining exploration tax credit	(62,937)	(60,612)	(214)	(1,118)	(190)	(45)	(758)	-
Impairment	(7,376)	-	(2,744)	-	(2,758)	(105)	(1,769)	-
Balance, September 30, 2019	283,389	220,531	-	4,156	-	-	-	58,702
Property acquisition costs								
Balance, September 30, 2018	106,244	98,750	3,665	3,307	522	-	-	-
Acquisition costs incurred	124,822	103,246	-	-	-	-	-	21,576
Impairment	(4,187)	-	(3,665)	-	(522)	-	-	-
Balance, September 30, 2019	226,879	201,996	-	3,307	-	-	-	21,576
Total exploration and evaluation assets, September 30, 2019	510,268	422,527	-	7,463	-	-	-	80,278

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

7. Exploration and evaluation assets (continued)

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interest. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. At September 30, 2020, the Company held \$10,000 in respect of the Gibson Prospect and \$27,874 in respect of the Gold Range Project in exploration and evaluation asset advances and deposits (September 30, 2019 - \$10,000 and 27,569 respectively).

8. Equipment

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

9. Accounts payable and accrued liabilities

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

10. Decommissioning obligation

Changes in the decommissioning obligation:

	Sept 30, 2020	Sept 30, 2019
Balance, beginning of year	\$ 27,000	\$ 15,000
Gold Range Property additions	6,300	12,000
Balance, end of year	\$ 33,300	\$ 27,000

The provision noted above represents estimated costs to restore the Company's mineral property which includes the cost of filling trenches and revegetation as applicable. Management believes that there are no other significant legal and constructive obligations as at the respective year end dates for current and future decommissioning obligations. The year end present value of the decommissioning obligation was determined using a risk-free rate of 0.25% (September 30, 2019 - 1.58%). The estimated total undiscounted amount, using an inflation rate of 0.73% (September 30, 2019 - 1.90%) for the year ended September 30, 2020 is \$34,116 (2019 - \$28,035). The timing of future decommissioning costs is uncertain, as the costs will not be incurred until the Company gives up its legal right to explore the property or the current land use permits expire, at which time the reclamation has to have been completed. No accretion expense has been recorded in the current year because the amount is considered to be immaterial.

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

11. Share capital, stock options and warrants

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding common share capital

	Shares	Value \$
Balance, as at September 30, 2019	30,866,415	14,243,517
Private Placement – October 29, 2019	12,120,000	606,000
Share issuance costs	-	(6,441)
Options exercised – November 13, 2019	100,000	11,490
Warrants exercised – January 22, 2020	100,000	8,000
Warrants exercised – February 5, 2020	369,334	31,584
Warrants exercised – February 7, 2020	1,450,000	116,000
Warrants exercised – February 12, 2020	1,150,000	92,000
Share issuance – property acquisition	121,951	25,000
Share issuance costs	-	(1,504)
Warrants exercised – March 3, 2020	103,999	11,372
Share issuance costs	-	(1,953)
Private Placement – April 7, 2020	6,667,100	600,039
Share issuance costs	-	(5,164)
Warrants exercised – July 9, 2020	8,250	904
Options exercised – August 27, 2020	150,000	17,235
Share issuance costs	-	(340)
Balance, as at September 30, 2020	53,207,049	15,747,739
	Shares	Value \$
Balance, as at September 30, 2018	22,586,425	13,835,176
Share issuance – property acquisition	1,180,000	82,600
Private Placement – October 16, 2018	2,300,000	115,000
Share issuance costs	-	(2,959)
Share issuance – property acquisition	400,000	20,000
Share issuance costs	-	(975)
Private Placement – June 6, 2019	4,399,990	220,000
Share issuance costs	-	(25,325)
Balance, as at September 30, 2019	30,866,415	14,243,517

2020

On October 29, 2019, the Company closed its non-brokered private placement, issuing 12,120,000 common shares for aggregate gross proceeds of \$606,000. Related parties, comprised of officers and directors, acquired 300,000 of the total shares issued.

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

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

b) Issued and outstanding common share capital (continued)

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

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

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

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

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

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

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

2019

On October 5, 2018, the Company issued 1,180,000 common shares valued at \$82,600 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 – “Exploration and evaluation assets” for more information.

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

On February 21, 2019, the Company issued 400,000 common shares valued at \$20,000 pursuant to an option agreement on the Gibson property. The acquisition was valued using the closing share price on the transaction date. See Note 7 – “Exploration and evaluation assets” for more information.

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

CANEX Metals Inc.

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(Expressed in Canadian Dollars)

September 30, 2020 and 2019

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

c) Stock options outstanding

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

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

d) Stock option transactions

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

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

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

CANEX Metals Inc.

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(Expressed in Canadian Dollars)

September 30, 2020 and 2019

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

e) Warrant transactions and warrants outstanding

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

Year ended September 30, 2020

Exercise Price	Expiry	Balance Sept 30, 2019	Warrants Issued	Warrants Exercised	Balance Sept 30, 2020
\$0.10	October 16, 2020	2,300,000	-	-	2,300,000
\$0.25	March 23, 2021	460,000	-	-	460,000
\$0.08	June 6, 2022	4,399,990	-	3,000,000	1,399,990
\$0.05	June 6, 2022	194,999	-	181,583	13,416
		7,354,989	-	3,181,583	4,173,406

Year ended September 30, 2019:

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

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

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

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

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

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

CANEX Metals Inc.

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(Expressed in Canadian Dollars)

September 30, 2020 and 2019

12. Financial instruments

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

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

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

The following summarizes the categories of the various financial instruments:

	Sept 30, 2020	Sept 30, 2019
	Carrying Value	
Financial Assets		
Financial assets measured at fair value:		
Short-term investments	\$ 551,271	\$ 353,715
Financial assets measured at amortized cost:		
Cash	448,978	134,349
Accounts receivable	902	1,106
	\$ 449,880	\$ 135,455
Financial Liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 98,077	\$ 35,012

The above noted financial instruments are exclusive of any sales tax. The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments.

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

September 30, 2020 and 2019

13. General and administrative

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

14. Share-based payment transactions

During the year ended September 30, 2020, the Company issued 710,000 options that may be exercised at \$0.055 per share to October 4, 2024. The options were valued at \$37,416 using the Black-Scholes Options Pricing model assuming a 5-year term, volatility of 182.33%, a risk free discount rate of 1.25% and a dividend rate of 0%.

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

15. Loss per share

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

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

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

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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September 30, 2020 and 2019

16. Income tax information

Rate reconciliation:

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

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

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

Temporary differences and tax loss not recognized for accounting purposes:

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

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

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

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17. Related party balances and transactions and key management remuneration

The Company is considered a related party to Jade Leader Corp. ("Jade Leader") because of its common directors, officers and key management personnel that have some direct financial interest in both the Company and Jade Leader. In addition, related parties include members of the board of directors, officers and their close family members. Vector Resources Inc., a company controlled by Shane Ebert, President and director of CANEX Metals; and 635280 Alberta Ltd., a company controlled by Jean Pierre Jutras, an officer and director of CANEX Metals are also considered a related parties. The Company incurred the following amounts charged to (by) related parties:

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

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

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

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

Management compensation payable to "key management personnel" during the years ended September 30, 2020 and 2019 is reflected in the table above and consists of consulting fees paid to the President, the CFO, fees for the Corporate Secretary and directors' fees. Officers and directors are also compensated through the granting of options from time-to-time. During the year ended September 30, 2020, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for stock-based payments of \$37,417, that is recorded in general administrative expenses (Note 14 - "Share based payment transactions"). During the year ended September 30, 2019, the Company granted stock options to officers, directors and consultants and recorded a non-cash charge for share-based payments of \$59,216 that is included in general administrative expenses. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

- a) The President and director of the Company billed for consulting services that were either expensed or, when his services related directly to mineral property exploration, capitalized to exploration and evaluation assets (Note 7). During the year ended September 30, 2020, \$49,800 (2019 - \$24,000) was expensed through administrative expenses, \$100,500 (2019 - \$52,200) was capitalized to exploration

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

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

- b) The Corporate Secretary provides services to the Company on a contract basis.
- c) The Chief Financial Officer provides services to the Company on a contract basis.
- d) The Company pays directors who are not officers of the Company \$500 for meeting attendance in person and \$300 for meeting attendance by telephone. There are two directors who are not officers and the amounts above reflect directors fees paid/payable for meetings attended during the above-noted periods.
- e) Jade Leader incurred certain administrative expenses on the Company's behalf that were subsequently billed to the Company on a quarterly basis. Further, the Company incurred certain administrative costs on behalf of Jade Leader that were billed on a quarterly basis. Effective April 1, 2015, the Company commenced to lease office space from Jade Leader. Jade Leader and the Company share two common officers and two common directors.
- f) During the year ended September 30, 2020, geological consulting services were provided by 635280 Alberta Ltd.

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

18. Commitments

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

October 1, 2020 – August 31, 2021	\$ <u>17,226</u>
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CANEX Metals Inc.

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19. Supplemental disclosure statement of cash flows

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

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

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

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

20. Segment disclosures

During the years ended September 30, 2020 and September 30, 2019, the Company was only engaged in mineral exploration and all exploration activities were undertaken in Canada and/or the United States. Activities undertaken in both countries were similar in nature. As at September 30, 2020, the value of non-current assets associated with United States operations is \$991,451 including exploration and evaluation asset advances and deposits of \$27,874 and exploration and evaluation assets of \$963,577. All remaining non-current assets are associated with Canadian operations. Consequently, segmented information is not presented in these financial statements. Refer to Note 7 – “Exploration and evaluation assets” for details of the carrying amounts of these assets at the respective period ends.

CANEX Metals Inc.

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21. Capital

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

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

22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of receivables, excluding sales tax. The Company has had a history of prompt receipt of its receivables and considers credit risk to be low on these instruments as at September 30, 2020 and September 30, 2019.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. On October 15, 2020, 2,300,000, warrants, expiring October 20, 2020, were exercised for total proceeds of \$230,000. Refer to Note 12 – "Share capital, stock options and warrants" for further details. Increases in activity levels, new property acquisitions and any level of exploration on its mineral properties may require additional financing. There can be no assurance that the Company will be successful in obtaining financing. Refer to Note 1 - "Nature of operations and continuance of operations".

The Company's significant remaining contractual maturities for financial liabilities as at September 30, 2020 and 2019 are as follows:

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

c) Market risk

The Company's equity investments are subject to market price risk. The investments in common shares are recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price value of these investments can vary from period to period. During the year ended September 30, 2020, the market price fluctuation on the investments held resulted in a net gain of \$164,065 (2019 - net gain of \$122,819) on short-term investments. In 2020, a 10% change in fair value of the Company's

CANEX Metals Inc.

Notes to the Consolidated Financial Statements

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September 30, 2020 and 2019

22. Financial risk management (continued)

c) Market risk (continued)

marketable investments would result in a charge to income of \$55,127 (2019 - \$35,372). The Company does not intend to hold these investments for more than one year.

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

d) Interest rate risk

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

e) Foreign exchange risk

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

23. Novel coronavirus pandemic

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

24. Subsequent events

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

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

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September 30, 2020 and 2019

24. Subsequent events (continued)

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

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