

CALLINEX MINES INC.

CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

DECEMBER 31, 2012

CALLINEX MINES INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT DECEMBER 31

	December 31, 2012	September 30, 2012
ASSETS		
Current		
Cash and cash equivalents	\$ 3,953,556	\$ 5,063,905
Receivable	84,853	147,855
Prepaid expenses	<u>24,272</u>	<u>27,988</u>
Total current assets	4,062,681	5,239,748
Exploration and evaluation assets (Note 5)	32,275,584	31,735,127
Restricted investment (Note 7)	155,400	154,700
Long-term deposits	74,820	124,820
Equipment (Note 6)	<u>109,451</u>	<u>113,238</u>
Total assets	<u>\$ 36,677,936</u>	<u>\$ 37,367,633</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 436,143	\$ 698,930
Other liability (Note 8)	279,177	320,093
Deferred income tax liability	<u>5,909,000</u>	<u>5,981,000</u>
	<u>6,624,320</u>	<u>7,000,023</u>
Capital stock (Note 9)	40,743,541	40,053,541
Subscriptions received in advance	-	690,000
Equity reserve	3,742,064	3,742,064
Accumulated other comprehensive loss	(88,900)	(89,600)
Accumulated deficit	<u>(14,343,089)</u>	<u>(14,028,395)</u>
Total shareholders' equity	<u>30,053,616</u>	<u>30,367,610</u>
Total liabilities and shareholders' equity	<u>\$ 36,677,936</u>	<u>\$ 37,367,633</u>

Nature and continuance of operations (Note 1)

Subsequent event (Note 15)

Approved on behalf of the Board of Directors on February 26, 2013:

 "Gord Slade"
 Director

 "Mervyn Shnider"
 Director

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

CALLINEX MINES INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31

	2012	2011
Audit and accounting	\$ 28,500	\$ 30,730
Bank charges and interest	722	1,815
Consulting fees	79,383	5,595
Donations	-	2,000
Equipment depreciation (Note 6)	8,518	5,668
Insurance expense	5,819	9,375
Legal fees	26,116	28,816
Listing and sustaining fees	10,125	(3,337)
Property expenses	38,976	31,499
Property investigation costs	-	17,110
Office and administration	9,595	19,877
Office rent	15,811	5,431
Salaries	150,767	213,040
Shareholder relations and news releases	53,985	36,470
Telephone	3,594	5,366
Transfer agent	2,624	2,877
Travel	<u>10,394</u>	<u>9,238</u>
	(444,929)	(421,570)
Interest income	15,919	36,543
Dividend income	<u>1,400</u>	<u>-</u>
Loss before income tax	<u>(427,610)</u>	<u>(385,027)</u>
Deferred income tax (expense)/recovery	<u>112,916</u>	<u>(16,414)</u>
Loss for the period	\$ (314,694)	\$ (401,441)
Change in fair value of restricted investment	\$ 700	\$ 170,931
Comprehensive loss for the period	\$ (313,994)	\$ (230,510)
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>19,706,102</u>	<u>16,907,876</u>

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

CALLINEX MINES INC.
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
(Unaudited)
DECEMBER 31, 2012

	<u>Capital Stock</u>		Subscription Received in Advance	Equity Reserve (Note 9)	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Number of Common Shares	Amount					
Balance, September 30, 2011	16,879,950	\$ 38,672,357	\$ -	\$ 3,783,762	\$ (526,250)	\$(10,349,500)	\$ 31,580,369
Stock options exercised	13,334	14,624	-	(8,435)	-	-	6,189
Private placement – flow through shares	1,489,100	1,414,645	-	-	-	-	1,414,645
Flow through share premium	-	(223,365)	-	-	-	-	(223,365)
Share issue costs – cash (net of taxes)	-	(7,721)	-	-	-	-	(7,721)
Share issue costs – agent warrants	-	(2,850)	-	2,850	-	-	-
Fair value adjustment of investments	-	-	-	-	170,931	-	170,931
Loss for the period	-	-	-	-	-	(401,441)	(401,441)
Balance, December 31, 2011	18,382,384	\$ 39,867,690	\$ -	\$ 3,778,177	\$ (355,319)	\$(10,750,941)	\$ 32,539,607
Balance September 30, 2012	18,562,352	\$ 40,053,541	\$ 690,000	\$ 3,743,064	\$ (89,600)	\$(14,028,395)	\$ 30,367,610
Private placement	1,725,000	690,000	(690,000)	-	-	-	-
Fair value adjustment of investments	-	-	-	-	700	-	700
Loss for the period	-	-	-	-	-	(314,694)	(314,694)
Balance, December 31, 2012	20,287,352	\$ 40,743,541	\$ -	\$ 3,742,064	\$ (88,900)	\$(14,343,089)	\$ 30,053,616

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

CALLINEX MINES INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED DECEMBER 31

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (314,694)	\$ (401,441)
Items not affecting cash:		
Equipment depreciation	8,518	5,668
Deferred income tax expense/(recovery)	(112,916)	16,414
Changes in non-cash working capital:		
(Increases) decrease in receivable	63,002	(132,065)
Decrease in prepaid expenses	3,716	17,799
Decrease in deposits	50,000	91,570
Increase/(decrease) in accounts payable and accrued liabilities	<u>(86,823)</u>	<u>320,751</u>
Net cash used in operating activities	(389,197)	(81,304)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(716,421)	(2,484,043)
Equipment purchases	<u>(4,731)</u>	<u>(5,278)</u>
Net cash used in investing activities	(721,152)	(2,489,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares, net of share issuance costs	<u>-</u>	<u>1,413,113</u>
Net cash provided by financing activities	<u>-</u>	<u>1,413,113</u>
Decrease in cash and cash equivalents for the period	(1,110,349)	(1,157,512)
Cash and cash equivalents, beginning of period	<u>5,063,905</u>	<u>9,780,770</u>
Cash and cash equivalents, end of period	<u>\$ 3,953,556</u>	<u>\$ 8,623,258</u>
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -
Cash and cash equivalents consist of:		
Cash	<u>\$ 383,595</u>	<u>\$1,268,258</u>
Cash equivalents	<u>\$ 3,569,961</u>	<u>\$7,355,000</u>

Supplemental information with respect to cash flow (Note 12)

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

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

1. NATURE AND CONTINUANCE OF OPERATIONS

Callinex Mines Ltd. (“Callinex” or the “Company”) was incorporated on April 21, 2011 under the Corporations Act for the purpose of receiving certain cash, equipment, common shares, and exploration and evaluation assets from Callinan Royalties Corporation (“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 transaction with Callinan was closed on July 13, 2011.

The Company’s head office and registered and records office address is 1110 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

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

These financial statements are authorized for issue by the Board of Directors on February 27, 2013.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. BASIS OF PREPARATION

The 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 condensed interim financial statements, including IAS 34, Interim Financial Reporting, and using the same accounting policies and methods of computation as the Company’s most recent annual financial statements. The condensed financial statements do not include all the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2012.

The condensed financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, and available-for-sale which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed financial statements are presented in Canadian dollars, unless otherwise stated, which is also the Company’s functional currency.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

2. BASIS OF PREPARATION (cont'd....)

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended September 30, 2012, and have been consistently followed in the preparation of these condensed financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These condensed interim financial statements include estimates that, by nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended September 30, 2012.

Estimates and assumptions are continually evaluated and are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The following new accounting standards have been issued, but are not yet effective and have not yet been adopted by the Company. The Company is currently evaluating the effects of adopting these standards:

IAS 1 – Presentation of Financial Statements

This standard requires companies preparing financial statements under IFRS to group items within Other Comprehensive Income ("OCI") that may be reclassified to profit or loss. The amendments to IAS 1 are effective for fiscal years beginning on or after July 1, 2012.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended to introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (cont'd....)

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This IFRS shall apply for annual periods beginning after January 1, 2015.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31, Interest in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 was amended to introduce significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid for, or transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13. These amendments are effective for annual periods beginning on or after January 1, 2013.

In December 2011, the IASB issued amendments to IAS 32 and IFRS 7. The amendments clarify certain items regarding offsetting financial assets and financial liabilities and also address common disclosure requirements. The amendments will be effective for annual periods commencing on or after January 1, 2013 for IFRS 7 and January 1, 2014 for IAS 32, with earlier application permitted. If IAS 32 is early adopted, the disclosures required by the amendments to IFRS 7 must be provided.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

5. EXPLORATION AND EVALUATION ASSETS

Activity for the period ended December 31, 2012

	Sneath Lake	Coles/Troitsa	Fox	Moak Lake/ Norris Lake	Gossan/Rug	Herblet	Pine Bay	Other	Total
Acquisition	\$ -	\$ 5,000	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Drilling	291,267	23,435	-	145,109	46,426	-	-	-	509,237
Consulting	1,774	3,050	-	2,500	-	-	-	-	7,324
Travel	-	350	-	-	350	-	-	-	700
Field & Camp	-	-	-	8,188	1,750	-	-	-	9,938
Miscellaneous	-	-	-	5,034	6,224	-	-	-	11,258
Total for the period	293,041	31,835	-	160,831	54,750	-	-	-	540,457
Opening balance at September 30, 2012	225,768	18,504,334	4,174,896	253,909	3,976,086	1,637,602	2,548,769	413,763	31,735,127
Balance at December 31, 2012	\$ 518,809	\$ 18,536,169	\$ 4,174,896	\$ 414,740	\$ 4,030,836	\$ 1,637,602	\$ 2,548,769	\$ 413,763	\$32,275,584

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Activity for the year ended September 30, 2012

	Berry Creek	Coles/Troitsa	Fox	Hamell Lake	Gossan/Rug	Herblet	Pine Bay	Other	Total
Acquisition	\$ -	\$ 249,276	\$ -	-	\$ 208,857	\$ -	\$ 989,067	\$ 44,950	\$1,492,150
Geochemical	-	3,907	-	-	9,397	-	-	-	13,304
Geophysical	-	348,955	-	-	-	-	33,040	141,045	523,040
Line-cutting	-	-	-	-	-	-	-	81,134	81,134
Drilling	-	1,205,932	-	-	1,793,672	-	7,828	-	3,007,432
Consulting	1,400	142,328	-	-	3,150	2,100	8,498	10,975	168,451
Travel	-	6,297	-	-	9,406	-	-	899	16,602
Field & Camp	-	314,036	-	-	153,839	-	-	-	467,875
Vehicle	-	140	-	-	8,815	-	-	-	8,955
Prospecting	10,790	18,101	-	-	18	235	-	51,094	80,238
Miscellaneous	-	9,585	1,493	-	12,684	-	20,391	7,738	51,891
Recovery***	(35,225)	-	-	-	(123,648)	-	-	-	(158,873)
Total for the year	(23,035)	2,298,557	1,493	-	2,076,190	2,335	1,058,824	337,835	5,752,199
Write-offs	(2,005,759)	-	-	(459,720)	-	-	-	(516,644)	(2,982,123)
Opening balance	<u>2,028,794</u>	<u>16,205,777</u>	<u>4,173,403</u>	<u>459,720</u>	<u>1,899,896</u>	<u>1,635,267</u>	<u>1,489,945</u>	<u>1,072,249</u>	<u>28,965,051</u>
Balance at September 30, 2012	\$ -	\$ 18,504,334	\$ 4,174,896	\$ -	\$ 3,976,086	\$ 1,637,602	\$ 2,548,769	\$ 893,440	\$31,735,127

***From the Mineral Exploration Assistance Program (MEAP) which provides assistance for non-fuel exploration in Manitoba.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

By way of the plan of arrangement approved by the shareholders of Callinan on July 13, 2011, Callinan transferred its exploration and evaluation assets to Callinex. All rights to purchase a royalty or a portion of a royalty attached to any of the exploration and evaluation assets transferred remains with Callinan. Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing.

a) Sneath Lake

The Company holds these claims in the Flin Flon area of Manitoba. As at December 31, 2012 the Company has expended \$518,809 on this property.

b) Coles Creek/Troitsa

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, who was, at the time, the President of Callinan, under which Callinan was granted the option to acquire a 100% interest in certain claims in the Omenica Mining Division of British Columbia. Under the terms of the agreement, Mr. Muzylowski, was paid a total of \$270,000 for the property. If the claims are placed into production, Mr. Muzylowski will be entitled to a 5% royalty on net smelter returns, of which 2.5% can be repurchased for \$1,500,000. In order to maintain the option in good standing and to earn the 100% interest in the property, Callinan had to incur cumulative expenditures of \$800,000 within 48 months from the effective date of the agreement. All obligations have been met to keep the option in good standing.

On September 24, 2010 Callinan increased its holding in British Columbia by entering into an agreement to acquire the Troitsa claim. The agreement called for payment of \$40,000 (paid) and issuance of 40,000 common shares (issued) within 5 days of acceptance by the TSX Venture Exchange, and a further \$280,000 and 360,000 shares within 48 months from the effective date of the agreement. During the year the parties agreed to defer the payment due at September 24, 2012 to a further date while talks progressed on the future plans for this property.

c) Fox River

On March 15, 2003 the option to purchase the Fox River Property was acquired. Callinex has a 70% interest in this property and can earn an additional 10% by producing a feasibility study. On March 15, 2006 half of the interest in this property was assigned to Bell Resources Corporation ("Bell"). Bell's interest is based on a dilution clause contained in the agreement of March 15, 2006.

d) Moak and Norris Lake

On May 14, 2007 Callinan entered into an option agreement whereby, payments of \$100,000 and issuance of 200,000 shares within 36 months after regulatory approval was required. In March 2012, the agreement was amended to increase the time period to accumulate the required expenditures. As per the amended agreement, cumulative expenditures of \$250,000 and \$450,000 are required to be made on or before 72 months and 84 months respectively, from the date of the agreement.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

5. EXPLORATION AND EVALUATION ASSETS (cont'd....)

e) Gossan/Rug Claims

On April 10, 2010, 100% interest in the Gossan property was acquired for payment of \$20,000 and issuance of 150,000 shares.

On May 12, 2010, Callinan entered into an agreement to acquire a 100% interest in the Rug Claims for payment of \$200,000 and issuance of 200,000 shares within 36 months of the effective date. Cumulative expenditures of \$100,000 within 12 months, \$250,000 within 24 months and \$450,000 within 36 months had to be made to keep the option in good standing. All obligations have been met to keep this option in good standing.

f) Herblet Lake

On March 15, 2007 Callinan entered into an option agreement for the above property. The agreement required payment of \$50,000 and issuance of 100,000 shares over 36 months after regulatory approval. All obligations have been met.

g) Pine Bay

On July 8, 2009 an agreement was entered into to acquire a 100% interest in the Pine Bay Claims and a 90% interest in the Sour Claims. To acquire the claims, payments of \$375,000 and issuance of 425,000 common shares of Callinan within 36 months of the effective date is required. All obligations have been met to keep the claims in good standing.

Other claims include the following:

h) Tramping Lake

Between March 28 and April 10, 2008 these claims were staked by Callinan in the Snow Lake area of Manitoba.

i) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, payment of \$400,000 and issuance of 400,000 shares within 36 months of the effective date of the agreement was required. Cumulative expenditure of \$100,000 within 12 months, \$1,000,000 within 24 months and \$1,900,000 within 36 months were also required to keep the option in good standing. This project has been put on hold while negotiations proceed with the First Nations.

j) Pulver Lake

During 2011 the claims at Pulver Lake in Snow Lake, Manitoba were staked.

k) Cameco

During the year ended September 30, 2012 the Company acquired additional claims in the Saskatchewan area for acquisition costs of \$10,000.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

5. EXPLORATION AND EVALUATION ASSETS (cont'd....)

l) Flin Flon Claims

During the year ended September 30, 2012 the Company entered into an option agreement to acquire a 100% interest in the Flin Flon Area Claims. The agreement calls for payments of \$250,000 and issuance of 250,000 shares within 36 months from the effective date, of which \$25,000 has been paid and 25,000 shares with a value of \$7,500 were issued. The property is subject to a 2% Net Smelter Return Royalty of which Callinex may purchase half for \$1,000,000.

m) Elliot Lake

The Company holds claims in the Elliot Lake area of Ontario. As of December 31, 2012 the Company has expended \$27,629 on this property.

During the year ended September 30, 2012, management decided that it would no longer pursue the following properties and they were written off to operations and those that were options were returned to the optionor. The properties written off were Berry Creek, Hamell Lake, Stag Lake and Dion Lake.

6. EQUIPMENT

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at September 30, 2011	\$ 162,686	\$ 69,406	\$ 107,828	\$ -	\$ 339,920
Additions	5,000	9,357	5,256	43,490	63,103
Cost at September 30, 2012	\$ 167,686	\$ 78,763	\$ 113,084	\$ 43,490	\$ 403,023
Additions	-	-	4,731	-	4,731
Cost at December 31, 2012	\$ 167,686	\$ 78,763	\$ 17,815	\$ 43,490	\$ 407,754
Accumulated depreciation at September 30, 2011	\$ 130,052	\$ 54,398	\$ 77,430	\$ -	\$ 261,880
Depreciation	8,843	4,123	8,416	6,523	27,905
Accumulated depreciation at September 30, 2012	\$ 138,895	\$ 58,521	\$ 85,846	\$ 6,523	\$ 289,785
Depreciation	2,159	1,012	2,575	2,772	8,518
Accumulated depreciation at December 31, 2012	\$ 141,054	\$ 59,533	\$ 88,421	\$ 9,295	\$ 298,303
Net book value at September 30, 2012	\$ 28,791	\$ 20,242	\$ 27,238	\$ 36,967	\$ 113,238
Net book value at December 31, 2012	\$ 26,632	\$ 19,230	\$ 29,394	\$ 34,195	\$ 109,451

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

7. RESTRICTED INVESTMENTS

By way of the transfer, 500,000 shares of Callinan were transferred to Callinex in order to satisfy property option commitments on certain properties which were transferred from Callinan to Callinex (Note 5). These shares are held in trust by Callinex and any not used will be returned to Callinan after all property option commitments are met, or if the Company decides to abandon any of the properties. 325,000 of these shares have been issued for the Pine Bay option agreement, 60,000 shares have been issued for the Troitsa property and 45,000 have been issued for the Rug claims. 70,000 of these shares were remaining at December 31, 2012.

8. OTHER LIABILITY

	December 31, 2012	September 30, 2012
Balance, beginning	\$ 320,093	\$ 539,421
Liability incurred on flow-through shares issued	-	223,365
Settlement on flow-through share liability on expenditure made	(40,916)	(442,693)
	<hr/>	
Balance, ending	\$ 297,117	\$ 320,093

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as other liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as a deferred income tax recovery.

9. CAPITAL STOCK

Authorized:

Unlimited common shares with no par value

During the period ended December 31, 2012, the Company entered into the following capital stock transactions:

- The Company issued 1,725,000 common shares at a price of \$0.40 per share for gross proceeds of \$690,000 through a non-brokered private placement. These proceeds were received by the Company during the year ended September 30, 2012.

During the period ended December 31, 2011, the Company entered into the following capital stock transactions:

- The Company issued 1,489,100 flow-through units at a price of \$0.95 per unit for gross proceeds of \$1,414,645. Each flow-through unit is comprised of one flow-through common share of the Company and one half of one share purchase warrant. Each warrant is exercisable to purchase one non-flow through common share of the Company at a price of \$1.00 until December 30, 2013. On the date of issue of these shares, the Company's common shares were trading at \$0.80 per share. As a result, a flow-through premium of \$223,365 was recorded as an other liability on the statement of financial position. In connection with the share issuance, the Company paid agent's fees of \$7,721 and issued 8,128 agents warrants with a value of \$2,850. Each agent warrant is exercisable to purchase one non-flow through common share of the Company at a price of \$1.00 per share until December 30, 2013.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

9. CAPITAL STOCK (cont'd...)

- The Company issued 13,334 common shares upon exercise of stock option with a fair value of \$8,435.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

There were no stock options granted during the periods ending December 31, 2012 and December 31, 2011.

The following tables summarize the Company's outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, September 30, 2011	1,694,206	\$ 0.76
Granted	250,000	0.50
Exercised	(168,302)	0.44
Expired/cancelled	(229,245)	0.64
Options outstanding, September 30, 2012 and December 31, 2012	1,546,659	\$ 0.77

Exercise price	Options outstanding and exercisable at December 31, 2012	Average Remaining Contractual Life (Years)	Expiry Date
0.47	116,663	0.04	January 13, 2013 (subsequently expired)
0.34	44,441	0.41	May 29, 2013
0.30	55,555	0.77	October 9, 2013
0.90	1,080,000	3.71	September 14, 2016
0.50	250,000	4.37	May 15, 2017
	1,546,659		

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

9. CAPITAL STOCK (cont'd...)

Warrants

The following is a summary of warrants outstanding:

	Number of warrants	Weighted Average Exercise Price
Warrants outstanding, September 30, 2011	480,000	\$ 1.10
Issued	<u>752,678</u>	<u>1.00</u>
Warrants outstanding, September 30, 2012 and December 31, 2012	<u>1,232,678</u>	<u>\$ 1.04</u>

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices:

December 31, 2012				
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date	
\$ 1.10	480,000 ⁽¹⁾	0.2	February 26, 2013	
1.00	744,550	1.0	December 30, 2013	
1.00	8,128 ⁽¹⁾	1.0	December 30, 2013	
\$ 1.04	1,232,678			

⁽¹⁾ Agent warrants

The following weighted average assumptions were used for the Black-Scholes method of valuation of agents warrants granted during the periods ended December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011
Risk-free interest rate	N/A	0.95%
Expected life of options	N/A	2 years
Annualized volatility	N/A	93.2%
Dividend rate	N/A	0%
Forfeiture rate	N/A	0%

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

9. CAPITAL STOCK (cont'd...)

Equity Reserve

The following is a summary of changes in equity reserve:

	Funding by Callinan	Options and agent's warrants	Total
Balance at September 30, 2011	\$ 2,660,523	\$ 1,123,239	\$3,783,762
Fair value of agent warrants issued	-	2,850	2,850
Fair value of stock options exercised	-	(119,111)	(119,111)
Share-based compensation	-	74,563	74,563
Balance at September 30, 2012 and December 31, 2012	\$ 2,660,523	\$ 1,081,541	\$3,742,064

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Three months ended December 31,	
	2012	2011
Salaries	\$ 80,875	\$ 128,259
Consulting fees	73,333	-
	\$ 154,208	\$ 128,259

On July 13, 2011, the Company entered into a service agreement with Callinan, whereby Callinan would provide the Company with accounting and financial services. During the period a total of \$48,659 was incurred for this service (2011 – \$19,618). As at December 31, 2012 \$48,659, (September 30, 2012 - \$32,380) was owed to Callinan and included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities as at December 31, 2012 is \$18,333, (September 30, 2012 - \$20,533) owed to a director of the Company.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and evaluation of exploration and evaluation assets in Canada. All of the Company's assets are located in Canada.

12. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOW

The significant non cash transactions affecting cash flows from operating, investing and financing activities for the period ended December 31, 2012 were:

- (a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of \$281,231, (September 30, 2012 - \$457,195).

The significant non cash transactions affecting cash flows from operating, investing and financing activities for the period ended December 31, 2011 were:

- (a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of \$67,077.
- (b) Reallocation of fair value of options exercised from equity reserve to capital stock of \$8,435.
- (c) 8,128 agent warrants were issued with a value of \$2,850 included as share issuance costs.
- (d) The issuance of 60,000 common shares of Callinan Royalties shares held in trust with a value of \$138,600 for the option payment to Coles Creek (Troitsa) for the acquisition of exploration and evaluation assets.

13. FINANCIAL INSTRUMENTS

Financial instruments are those assets and liabilities that will be settled in cash either by payment by the Company or on the receipt of cash from another party. Financial instruments held by the Company include cash and cash equivalents, receivable, restricted investment, long-term deposits, and accounts payable and accrued liabilities.

The fair value of the Company's receivable and accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents, and the restricted investment, are recorded at fair value, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities. The Company's other financial instrument, the long-term deposits, has been classified as held-to-maturity, and is recorded at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's receivable consists mainly of HST receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

13. FINANCIAL INSTRUMENTS (cont'd...)

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 14 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 December 31, 2012, the Company had a cash and cash equivalents balance of \$3,953,556 to settle current liabilities of \$436,143. Management believes the Company has sufficient funds to meet its liabilities as they become due.

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 commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt liabilities. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions. The period to maturity of these short-term deposit certificates rarely exceeds ninety days; deposits within these parameters are considered equivalent to cash equivalents.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. As of December 31, 2012, the Company did not have any investments with maturities in excess of ninety days. The Company has no investments in asset backed commercial paper or similar investments.

b) Foreign currency risk

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

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions as required, resulting in proceeds approximating carrying value of the securities.

14. 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, 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.

CALLINEX MINES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2012

14. CAPITAL MANAGEMENT (cont'd...)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended December 31, 2012.

15. SUBSEQUENT EVENT

There were no subsequent events to report.