

# **CALLINEX MINES INC.**

**Financial Statements  
Three and nine months ended June 30, 2019 and 2018**

*(Unaudited - Expressed in Canadian dollars)*

## **Notice of no Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# CALLINEX MINES INC.

## Condensed Interim Statements of Financial Position

As at June 30, 2019 and September 30, 2018

(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2019	September 30, 2018
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		2,205,881	3,501,403
Receivables	6	28,117	104,234
Marketable securities	7	-	61,680
Prepaid expenses and other assets		93,864	160,173
		2,327,862	3,827,490
Non-current			
Deposits		27,992	27,992
Property and equipment	8	201,431	219,962
Exploration and evaluation assets	9	18,714,883	18,133,280
		21,272,168	22,208,724
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	10	74,319	335,393
Flow-through premium liability	11	28,956	74,141
		103,275	409,534
<b>Shareholders' Equity</b>			
Capital stock	12	61,565,878	61,180,901
Equity reserve	12(e)	7,230,558	6,711,200
Accumulated other comprehensive loss		(353,995)	(400,920)
Deficit		(47,273,548)	(45,691,991)
		21,168,893	21,799,190
		21,272,168	22,208,724

Commitments – Note 15

Subsequent events – Notes 1 and 12(b)

### APPROVED BY THE BOARD OF DIRECTORS

\_\_\_\_\_  
Michael Louie ("signed") Director

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Nico Civelli ("signed") Director

The accompanying notes are an integral part of these condensed interim financial statements

# CALLINEX MINES INC.

Condensed Interim Statements of Loss and Comprehensive Loss

Three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended June 30,		Nine months ended June 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Corporate development		42,852	152,524	162,271	488,156
Depreciation	8	6,177	6,852	18,531	19,982
Listing and filing fees		15,742	21,159	43,644	72,544
Management and consulting fees	13	79,421	92,105	252,248	452,723
Office and administration		70,460	80,010	235,757	274,004
Professional fees	13	21,964	19,840	78,350	94,816
Property investigation expenses		4,112	6,493	4,112	6,493
Share-based compensation	12(c) (e), 13	465,448	209,719	857,162	822,384
		(706,176)	(588,702)	(1,652,075)	(2,231,102)
Finance income		6,970	8,106	22,933	24,294
Flow-through premium recovery	11	6,367	32,823	45,185	70,953
Gain on settlement of liabilities	9	2,400	-	2,400	-
Realized loss on sale of marketable securities	3, 7	-	(247,171)	-	(247,171)
Write-off of exploration and evaluation assets	9	-	-	-	(417,794)
<b>Loss for the period</b>		<b>(690,439)</b>	<b>(794,944)</b>	<b>(1,581,557)</b>	<b>(2,800,820)</b>
<b>Items that will not be reclassified subsequently to loss:</b>					
Realized loss on sale of marketable securities	3, 7	-	-	(353,995)	-
Transfer from unrealized loss to realized loss on sale of marketable securities	3, 7	-	-	400,920	-
<b>Items that maybe reclassified subsequently to loss:</b>					
Unrealized gain (loss) on marketable securities	3, 7	-	(113,841)	-	(583,841)
Transfer from unrealized loss to realized loss on sale of marketable securities	3, 7	-	247,171	-	247,171
<b>Comprehensive income (loss) for the period</b>		<b>-</b>	<b>133,330</b>	<b>46,925</b>	<b>(336,670)</b>
<b>Total comprehensive loss for the period</b>		<b>(690,439)</b>	<b>(661,614)</b>	<b>(1,534,632)</b>	<b>(3,137,490)</b>
<b>Loss per share</b>					
- Basic and diluted		<b>(0.08)</b>	<b>(0.09)</b>	<b>(0.18)</b>	<b>(0.35)</b>
<b>Weighted average number of shares outstanding<sup>1</sup></b>					
- Basic and diluted		<b>8,616,582</b>	<b>8,426,216</b>	<b>8,567,474</b>	<b>7,945,543</b>

1 Post 10:1 share consolidation (Notes 1 and 12(b))

The accompanying notes are an integral part of these condensed interim financial statements

# CALLINEX MINES INC.

Condensed Interim Statements of Cash Flows

Nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	2019	2018
	\$	\$
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Loss for the period	(1,581,557)	(2,800,820)
Items not affecting cash		
Depreciation	18,531	19,982
Share-based compensation	857,162	822,384
Write-off of exploration and evaluation assets	-	417,794
Finance income	(22,933)	(24,121)
Flow-through premium recovery	(45,185)	(70,953)
Loss on sale of marketable securities	-	247,171
Gain on settlement of liabilities	(2,400)	-
Net change in non-cash working capital items		
Receivables	89,536	314,983
Prepaid expenses	66,309	(44,773)
Accounts payable and accrued liabilities	(8,594)	(6,532)
	<b>(629,131)</b>	<b>(1,124,885)</b>
<b>Investing activities</b>		
Investment in exploration and evaluation assets	(784,510)	(2,929,580)
Receipt of mineral exploration assistance	-	159,534
Proceeds from exploration and evaluation assets option	-	200,000
Proceeds from sale of marketable securities	108,605	100,229
Receipt of finance income	9,514	173
Acquisition of property and equipment	-	(94,068)
	<b>(666,391)</b>	<b>(2,563,712)</b>
<b>Financing activities</b>		
Proceeds from shares issued	-	2,255,363
Share issuance costs	-	(67,418)
Proceeds from options exercised	-	13,200
	-	2,201,145
<b>(Decrease) in cash and cash equivalents</b>	<b>(1,295,522)</b>	<b>(1,487,452)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,501,403</b>	<b>5,711,751</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,205,881</b>	<b>4,224,299</b>
Cash and cash equivalents consist of:		
Cash	322,881	1,441,299
Cash equivalents	1,883,000	2,783,000
Cash received for interest	9,514	173
Cash paid for taxes	-	-
Supplemental Cash Flow Information – Note 14		

The accompanying notes are an integral part of these condensed interim financial statements

## CALLINEX MINES INC.

Condensed Interim Statements of Changes in Equity  
Three and nine months ended June 30, 2019 and 2018  
(Unaudited - Expressed in Canadian dollars)

	Common shares <sup>1</sup>	Capital Stock	Equity reserve	AOCI(L) <sup>2</sup>	Deficit	Total
	#	\$	\$		\$	\$
<b>Balance, September 30, 2017</b>	<b>7,829,853</b>	<b>58,878,194</b>	<b>5,777,658</b>	<b>-</b>	<b>(42,404,838)</b>	<b>22,251,014</b>
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	570,917	2,255,363	-	-	-	2,255,363
- Exercise of options	4,000	23,129	(9,929)	-	-	13,200
Share issuance costs	-	(67,418)	-	-	-	(67,418)
Exploration and evaluation asset acquisition	50,000	120,000	-	-	-	120,000
Flow-through premiums	-	(228,367)	-	-	-	(228,367)
Share-based compensation – stock options	-	-	117,483	-	-	117,483
Share-based compensation – RSUs	-	-	741,684	-	-	741,684
Comprehensive loss for the period	-	-	-	(336,670)	(2,800,820)	(3,137,490)
<b>Balance, June 30, 2018</b>	<b>8,454,770</b>	<b>60,980,901</b>	<b>6,626,896</b>	<b>(336,670)</b>	<b>(45,205,658)</b>	<b>22,065,469</b>
Shares issued in consideration for:						
Exploration and evaluation asset acquisition	43,290	200,000	(200,000)	-	-	-
Share-based compensation – stock options	-	-	71,609	-	-	71,609
Share-based compensation – RSUs	-	-	212,695	-	-	212,695
Comprehensive loss for the period	-	-	-	(64,250)	(486,333)	(550,583)
<b>Balance, September 30, 2018</b>	<b>8,498,060</b>	<b>61,180,901</b>	<b>6,711,200</b>	<b>(400,920)</b>	<b>(45,691,991)</b>	<b>21,799,190</b>
Shares issued in consideration for:						
Exercise of RSU	106,082	355,377	(355,377)	-	-	-
Exploration and evaluation asset acquisition	37,000	29,600	-	-	-	29,600
Share-based compensation – stock options	-	-	35,750	-	-	35,750
Share-based compensation – RSUs	-	-	838,985	-	-	838,985
Comprehensive loss for the period	-	-	-	46,925	(1,581,557)	(1,534,632)
<b>Balance, June 30, 2019</b>	<b>8,641,142</b>	<b>61,565,878</b>	<b>7,230,558</b>	<b>(353,995)</b>	<b>(47,273,548)</b>	<b>21,168,893</b>

1 Post 10:1 share consolidation (Notes 1 and 12(b))

2 AOCI(L): Accumulated other comprehensive income (loss)

*The accompanying notes are an integral part of these condensed interim financial statements*

# **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

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## **1. Nature of operations**

Callinex Mines Inc. ("Callinex" or the "Company") was incorporated on April 21, 2011 under the British Columbia Business Corporations Act for the purpose of receiving certain cash, equipment, common shares, and exploration and evaluation assets from Callinan Royalties Corporation (formerly Callinan Mines Limited) ("Callinan") in exchange for common shares of the Company by way of a plan of arrangement as approved by the shareholders of Callinan on June 7, 2011. The effective date of the transaction with Callinan was July 13, 2011. Subsequent to the plan of arrangement, the Company is directly engaged in the exploration of mineral properties in Canada.

The Company's head office and registered and records office address is 1555 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

On July 4, 2019, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the "Consolidation"). All references to share and per share amounts in these condensed interim financial statements have been retroactively restated to reflect the Consolidation (Note 12).

## **2. Basis of presentation**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018 which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these interim condensed financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements for the year ended September 30, 2018 except for the adoption of IFRS 9 - Financial Instruments.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

These condensed interim financial statements were approved by the board of directors for use on August 27, 2019.

## **3. Adoption of new accounting standards**

### **IFRS 9 - Financial Instruments**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on October 1, 2018 (the date of initial adoption). IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

# CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

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IFRS 9 requires retrospective application at the date of initial adoption. However, IFRS 9 does not require an entity to restate prior periods. Restatement is permitted, if and only if, it is possible without the use of hindsight and the restated financial statements reflect all of the requirements of IFRS 9. If an entity does not restate prior periods, any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application should be included in opening retained earnings, or other equivalent component of equity, as relevant. The Company did not restate prior periods as there was no material impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on October 1, 2018.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

## Recognition and Classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	FVTOCI
Deposit	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liability	Other financial liabilities	Amortized cost

On transition to IFRS 9 the Company elected to classify its marketable securities as FVTOCI. The change in classification did not have a measurement impact on the carrying value of these financial assets at October 1, 2018.

## Measurement

### Financial assets at FVTOCI

Investments in equity instruments designated at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with both realized and unrealized gains and losses recognized in other comprehensive income (loss).

# CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

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## **Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

## **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

## **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

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 profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## **Derecognition**

### **Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

### **Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## **4. Future Accounting standards and pronouncements**

The following standard, which are applicable to the Company, were issued but not yet effective. The Company is currently evaluating the impact of the standards on its financial statements.

### **IFRS 16 - Leases**

This standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be effective for the Company for the fiscal year beginning October 1, 2019. The adoption of IFRS 16 is expected to increase the leased assets and liabilities of the Company.

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### 5. Critical accounting estimates and judgments

There have been no material revisions to the nature of judgments and amount of changes in estimates reported in the Company's September 30, 2018 annual financial statements.

### 6. Receivables

	June 30, 2019	September 30, 2018
	\$	\$
GST receivable	7,514	97,050
Interest receivable	20,603	7,184
	<b>28,117</b>	104,234

### 7. Marketable securities

During the three months ended December 31, 2017, the Company received 1,000,000 shares of Global Li-Ion Graphite Corp. ("LION") valued at \$900,000 in relation to the optioning of the Neuron property (refer to note 9). During the three months ended June 30, 2018, the Company transferred 100,000 shares of LION to a third party as a finder's fee in relation to the optioning of the Neuron property.

During the three months ended June 30, 2018, the Company sold 386,000 shares of LION for proceeds of \$100,229 and accordingly, the Company recorded a loss on sale of marketable securities of \$247,171.

During the three months ended March 31, 2019, the Company sold the remaining 514,000 shares of LION for proceeds of \$108,605 and accordingly, the Company realized a cumulative loss on sale of marketable securities of \$353,995. The changes in fair value, to the date of sale, of the marketable securities for the 3-month and 9-month periods ended June 30, 2019 were a gain of \$nil and a gain of \$46,925, respectively.

### 8. Property and equipment

	Equipment	Office Furniture	Computer Equipment	Building	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>Balance, September 30, 2018 and June 30, 2019</b>	<b>117,580</b>	<b>8,868</b>	<b>91,150</b>	<b>163,592</b>	<b>381,190</b>
<b>Accumulated depreciation</b>					
Balance, September 30, 2018	94,450	5,559	55,127	6,092	161,228
Depreciation	5,205	496	8,105	4,725	18,531
<b>Balance, June 30, 2019</b>	<b>99,655</b>	<b>6,055</b>	<b>63,232</b>	<b>10,817</b>	<b>179,759</b>
<b>Net book value</b>					
September 30, 2018	23,130	3,309	36,023	157,500	219,962
<b>June 30, 2019</b>	<b>17,925</b>	<b>2,813</b>	<b>27,918</b>	<b>152,775</b>	<b>201,431</b>

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### 9. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
<b>September 30, 2018</b>	<b>13,177,704</b>	<b>661,760</b>	<b>2,929,407</b>	<b>1,016,693</b>	<b>347,716</b>	<b>18,133,280</b>
Acquisition	-	-	12,500	12,500	32,000	57,000
Assaying	496	-	44,166	-	-	44,662
Camp costs	20,419	-	11,395	5,401	-	37,215
Consulting	5,518	-	14,557	-	-	20,075
Drilling	-	-	153,773	-	-	153,773
Geologists	5,821	-	36,518	-	-	42,339
Geophysical	145,449	-	30,533	-	-	175,982
Other	-	-	-	-	-	-
Permitting	2,849	31,515	15,570	3,200	1,150	54,284
Recovery	-	-	(21,300)	-	-	(21,300)
Share-based compensation	2,593	-	14,980	-	-	17,573
	183,145	31,515	312,692	21,101	33,150	581,603
<b>June 30, 2019</b>	<b>13,360,849</b>	<b>693,275</b>	<b>3,242,099</b>	<b>1,037,794</b>	<b>380,866</b>	<b>18,714,883</b>

#### Nash Creek and Superjack projects

The Company completed a purchase agreement to acquire 100% of the Superjack and Nash Creek VMS deposits and exploration data on May 18, 2016.

Consideration for the properties is to be as follows:

- (i) \$150,000 in cash or shares on or before the first anniversary (issued 300,000 common shares at the fair value of \$97,500)
- (ii) \$25,000 cash (paid) and \$125,000 in cash or common shares on or before the second anniversary (issued 250,000 common shares at the fair value of \$60,000)
- (iii) \$125,000 due in cash or common shares within 10 days of the Company completing a preliminary economic assessment on the Nash Creek project (issued 250,000 common shares at the fair value of \$60,000)
- (iv) \$25,000 in cash on or before the third anniversary (paid)

Consideration for the exploration data is to be as follows:

- (i) \$100,000 cash (paid)
- (ii) \$150,000 in cash or common shares (issued 300,000 common shares at fair value of \$129,000)
- (iii) \$50,000 cash on or before the first anniversary (paid)

In the event that common shares are issued to settle any of the above payments, the number of common shares to be issued is fixed, as per the contract, by dividing the amount of cash to be paid by \$0.50. In the event that the Company fails to make any of the payments noted above, ownership of the properties will revert back to the vendor provided the vendor delivers written notice of the default and the Company does not remedy the default within 30 days of the notice.

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

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### **Flin Flon Area**

#### Pine Bay project

Callinex owns a 100% interest, subject to a 1% Net Smelter Return ("NSR") royalty and a 5.12% Net Profits Interest, in the Pine Bay Project.

#### Flin Flon project

Callinex owns a 100% interest, subject to a 2% NSR royalty of which 1% may be purchased for \$1,000,000, in the Flin Flon Project.

#### Gossan Gold project

Callinex owns a 100% interest, subject to a 2% NSR royalty, in the Gossan Gold Project.

#### Big Island project

On March 20, 2017 the Company acquired a 100% interest in the Tara Lake VMS Deposit ("Big Island Project") near the Flin Flon Project.

Consideration for the Big Island Project is to be as follows:

- (i) \$50,000 cash and 100,000 common shares within five days following the effective date of the agreement (paid; issued 100,000 common shares at the fair value of \$29,500)
- (ii) \$50,000 cash and 100,000 common shares on the first anniversary of the agreement
- (iii) \$50,000 cash and 100,000 common shares on the second anniversary of the agreement
- (iv) \$50,000 cash and 150,000 common shares on the third anniversary
- (v) \$65,000 cash and 300,000 common shares on the fourth anniversary

The Big Island Project is subject to a 1% NSR Royalty which can be repurchased for \$1,000,000.

During the year ended September 30, 2018, the Company decided that it would no longer pursue the Big Island project. Accordingly, the Company recognized an impairment charge of \$417,794 during the year ended September 30, 2018.

### **Pt. Leamington project**

The Company completed a purchase agreement to acquire a 100% ownership of the Pt. Leamington VMS deposit and exploration data on July 29, 2016.

Consideration for the sale of the property is to be as follows:

- (i) 50% reimbursement of first annual permitting fees (paid \$15,000)
- (ii) \$100,000 in cash or common shares on the first anniversary (issued 216,450 common shares at the fair value of \$63,853)
- (iii) \$200,000 in cash or common shares on the second anniversary (issued 432,900 common shares at the fair value of \$71,429)

Consideration for the sale of the exploration data is to be as follows:

- (i) \$100,000 cash (paid)
- (ii) \$100,000 in cash or common shares on the first anniversary (issued 216,450 common shares at the fair value of \$63,853)

In the event that common shares are issued to settle any of the above payments, the number of common shares to be issued is fixed, as per the contract, by dividing the amount of cash to be paid by \$0.462.

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and nine months ended June 30, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

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### **Other**

The Company has an interest in other properties. The other properties are in good standing and do not require any further commitments. These include the Neuron property, Sneath Lake property, Coles Creek property, Fox River property, Moak Lake property, Herblet Lake property and the Island Lake properties.

#### Neuron Graphite Project

On October 27, 2017, the Company signed an option agreement with Global Li-Ion Graphite Corp. ("LION") (CSE: LION) whereby LION can acquire a 100% interest in the Neuron property located in Northern Manitoba by paying \$200,000 in cash and issuing 2,000,000 LION common shares. During the first quarter of fiscal 2018 Callinex received the initial considerations of \$200,000 cash and 1,000,000 common shares of LION (initially recorded at the acquisition date fair value of \$900,000). During the three months ended June 30, 2018, the Company paid a finders' fee to a third party of 100,000 LION common shares at the then fair value of \$90,000.

LION has the option to acquire a 100% interest in the Neuron property by making the balance of the agreed payment of 1,000,000 common shares of LION within 24 months from the date of the option agreement. Callinex will receive an additional milestone payment of 3,000,000 shares if an economic study is completed on the Neuron property or any claims within a 20km area of interest.

#### Headway Project

On November 5, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Headway Project located in the Bathurst Mining District of New Brunswick in consideration for 250,000 common shares of the Company (issued on closing at the fair value of \$20,000).

The vendor will retain a 1.0% net smelter return royalty, of which half can be purchased by the Company at any time for \$500,000.

The Headway Project includes \$44,800 in work credits, which will allow the claims to remain in good standing until late 2023.

#### *Headway North claim*

During the nine months ended June 30, 2019, the Company closed a purchase agreement to acquire the Headway North claim, expanding the Company's Headway Project. In consideration, the Company agreed to issue 120,000 common shares of the Company at a deemed price of \$0.10 per common share or \$12,000. Upon closing, the common shares had a fair value of \$9,600. Accordingly, the Company recognized a gain of \$2,400 at the time of issuance of the common shares in settlement of the acquisition obligation.

The vendor will retain a 1.0% net smelter return royalty, of which half can be re-purchased by the Company for \$500,000.

The Headway North claim includes \$36,000 in work credits, which will allow the claims to remain in good standing until late 2024.

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### 10. Accounts payable and accrued liabilities

	June 30, 2019	September 30, 2018
	\$	\$
Accounts payable	56,385	292,460
Accrued liabilities	17,934	42,933
	74,319	335,393

### 11. Flow-through premium liability

The flow-through premium liability balance as at June 30, 2019 of \$28,956 (December 31, 2018 - \$74,141) arose in connection with the flow-through share offering the Company completed on February 26, 2018. The reported amount is the unamortized balance of the premium received from issuing the flow-through shares. This balance does not represent a cash liability to the Company. The flow-through premium liability will be amortized to the statement of comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company.

The Company is committed to incurring on or before December 31, 2019 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of \$2,283,668 with respect to the flow-through share financing completed on February 26, 2018. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at June 30, 2019, the Company had incurred approximately \$1,994,114 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of \$6,367 and \$45,185 during the three and nine month periods ended June 30, 2019, respectively, (2018 - \$32,823 and \$70,953, respectively).

### 12. Share capital

#### a) Authorized:

Unlimited common shares with no par value

#### b) Consolidation

On July 4, 2019, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the Consolidation.

#### c) Stock options and restricted share units

The Company had a Stock Option Plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. On October 18, 2017, the shareholders of the Company approved an amendment of the Company's rolling stock option plan to a fixed option plan, under which the number of common shares available for issuance is fixed and there is no replenishment in the future, and a restricted share unit ("RSU") plan. Under the fixed option plan and the RSU plan, the Company's total number of stock options and RSUs is limited to 1,565,974.

The maximum number of common shares reserved for issue (i) at any time and (ii) issued within any one year period to any one person under the plan (except as noted below) may exceed 5% of the issued and outstanding number of common shares at the date of the grant; the maximum number of common shares issuable to any one person under the plan (except as noted below) may exceed 10% of the issued and outstanding number of common shares at the date of the grant; and the maximum number of common

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shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and upon resignation or termination expire within 90 days, or 30 days for a person engaged in investor relations activities, or within reasonable discretion of the board. Options granted to employees, management and directors vest immediately, unless otherwise specified by the Board of Directors. Investor relation options vest over 12 months with no more than one quarter of the options vesting in any three-month period. Pursuant to the RSU Plan, there are no mandatory vesting provisions. At the discretion of the Board (or a committee thereof), RSUs granted under the RSU Plan may contain vesting conditions.

During the six months ended June 30, 2019, as part of an annual review of its equity compensation plans, the Company cancelled its RSU plan and all outstanding RSUs that were granted under the RSU Plan.

The balance of options outstanding and related information for the nine months ended June 30, 2019 are as follows:

	Number of options <sup>1</sup>	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2018	624,500	\$3.40	2.37
Forfeited	(10,000)	\$3.20	
Expired	(25,000)	\$3.90	
Balance June 30, 2019	589,500	\$3.35	1.68
Unvested	(13,750)	\$3.22	3.65
<b>Exercisable, June 30, 2019</b>	<b>575,750</b>	<b>\$3.35</b>	<b>1.64</b>

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

For the three and nine months ended June 30, 2019, the Company recorded share-based compensation expense of \$465,448 and \$857,162 (2018 - \$209,719 and \$822,384) and additional share-based compensation expense of \$2,542 and \$17,573 (2018 - \$9,125 and \$36,783) were allocated to exploration and evaluation assets.

There were no options granted during the nine months ended June 30, 2019. The weighted average fair value of the options granted during the nine months ended June 30, 2018 was \$3.00. The fair value of these options on the date of grant was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2019	2018
Risk free interest rate	Nil	1.60%
Expected life	Nil	5 years
Expected volatility	Nil	100%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

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Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted.

The balance of options outstanding as at June 30, 2019 was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding <sup>1</sup>	Unvested	Vested
September 5, 2019	\$2.90	0.18	105,000	-	105,000
September 12, 2019	\$2.90	0.20	25,000	-	25,000
October 15, 2019	\$2.90	0.29	7,500	-	7,500
January 20, 2020	\$2.90	0.56	5,000	-	5,000
May 14, 2020	\$2.90	0.87	15,000	-	15,000
December 18, 2020	\$3.30	1.47	129,500	-	129,500
August 8, 2021	\$3.80	2.11	172,500	-	172,500
December 12, 2021	\$6.00	2.45	10,000	-	10,000
September 6, 2022	\$3.30	6.38	10,000	2,500	7,500
September 13, 2022	\$3.80	3.21	15,000	3,750	11,250
November 10, 2022	\$3.70	3.37	30,000	-	30,000
June 29, 2021	\$2.50	2.00	35,000	-	35,000
July 9, 2023	\$2.90	4.03	30,000	7,500	22,500
			589,500	13,750	575,750

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

The balance of RSUs outstanding and related information for the nine months ended June 30, 2019 are as follows:

	Number of RSUs <sup>1</sup>
Balance September 30, 2018	670,000
Cancelled	(429,250)
Exercised	(106,083)
Forfeited	(134,667)
<b>Balance June 30, 2019</b>	<b>-</b>

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

On October 26, 2017, the Company granted a total of 728,500 RSUs to the CEO, the VP of Corporate Development and the VP of Exploration. During the year ended September 30, 2018, 58,500 RSUs granted to the VP of Exploration were forfeited. The remaining 670,000 RSUs vested as to 55,833 RSUs per month for the first three years with the remaining 474,585 RSUs vesting at the option of the holder on October 1, 2020. If the holder did not elect to early vest the RSUs, the RSUs would continue to vest as to 5,583 RSUs per month until October 1, 2027.

The weighted average fair value of the RSUs granted during the nine months ended June 30, 2018 was \$3.35 based on the closing stock price on the date of grant.

## CALLINEX MINES INC.

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For the three and nine months ended June 30, 2019, the Company recorded share-based compensation expense of \$467,519 and \$838,985 (2018 - \$184,081 and \$741,684) in respect of RSUs.

During the three months ended June 30, 2019, 106,083 RSUs granted to the VP of Corporate Development were forfeited resulting in reversal of \$259,178 in unvested portions of the share-based compensation previously expensed and 429,250 RSUs granted to the CEO were cancelled resulting in accelerated vesting of \$611,858 in share-based compensation as a result of the Company cancelling the RSUs.

### d) Share purchase warrants

The balance of warrants outstanding and related information for the three months ended June 30, 2019 are as follows:

	Number of warrants <sup>1</sup>	Weighted average exercise price (per share)	Weighted average Remaining life (years)
Balance September 30, 2018	402,500	\$7.50	1.15
<b>Balance, June 30, 2019</b>	<b>402,500</b>	<b>\$7.50</b>	<b>0.40</b>

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

Pursuant to the terms of the warrants issued under the Company's private placement financings completed on July 30, 2015 and May 11, 2016, if the average volume weighted average trading price of the Company's shares on the TSX Venture Exchange is above \$6.00 per share for a period of any fifteen trading days, the Company was entitled to accelerate the expiry date of the warrants. On December 5, 2016 the Company elected to provide such notice and a total of 524,634 warrants were exercised for gross proceeds of \$2,360,851.

As at June 30, 2019, there were a total of 402,500 warrants outstanding with an exercise price of \$7.50 and expiry date of November 22, 2019.

### e) Equity reserve

	Funding by Callinan	Options, RSUs and warrants	Total
	\$	\$	\$
Balance, September 30, 2018	2,660,523	4,050,677	6,711,200
Transfer of value on the exercise of RSUs	-	(355,377)	(355,377)
Share-based compensation – stock options	-	35,750	35,750
Share-based compensation – RSUs	-	838,985	838,985
<b>Balance, June 30, 2019</b>	<b>2,660,523</b>	<b>4,570,035</b>	<b>7,230,558</b>

## CALLINEX MINES INC.

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### 13. Related party transactions

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the three and nine months ended June 30, 2019 and 2018 was as follows:

	2019	2018	2019	2018
	\$	\$	\$	\$
Professional fees	5,100	4,590	23,278	22,158
Management and consulting	62,241	76,500	205,116	426,716
Geological consulting	-	-	-	37,500
Share-based compensation	464,041	193,061	844,415	770,532
	531,382	274,151	1,072,809	1,256,906

Included in accounts payable and accrued liabilities at June 30, 2019 are amounts due to related parties of \$19,232 (September 30, 2018 - \$808) owing to the Chief Executive Officer and to a company controlled by the Chief Financial Officer. These amounts are non-interest bearing and due on normal commercial terms.

### 14. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the nine months ended June 30, 2019 and 2018, the following transactions were excluded from the statements of cash flows:

	2019	2018
	\$	\$
<b>Non-cash investing and financing transactions</b>		
Share-based compensation included in exploration and evaluation assets	17,573	36,783
Shares issued for mineral property option agreements	29,600	120,000
Shares received for mineral property option agreements	-	810,000
Non-cash exercise of RSUs	(355,377)	-
Transfer of value on the exercise of options	-	9,929
Exploration and evaluation recovery included in accounts receivable	-	200,000
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	(252,480)	362,914

### 15. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 9) and qualifying Canadian exploration expenses (Note 11), the Company had entered into a lease agreement for its office premises. The lease will expire on October 31, 2023. The annual lease commitments are as follows:

Fiscal year ended September 30, 2019	\$16,200
Fiscal year ended September 30, 2020	\$64,800
Fiscal year ended September 30, 2021	\$64,800
Fiscal year ended September 30, 2022	\$64,800
Fiscal year ended September 30, 2023	\$64,800