

CALLINEX MINES INC.

**Financial Statements
Years ended September 30, 2023 and 2022**

(Expressed in Canadian dollars)



Independent auditor's report

To the Shareholders of Callinex Mines Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. (the Company) as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at September 30, 2023 and 2022;
- the statements of income (loss) and comprehensive income (loss) for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in equity for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, ca_vancouver_main_fax@pwc.com



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment indicators for exploration and evaluation assets</p> <p><i>Refer to note 4 – Summary of significant accounting policies, note 5 – Accounting policy judgments and estimation uncertainty and note 7 – Exploration and evaluation assets to the financial statements.</i></p> <p>The carrying value of exploration and evaluation assets amounted to \$39.5 million as at September 30, 2023. At the end of each reporting period, management applies judgment in assessing whether there are any impairment indicators relating to exploration and evaluation assets. If there are indicators of impairment, the recoverable amount of the assets is estimated in order to determine the extent of any impairment. When assessing whether there are impairment indicators management considers whether (i) the period during which the Company has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and management has decided to discontinue such activities in the specific area;</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">Assessed the judgments made by management in determining whether there were impairment indicators, which included the following:<ul style="list-style-type: none">Obtained, for a sample of mining claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates.Read the board of directors' minutes and obtained budget approvals to evidence (i) continued and planned substantive expenditure on further exploration for and evaluation of mineral resources in the specific area, which included evaluating the results of management's work programs, and management's longer term plans and (ii) whether the right to explore in the specific area is not expected to be renewed.Assessed whether the exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, or whether sufficient data exists to indicate that the carrying value of an exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale,



Key audit matter

How our audit addressed the key audit matter

and (iv) whether 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 by sale. No impairment indicators were identified by management as at September 30, 2023.

based on evidence obtained in other areas of the audit.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets balance and (ii) the judgments made by management in its assessment of impairment indicators related to exploration and evaluation assets, which have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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



In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 20, 2023

CALLINEX MINES INC.

Statements of Financial Position

As at September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	Note	September 30, 2023	September 30, 2022
		\$	\$
Assets			
Current			
Cash and cash equivalents	4a)	2,150,673	994,543
GST receivable		85,559	114,934
Prepaid expenses and other assets		113,335	238,955
		2,349,567	1,348,432
Non-current			
Deposits		28,192	28,192
Property and equipment	6	219,424	280,876
Exploration and evaluation assets	7	39,500,792	33,996,487
		42,097,975	35,653,987
Liabilities			
Current			
Accounts payable and accrued liabilities	8	418,548	659,380
Lease obligations	9	5,213	56,270
Loan payable	10	40,000	-
		463,761	715,650
Non-current			
Lease obligations	9	-	5,212
Loan payable	10	-	40,000
Deferred income tax liability	11	2,293,822	1,785,991
Flow-Through premium liability	12	479,942	-
		3,237,525	2,546,853
Shareholders' Equity			
Capital stock	13	80,660,077	74,254,851
Equity reserve	13(e)	9,755,584	9,131,173
Accumulated other comprehensive loss		(353,995)	(353,995)
Deficit		(51,201,216)	(49,924,895)
		38,860,450	33,107,134
		42,097,975	35,653,987

Going Concern – Note 2

Commitments – Note 18

Subsequent Event – Note 20

APPROVED BY THE BOARD OF DIRECTORS

Michael Louie (“signed”)

Director

Nico Civelli (“signed”)

Director

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

	Note	September 30, 2023	September 30, 2022
		\$	\$
Corporate development		1,194,890	634,439
Depreciation	6	64,288	65,834
Listing and filing fees		84,254	72,726
Management and consulting fees	14	450,524	274,702
Office, administration and other		322,330	180,116
Professional fees	14	200,778	147,139
Share-based compensation	13(c),14	556,974	354,998
		(2,874,038)	(1,729,954)
Gain on sale of exploration asset	7	-	1,000,000
Lease finance charges	9	(7,323)	(17,598)
Interest income		1,068	309
Foreign exchange loss		(19,584)	(8,111)
Loss on disposal of property and equipment		(1,659)	-
Flow-through premium recovery	12	2,133,046	2,332,396
Income (loss) before income taxes		(768,490)	1,577,042
Income tax recovery/(expense)	11	(507,831)	(1,535,991)
Income (loss) and total comprehensive income (loss) for the year		(1,276,321)	41,051
Earnings (Loss) per share			
- Basic and diluted earnings (loss) per share		(0.08)	-
Weighted average number of shares outstanding			
- Basic		16,258,583	14,134,202
- Diluted		16,258,583	14,462,650

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Cash Flows

Years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Income (Loss) for the period	(1,276,321)	41,051
<i>Items not affecting cash</i>		
Depreciation	64,288	65,834
Share-based compensation	556,974	354,998
Lease finance charges	7,323	17,598
Finance (income)/expense	(1,068)	(309)
Flow-through premium recovery	(2,133,046)	(2,332,396)
Income tax expense/(recovery)	507,831	1,535,991
Loss on disposal of property and equipment	1,659	-
Gain on sale of exploration asset	-	(1,000,000)
<i>Net change in non-cash working capital items</i>		
Accounts receivable	30,443	13,726
Prepaid expenses	125,620	(38,865)
Accounts payable and accrued liabilities	39,898	(122,949)
Net cash used in operating activities	(2,076,399)	(1,465,321)
Investing activities		
Investment in exploration and evaluation assets	(5,923,441)	(7,242,079)
Receipt of government assistance for exploration and evaluation assets	250,000	-
Proceeds from sale of exploration asset	-	1,000,000
Acquisition of property and equipment	(4,495)	(11,654)
Net cash used in investing activities	(5,677,936)	(6,253,733)
Financing activities		
Proceeds from issuance of shares	9,408,375	6,240,217
Share issuance costs	(669,167)	(285,588)
Proceeds from exercise of options	234,848	10,000
Lease payments	(63,592)	(63,566)
Net cash provided by (used in) financing activities	8,910,465	5,901,063
Increase (decrease) in cash and cash equivalents	1,156,130	(1,817,991)
Cash and cash equivalents, beginning of period	994,543	2,812,534
Cash and cash equivalents, end of period	2,150,673	994,543
Cash and cash equivalents consist of:		
Cash	2,117,673	961,543
Cash equivalents	33,000	33,000

Supplemental Cash Flow Information – Note 17

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Changes in Equity
 Years ended September 30, 2023 and 2022
 (Expressed in Canadian dollars)

	Common shares	Capital Stock	Equity Reserve	AOCL ¹	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, September 30, 2021	13,492,806	70,108,189	8,649,381	(353,995)	(49,965,946)	28,437,629
Shares issued in consideration for:						
Cash, pursuant to private placement	1,419,446	6,240,217	-	-	-	6,240,217
Less: Issue costs - cash	-	(285,588)	-	-	-	(285,588)
Exercise of options	20,000	17,773	(7,773)	-	-	10,000
Allocation of private placement proceeds to flow-through premiums	-	(1,825,740)	-	-	-	(1,825,740)
Share-based compensation - stock options	-	-	489,565	-	-	489,565
Comprehensive income for the year	-	-	-	-	41,051	41,051
Balance, September 30, 2022	14,932,252	74,254,851	9,131,173	(353,995)	(49,924,895)	33,107,134
Shares issued in consideration for:						
Cash, pursuant to private placement	2,157,266	9,408,376	-	-	-	9,408,376
Less: Issue costs - cash	-	(669,167)	-	-	-	(669,167)
Less: Issue costs - non-cash	-	(108,472)	108,472	-	-	-
Allocation of private placement proceeds to flow-through premiums	-	(2,612,988)	-	-	-	(2,612,988)
Exercise of options	130,667	387,477	(152,629)	-	-	234,848
Share-based compensation - stock options	-	-	668,568	-	-	668,568
Comprehensive loss for the year	-	-	-	-	(1,276,321)	(1,276,321)
Balance, September 30, 2023	17,220,185	80,660,077	9,755,584	(353,995)	(51,201,216)	38,860,450

¹ Accumulated Other Comprehensive Loss

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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 has been directly engaged in the exploration of mineral properties in Canada.

The Company’s head office and registered and records office address is 1100 – 1199 West Hastings Street, Vancouver, British Columbia, Canada V6E 3T5.

2. Basis of presentation and going concern

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and as applicable to a going concern. The financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

These financial statements were approved by the board of directors for use on December 20, 2023.

Going Concern

The Company has primarily incurred losses since inception and expects to incur further losses in the development of its business. At September 30, 2023, the Company had a working capital surplus (current assets less current liabilities) of \$1,885,806 (2022 - \$632,782) and at that date, the Company also had an accumulated deficit of \$51,201,216 (2022 - \$49,924,895) which has been funded primarily by the issuance of equity. For the year ended September 30, 2023, cash used in operating activities totalled \$2,076,399 (2022 – \$1,465,321). During the year ended September 30, 2023, the Company raised \$9,408,376 in gross proceeds through completion of a private placement.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors give rise to material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The economic uncertainties around persistent inflation pressure and geopolitical events have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company’s results and financial condition and the full extent of that impact remains unknown.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

3. New and future accounting standards and pronouncements

New standards or amendments to existing standards issued but which have not yet been applied by the Company based on the effective date are not currently expected to have a material impact on the Company's financial statements.

4. Summary of Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and highly liquid short-term interest-bearing investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Property and equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of property and equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Equipment	30%
Office Furniture	20%
Computer Equipment	30%
Buildings are depreciated straight-line, over 25 years	
Right-of-use assets are depreciated straight-line, over the term of the lease.	

Additions during the year are depreciated at one-half the annual rates.

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

Right of Use Assets arising from leases

Right-of-use assets arising from lease arrangements are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, otherwise, at the Company's incremental borrowing rate. At the commencement date of a lease, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

c) Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of the property are capitalized. These direct expenditures include such costs as materials used, surveying, drilling, and payments made to contractors during the exploration phase. Costs not directly attributed to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is reclassified to development properties. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

d) Future reclamation costs

The Company recognizes liabilities for legal or constructive obligations associated with the required reclamation costs associated with its mineral interests (exploration and evaluation assets), property and equipment. The net present value of future reclamation cost estimates is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred. Pre-tax discount rates that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The increase in the provision due to the passage of time is recognized as interest expense.

For the years presented, the Company has no material future reclamation obligations.

e) Government grants

The Company recognises government grants when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

A government grant that becomes repayable is accounted for as a change in accounting estimate. Repayment of a grant related to income first applied against any unamortised deferred credit recognized in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment is recognized immediately in profit or loss. Repayment of a grant related to an asset is recognized by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognized in profit or loss to date in the absence of the grant is recognized immediately in profit or loss.

f) Foreign exchange

The Company's functional and presentation currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining net loss for the year.

g) Impairment of exploration and evaluation assets

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Share-based compensation

Stock options

The Company grants equity-settled stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The equity reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock. Cancellations implemented by the Company, which are not forfeitures, result in an accelerated recognition of share-based compensation for the unrecognized expense associated with the cancelled options.

i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

Deferred tax is recorded using the 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

j) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. When calculating diluted loss per share, potentially dilutive instruments do not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities, referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related qualifying resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features is credited to other liabilities and included as a recovery in profit or loss at the same time the qualifying expenditures are made. The fair value of warrants issued as part flow through units are valued using the residual value method.

l) Financial instruments

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, where appropriate for non-equity financial instruments, 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.

Measurement

Financial assets at FVTOCI

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

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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. Changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the year 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 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 credit risk on 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 equity 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 is recognised as a gain / loss in profit or loss.

m) Lease obligations

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement date of a lease.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

5. Accounting policy judgements and estimation uncertainty

a) Accounting policy judgments

The preparation of these financial statements requires making judgments that affect the amounts reported. Accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern. The factors considered by management include, among other things, the Company's cash position at September 30, 2023; its projected exploration and general operating costs; its ability to raise financing and its intention to continue operating the Company.

Impairment

At the end of each reporting period, management applies judgement in assessing whether there are any impairment indicators relating to exploration and evaluation assets. When assessing whether there are impairment indicators management considers whether (i) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and (iv) whether 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 by sale. In considering these factors, management did not identify any impairment indicators for the year-ended September 30, 2023.

b) Significant estimates

There were no key assumptions made concerning the future or other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

6. Property and equipment

	Equipment	Office Furniture	Computer Equipment	Buildings, Furniture & Fittings	Right of Use Asset (Note 9)	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, September 30, 2021	137,506	10,785	92,892	236,672	179,212	657,067
Additions	5,000	2,113	4,541	-	-	11,654
Balance, September 30, 2022	142,506	12,898	97,433	236,672	179,212	668,721
Additions	-	-	4,495	-	-	4,495
Disposals	(10,800)	-	-	-	-	(10,800)
Balance, September 30, 2023	131,706	12,898	101,928	236,672	179,212	662,416
Accumulated depreciation						
Balance, September 30, 2021	114,712	7,264	76,934	31,674	91,427	322,011
Depreciation	6,481	1,045	4,678	11,473	42,157	65,834
Balance, September 30, 2022	121,193	8,309	81,612	43,147	133,584	387,845
Depreciation	5,458	862	4,804	11,002	42,162	64,288
Disposals	(9,141)	-	-	-	-	(9,141)
Balance, September 30, 2023	117,510	9,171	86,416	54,149	175,746	442,992
Net book value						
September 30, 2022	21,313	4,589	15,821	193,525	45,628	280,876
September 30, 2023	14,196	3,727	15,512	182,523	3,466	219,424

CALLINEX MINES INC.

Notes to the Financial Statements
For the years ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

7. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
September 30, 2021	20,176,593	953,994	4,551,671	1,109,472	118,242	26,909,972
Acquisition	-	-	-	-	-	-
Assaying	280,897	-	32,464	-	-	313,361
Camp costs	86,261	-	7,304	851	-	94,416
Consulting	13,630	-	-	-	-	13,630
Drilling	5,370,455	-	6,600	-	-	5,377,055
Geologists	478,578	18,317	75,409	-	-	572,304
Geophysical	95,503	9,432	102	-	-	105,037
Other	255,905	-	12,087	-	-	267,992
Permitting, leases & claims	22,069	54,611	3,660	11,750	-	92,090
Recovery	-	-	-	-	-	-
Surveying	95,068	20,995	-	-	-	116,063
Share-based compensation	128,380	2,547	3,372	268	-	134,567
	6,826,746	105,902	140,998	12,869	-	7,086,515
September 30, 2022	27,003,339	1,059,896	4,692,669	1,122,341	118,242	33,996,487
Assaying	281,418	-	-	-	-	281,418
Camp costs	90,670	-	2,132	913	-	93,715
Consulting	125,467	-	-	-	-	125,467
Drilling	3,746,887	-	-	-	-	3,746,887
Geologists	340,717	15,623	30,646	-	-	386,986
Geophysical	48,575	-	-	-	-	48,575
Other	463,494	-	-	-	-	463,494
Permitting, leases & claims	47,002	47,815	17,410	-	1,150	113,377
Surveying	382,792	-	-	-	-	382,792
Share-based compensation	110,483	-	1,111	-	-	111,594
	5,637,505	63,438	51,299	913	1,150	5,754,305
Government assistance	(250,000)	-	-	-	-	(250,000)
	5,387,505	63,438	51,299	913	1,150	5,504,305
September 30, 2023	32,390,844	1,123,334	4,743,968	1,123,254	119,392	39,500,792

Flin Flon Area

Pine Bay project

Callinex owns a 100% interest, with certain mineral leases and claims within the Pine Bay Project being subject to a Net Smelter Return ("NSR") royalty ranging from 0%-1% (of which 0.5% NSR can be repurchased for \$500,000) and a Net Profit Interest.

On August 23, 2023, the Company entered into a Grant Agreement with the Manitoba Mineral Development Fund (the "MMDF") for a grant of \$500,000 to support exploration on the Company's 100% owned Pine Bay Project in Flin Flon, MB. A portion of this grant, \$250,000, was received on September 13, 2023.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

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.

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.

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, subject to a 1% NSR royalty granted to the vendor which may be purchased by the Company for \$1,000,000.

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 Sneath Lake property, Moak Lake property, Herblet Lake property, Headway property, Headway North claim and the Island Lake properties.

Neuron Graphite Project

On January 29, 2022, the Company entered into an agreement with a third party to sell the Neuron Graphite Project for aggregate proceeds of \$1,000,000, with \$300,000 due on closing (received) and \$700,000 due six months after closing (received).

Headway Project

On November 5, 2018, the Company entered into a purchase agreement and acquired a 100% interest in the Headway Project located in the Bathurst Mining District of New Brunswick.

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

Headway North claim

During the year ended September 30, 2019, the Company closed a purchase agreement acquiring the Headway North claim, expanding the Company's Headway Project.

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

CALLINEX MINES INC.

Notes to the Financial Statements
For the years ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

8. Accounts payable and accrued liabilities

	September 30, 2023	September 30, 2022
	\$	\$
Accounts payable	372,184	601,987
Accrued liabilities	46,364	57,393
	418,548	659,380

9. Lease obligations

The Company, upon adoption of IFRS 16 *Leases* ("IFRS 16") on October 1, 2019, recognized lease obligations with respect to the lease of office space, with the corresponding right-of-use asset for office space being presented within property and equipment (Note 6). Upon adoption of IFRS 16 the initial carrying value of the lease obligations and right of use asset were each recorded at \$179,212.

The Company is required to make monthly payments of approximately \$5,300, with the term of the lease expiring on October 31, 2023. The outstanding balances as at September 30, 2023 and September 30, 2022, calculated using an implied rate of 20% p.a., are as follows:

	September 30, 2023	September 30, 2022
	\$	\$
Office lease obligation	5,213	61,482
Current portion	(5,213)	(56,270)
Non-current portion	-	5,212

The following is a schedule of the Company's future minimum lease payments related to the lease obligations:

	September 30, 2023
	\$
Payments in 2023	5,300
Total minimum lease payments	5,300
Less: imputed interest	(87)
Total present value of minimum lease payments	5,213
Less: Current portion	(5,213)
Non-current portion	-

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

10. Loan payable

In May 2020, the Company received \$40,000 in the form of a Canada Emergency Business Account (“CEBA”) loan. CEBA is part of the economic assistance program launched by the Government of Canada to ensure that businesses have access to capital during the COVID-19 pandemic and can only be used to pay non-deferrable operating expenses. During the period from receipt of the CEBA loan to December 31, 2023 (previously December 31, 2022), the “Initial Term”, no interest is charged on the amount outstanding. In January 2022 an extension to the interest free period was announced by the Government of Canada to extend the Initial Term from December 31, 2022 to December 31, 2023 (the “Government Announcement”). As part of the Government Announcement, it was confirmed that should repayment of the CEBA loan occur on or before the new deadline of December 31, 2023, up to one quarter (25%) of the value of the CEBA loan will be forgiven. Accordingly, should at least \$30,000 of the principal be repaid on or before the end of the Initial Term the remaining \$10,000 of principal will be forgiven. During the period from January 1, 2024 to December 31, 2025 (the “Extended Term”), should the loan remain outstanding, interest will be payable monthly at rate of 5% per annum on the outstanding balance. The balance of the CEBA loan is fully repayable on or before the end of the Extended Term, if not repaid on or before the end of the Initial Term.

11. Deferred Income Tax Liability

A reconciliation between the Company’s income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2023	2022
Statutory tax rate	27%	27%
	\$	\$
Income (loss) for the year before taxes	(768,490)	1,577,042
Expected income tax expense (recovery) at statutory rate	(207,492)	425,801
Add (deduct) reconciling items:	-	
Non-temporary differences and other	(502,229)	(843,099)
Impact of flow through shares	1,294,437	1,682,861
(Recognition)/non-recognition of net tax assets	(76,885)	270,428
Income tax expense (recovery)	507,831	1,535,991

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

The significant components of the Company's net deferred tax liability as at September 30, 2023 and September 30, 2022 is as follows:

	September 30, 2023	September 30, 2022
	\$	\$
<i>Deferred tax assets:</i>		
Equipment	56,107	49,684
Issuance Costs	247,148	146,535
Capital losses and other	143,000	143,000
Non-refundable mining ITC	47,721	47,721
Non-capital losses	5,187,279	4,477,577
Deferred tax assets	5,681,255	4,864,517
Unrecognized deferred tax assets	(143,000)	(143,000)
Net deferred tax assets	5,538,255	4,721,517
<i>Deferred tax liabilities:</i>		
Resource property	(7,832,077)	(6,507,508)
Deferred tax liabilities	(7,832,077)	(6,507,508)
Net deferred tax liabilities	(2,293,822)	(1,785,991)

The potential benefit of deferred tax assets arising from the carry forward of capital losses are not recognized in these financial statements when it is not considered probable that sufficient future taxable capital gains will allow the deferred tax asset to be recovered.

As at September 30, 2023, the Company has approximately \$1,059,000 of capital losses without any expiry that are available to be carried forward to reduce any future taxable capital gains. In addition, as at September 30, 2023, the Company has an estimated \$19,211,000 of non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates range from 2031 – 2043.

	\$
2031	353,000
2032	1,658,000
2033	1,383,000
2034	1,289,000
2035	1,154,000
2036	1,709,000
2037	1,859,000
2038	1,825,000
2039	1,123,000
2040	1,000,000
2041	1,758,000
2042	1,546,000
2043	2,554,000
	<u>19,211,000</u>

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

12. Flow-through premium liability

With respect to a flow-through share financing completed during March 2023, the Company is committed to incurring, on or before December 31, 2024, qualifying Canadian exploration expenses as defined under the *Income Tax Act (Canada)* (the “Qualifying Expenditures”) in the amount of \$5,879,223. None of the qualifying CEE will be available to the Company for future deduction from taxable income. As at September 30, 2023, the Company had completed \$4,799,353 of this commitment to incur Qualifying Expenditures.

With respect to a flow-through share financing completed during April 2022, the Company was committed to incurring, on or before December 31, 2023, qualifying Canadian exploration expenses as defined under the *Income Tax Act (Canada)* (the “Qualifying Expenditures”) in the amount of \$4,830,000. None of the qualifying CEE will be available to the Company for future deduction from taxable income. As at September 30, 2022, the Company had completed this commitment to incur Qualifying Expenditures.

During the year ended September 30, 2023, the Company recognized a flow-through premium of \$2,612,988 (2022 - \$1,825,740) and during the year ended September 30, 2022, the Company recognized flow-through premium recoveries of \$2,133,046 (2022 - \$2,332,396) in profit or loss, with the flow-through premium recoveries representing the pro-rata portion of Qualifying CEE incurred during the period from issuance of the flow through shares to September 30, 2023.

13. Share capital

a) Authorized

Unlimited common shares with no par value

b) Financings

For the year ended September 30, 2023

On March 6, 2023, the Company closed a brokered private placement and issued 1,120,366 Units at a price of \$3.15 per Unit for gross proceeds of \$3,529,153. Each Unit consisted of one common share and one-half of one common share purchase warrant, wherein each Warrant entitles the holder to purchase one common share at an exercise price of \$4.05 per common share for a period of two years from the issue date until March 6, 2025. The Company also issued 1,036,900 flow-through units (“FT Unit”) at a price of \$5.67 per FT Unit consisting of one flow-through common share and one-half of one non-flow-through warrant for gross proceeds of \$5,879,223. Each FT Unit consisted of one common share and one-half of one common share purchase warrant, wherein each Warrant entitles the holder to purchase one common share at an exercise price of \$4.05 per common share for a period of two years until March 6, 2025.

In connection with the private placement, Agents were granted a total of 110,348 non-transferable compensation warrants and advisory broker warrants (“Agent warrants”), wherein each Warrant entitles the Agents to purchase one common share at an exercise price of \$4.05 per common share for a period of two years until March 6, 2025. In addition, the Company incurred cash finders’ fees of \$567,670 and other cash issue costs of \$101,497 in association with financing.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

The weighted average fair value of Agent warrants issued was \$0.98 per Agent warrant, for an aggregate fair value of \$108,472 recognized as a non-cash issuance cost. Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions: (i) risk free rate - 4.25%; (ii) expected life - 2 years; (iii) expected volatility (based on historical volatility) – 66.23%; and (iv) expected forfeiture and dividends - nil.

For the year ended September 30, 2022

On April 22, 2022, the Company closed its fully subscribed non-brokered private placement financing by raising total gross proceeds of \$6,240,217 (the "Offering"). Under the Offering, the Company issued (i) 453,446 hard dollar units (the "HD Units") at a price of \$3.11 per HD Unit (the "HD Offering Price") for gross proceeds of \$1,410,217 and (ii) 966,000 flow-through units (the "FT Units") at a price of \$5.00 per FT Unit (the "FT Offering Price") for gross proceeds of \$4,830,000. Each HD Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole such common share purchase warrant, a "Warrant"). Each FT Unit consists of one flow-through common share and one-half of one transferrable Warrant to be issued on a non-flow-through basis. Each Warrant shall be exercisable into one additional common share (a "Warrant Share") at an exercise price of \$4.75 per Warrant Share until April 22, 2024. The Company incurred cash commissions of \$237,285 and other cash issuance costs of \$48,213 associated with the financing.

c) Stock options

On October 18, 2017, the shareholders of the Company approved the Company's fixed stock option plan, under which the number of common shares available for issuance is fixed and there is no replenishment in the future. Under the fixed option plan, the Company's total number of stock options 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 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 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.

Subsequent to the year end the stock option plan was amended (Note 20).

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

The balance of options outstanding and related information for the year ended September 30, 2023 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2021	1,103,334	\$2.61	3.71
Granted	250,000	\$3.11	
Exercised	(20,000)	\$0.50	
Expired	(10,000)	\$6.00	
Balance September 30, 2022	1,323,334	\$2.71	3.10
Granted	290,000	\$3.14	
Exercised	(130,667)	\$1.80	
Forfeited	(13,000)	\$3.12	
Balance September 30, 2023	1,469,667	\$2.87	2.57
Unvested	(274,667)	\$3.13	4.23
Exercisable, September 30, 2023	1,195,000	\$2.82	2.18

The balance of options outstanding as at September 30, 2023 was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding	Unvested	Exercisable
September 9, 2024	\$0.50	0.95	330,000	-	330,000
October 14, 2024	\$0.50	1.04	10,000	-	10,000
September 14, 2025	\$3.50	1.96	357,500	-	357,500
March 4, 2026	\$5.00	2.43	160,000	-	160,000
August 8, 2026	\$3.80	2.86	130,000	-	130,000
April 27, 2027	\$3.11	3.58	195,167	80,000	115,167
March 27, 2028	\$3.15	4.49	277,000	184,667	92,333
May 29, 2028	\$3.00	4.67	10,000	10,000	-
			1,469,667	274,667	1,195,000

On March 27, 2023, 280,000 stock options were granted to directors, officers and consultants to purchase, for each option granted, one common share at a price of \$3.15 for a period of five years, and on May 29, 2023, 10,000 stock options were granted to a consultant to purchase, for each option granted, one common share at a price of \$3.00 for a period of five years. All of the options granted vest equally as to one-third on each of the six-, twelve- and eighteen-month anniversaries of the grant date. The weighted average fair value of stock options granted was \$2.56.

The fair values of options on the date of grant were determined using the Black-Scholes Option pricing Model using the following weighted average assumptions:

	2023	2022
Risk free interest rate	2.87%	2.62%
Expected life	5 years	5 years
Expected volatility	93%	101%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

During the year ended September 30, 2023, 130,667 (2022 – 20,000) options with a weighted average exercise price of \$1.80 (2022 - \$0.50) were exercised for proceeds of \$234,848 (2022 - \$10,000). The

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

options were exercised at the following share prices: (i) \$3.98 (58,334); (ii) \$2.30 (47,333); (iii) \$2.36 (25,000) and (iv) (2022 - \$2.34 (20,000)). Amounts previously recognized in contributed surplus of \$152,629 (2022 - \$7,773) relating to exercised options were reclassified to share capital upon exercise of the options. Amounts previously recognized with respect to expired options are not reclassified within equity.

For the year ended September 30, 2023, the Company recorded aggregate share-based compensation expense, arising from options, of \$668,568 (2022 – \$489,565) of which \$111,594 (2022 – \$134,567) was capitalized to exploration and evaluation assets.

d) Share purchase warrants

The balance of warrants outstanding and related information for the year ended September 30, 2023 are as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2021	851,732	\$6.00	2.37
Issued	709,723	\$4.75	-
Balance September 30, 2022	1,561,455	\$5.43	1.46
Issued	1,188,980	\$4.05	-
Expired	(31,506)	\$6.00	-
Balance September 30, 2023	2,718,929	\$4.82	0.89
Exercisable, September 30, 2023	2,718,929	\$4.82	0.89

The balance of warrants outstanding as at September 30, 2023 was as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants Outstanding	Exercisable
February 25, 2024	\$6.00	0.41	820,226	820,226
April 22, 2024	\$4.75	0.56	709,723	709,723
March 6, 2025	\$4.05	1.43	1,188,980	1,188,980
			2,718,929	2,718,929

During the year ended September 30, 2023, 31,506 broker warrants with an exercise price of \$6.00 expired unexercised. Amounts previously recognized with respect to expired warrants are not reclassified within equity.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

e) Equity reserve

	Funding by Callinan	Options and warrants	Total
	\$	\$	\$
Balance, September 30, 2021	2,660,523	5,988,858	8,649,381
Transfer of value on the exercise of options	-	(7,773)	(7,773)
Share-based compensation – stock options	-	489,565	489,565
Balance, September 30, 2022	2,660,523	6,470,650	9,131,173
Issue costs - warrants	-	108,472	108,472
Transfer of value on the exercise of options	-	(152,629)	(152,629)
Share-based compensation – stock options	-	668,568	668,568
Balance, September 30, 2023	2,660,523	7,095,061	9,755,584

14. Related party transactions

Compensation paid or payable to the Company's key management, being the Company's Board of Directors, corporate officers and Exploration Manager, for services provided during the years ended September 30, 2023 and 2022 was as follows:

	2023	2022
	\$	\$
Professional fees	34,396	34,508
Management fees	590,438	406,111
Share-based compensation	366,671	341,661
	991,505	782,280

Professional fees represent fees charged by a company controlled by the Chief Financial Officer ("CFO") of the Company for the provision of CFO services.

Management fees for the year ended September 30, 2023 and 2022 include salary earned by (i) the Chief Executive Officer ("CEO"), and (ii) the Exploration Manager of the Company. Management fees of \$150,229 (2022 - \$160,336) have been capitalised to exploration and evaluation assets during the year ended September 30, 2023.

During the year ended September 30, 2023, the Company incurred professional fees of \$51,600 (2022 \$57,360) for the provision of non-CFO accounting and advisory support services charged by a company controlled by the CFO of the Company.

On August 1, 2023, the Company entered into a separate sub-lease agreement with the CEO of the Company to sub-lease office space for \$3,000 per month until January 31, 2025.

Included in accounts payable and accrued liabilities at September 30, 2023, are amounts due to related parties of \$29,280 (2022 - \$14,470) owing to the CEO, Exploration Manager of the Company, and to a company controlled by the CFO for the provision of CFO, and non-CFO accounting and advisory support services. These amounts are non-interest bearing and due on normal commercial terms.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

15. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, deposits, accounts payable and accrued liabilities and loan payable. The Company's cash and cash equivalents, and deposits are measured at amortized cost. The accounts payable and accrued liabilities and loan payable are designated as amortized cost. The carrying value of the Company's financial instruments approximates their fair value due to their short-term nature and no material impact of changes in credit risk since initial recognition. Accordingly, the fair value hierarchy of the financial instruments where carrying value approximates fair value has not been disclosed.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents and deposits balances. The Company's cash and cash equivalents are held at a Schedule I Canadian bank in interest bearing accounts. As at September 30, 2023 the Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management as outlined in Note 16 to these financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at September 30, 2023, the Company had a cash balance of \$2,150,673 (2022 - \$994,543) to settle current liabilities of \$463,761 (2022- \$715,650 (excluding flow through premium liability)) (see Note 2).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the price of publicly traded marketable securities.

a) Interest rate risk

The Company has cash balances and no debt liabilities which are currently interest-bearing. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions.

b) Foreign currency risk

The Company conducts the majority of its business in Canada and is therefore not exposed to significant foreign currency risk.

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

16. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, to acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, options, equity reserve and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditure program. The Company is not subject to externally imposed capital requirements.

The Company's mineral property interests are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, may even dispose of some or all of its mineral property interests.

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended September 30, 2023.

17. Supplemental cash flow information

	2023	2022
	\$	\$
Non-cash investing and financing transactions		
Share-based compensation included in exploration and evaluation assets	111,594	134,567
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	(280,730)	(290,131)
Reclassification of option fair value from equity reserve to share capital on exercise of options	152,629	7,773
Issue costs - warrants	108,472	-
Allocation of private placement proceeds to flow-through premiums	2,612,988	1,825,740

CALLINEX MINES INC.

Notes to the Financial Statements

For the years ended September 30, 2023 and 2022

(Expressed in Canadian dollars)

18. Commitments

Commitments are disclosed pursuant to mineral property interest obligations (Note 7) and lease payment obligations (Notes 9 and 14).

19. Segmental information

The Company operates in one reportable segment, being the acquisition and exploration of exploration and evaluation assets in Canada. All of the Company's assets and operations are located in Canada.

20. Subsequent event

On December 13, 2023, the Company's shareholders approved an amendment to the Company's stock option plan (the "Plan") to amend the Plan from a fixed plan to a "rolling" stock option plan reserving a maximum of 10% of the issued shares of the Company at the time of the stock option grant (the "Rolling Plan"). Under the Rolling Plan, if an Option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for new Options granted under the Rolling Plan. The number of Common Shares reserved for issuance in any 12 month period under the Rolling Plan and any other share compensation arrangement to (a) any one Person, shall not exceed 5% of the outstanding Common Shares at the time of the grant (unless the Company has obtained disinterested shareholder approval to exceed such limit); (b) any one Consultant or Person employed to provide Investor Relations Activities, shall not exceed 2% of the outstanding Common Shares at the time of the grant; and (c) to Insiders, shall not exceed 10% of the outstanding Common Shares at any point in time.