CALLINEX MINES INC.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

SEPTEMBER 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Callinex Mines Inc.

We have audited the accompanying financial statements of Callinex Mines Inc., which comprise the statements of financial position as at September 30, 2012 and 2011 and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. as at September 30, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

January 22, 2013

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Callinex Mines Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"John J O'Donnell"
President and Chief Executive Officer

"Tamara Edwards"
Chief Financial Officer

January 28, 2013
Vancouver, British Columbia Canada

CALLINEX MINES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT SEPTEMBER 30

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited "Callinan") as is described in Note 10. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	2012	2011
ASSETS		
Current		
Cash and cash equivalents	$ 5,063,905	$ 9,780,770
Receivable	147,855	508,881
Prepaid expenses	27,988	44,471
Total current assets	5,239,748	10,334,122
Exploration and evaluation assets (Note 5)	31,735,127	28,965,051
Restricted investment (Note 7)	154,700	1,020,000
Long-term deposits	124,820	316,216
Equipment (Note 6)	113,238	78,040
Total assets	$ 37,367,633	$ 40,713,429
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 698,930	$ 1,858,639
Other liability (Note 8)	320,093	539,421
Deferred income tax liability (Note 14)	5,981,000	6,735,000
	7,000,023	9,133,060
Capital stock (Note 9)	40,053,541	38,672,357
Subscriptions received in advance (Note 9)	690,000	-
Equity reserve	3,742,064	3,783,762
Accumulated other comprehensive loss	(89,600)	(526,250)
Accumulated deficit	(14,028,395)	(10,349,500)
Total shareholders' equity	30,367,610	31,580,369
Total liabilities and shareholders' equity	$ 37,367,633	$ 40,713,429

Nature and continuance of operations (Note 1)
Subsequent event (Note 17)

On behalf of the Board:

_______________ Director _______________ Director

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

CALLINEX MINES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED SEPTEMBER 30

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited "Callinan") as is described in Note 10. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	2012	2011
Audit and accounting	$ 189,654	$ 91,298
Bank charges and interest	7,201	6,428
Consulting fees	166,016	205,561
Donations	6,550	2,000
Equipment depreciation (Note 6)	27,905	78,439
Insurance expense	36,269	19,252
Legal fees	106,430	182,596
Listing and sustaining fees	17,970	120,252
Property expenses	129,150	120,954
Property investigation costs	172,369	165,344
Office and administration	75,012	99,046
Office rent	36,831	38,551
Salaries	738,734	627,775
Shareholder relations and news releases	149,968	241,347
Share-based compensation	74,563	959,070
Telephone	14,930	27,812
Transfer agent	16,418	9,061
Travel	41,244	18,500
	(2,007,214)	(3,013,286)
Interest income	98,442	7,064
Dividend income	16,000	8,500
Write-off of exploration and evaluation assets (Note 5)	(2,982,123)	-
Loss before income tax	(4,874,895)	(2,997,722)
Deferred income tax (expense)/recovery (Note 14)	1,196,000	(1,289,421)
Loss for the year	$ (3,678,895)	$ (4,287,143)
Change in fair value of restricted investment	$ 436,650	$ (526,250)
Comprehensive loss for the year	$ (3,242,245)	$ (4,813,393)
Basic and diluted loss per common share	$ (0.20)	$ (0.32)
Weighted average number of common shares outstanding	18,117,653	13,537,728

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

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited "Callinan") as is described in Note 10. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

CALLINEX MINES INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

SEPTEMBER 30, 2012

	Capital Stock						
	Number of Common Shares	**Amount**	**Subscription Received in Advance**	**Equity Reserve (Note 9)**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance, September 30, 2010	**-**	**$ -**	**$ -**	**$ 20,840,528**	**$ -**	**$ (6,062,357)**	**$ 14,778,171**
Transfer of assets	10,877,728	33,856,969	-	-	-	-	33,856,969
Funding by Callinan Royalties Corp	-	-	-	(18,180,005)	-	-	(18,180,005)
Stock options exercised	2,222	3,911	-	(2,889)	-	-	1,022
Private placement – flow through shares	6,000,000	6,600,000	-	-	-	-	6,600,000
Flow through share premium	-	(1,200,000)	-	-	-	-	(1,200,000)
Share issue costs – cash (net of taxes)	-	(421,465)	-	-	-		(421,465)
Share issue costs – agent warrants	-	(167,058)	-	167,058	-		-
Share based compensation	-	-	-	959,070	-	-	959,070
Fair value adjustment of securities	-	-	-	-	(526,250)	-	(526,250)
Loss for the year	-	-	-	-	-	(4,287,143)	(4,287,143)
Balance, September 30, 2011	**16,879,950**	**38,672,357**	**-**	**3,783,762**	**(526,250)**	**(10,349,500)**	**31,580,369**
Stock options exercised	168,302	192,974	-	(119,111)	-	-	73,863
Private placement – flow through shares	1,489,100	1,414,645	-	-	-	-	1,414,645
Flow through share premium	-	(223,365)	-	-	-	-	(223,365)
Shares issue costs – cash (net of taxes)	-	(7,720)	-	-	-	-	(7,720)
Share issue costs – agent warrants	-	(2,850)	-	2,850	-	-	-
Shares issued for exploration and evaluation asset	25,000	7,500	-	-	-	-	7,500
Subscriptions received in advance	-	-	690,000	-	-	-	690,000
Share-based compensation	-	-	-	74,563	-	-	74,563
Fair value adjustment of securities	-	-	-	-	436,650	-	436,650
Loss for the year	-	-	-	-	-	(3,678,895)	(3,678,895)
Balance, September 30, 2012	**18,562,352**	**$ 40,053,541**	**$ 690,000**	**$ 3,742,064**	**$ (89,600)**	**$(14,028,395)**	**$ 30,367,610**

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

CALLINEX MINES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED SEPTEMBER 30

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited "Callinan") as is described in Note 10. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,678,895)	$ (4,287,143)
Items not affecting cash:		
Equipment depreciation	27,905	78,439
Share-based compensation	74,563	959,070
Deferred income tax expense/(recovery)	(1,196,000)	1,221,421
Write-off exploration and evaluation assets	2,982,123	-
Funding by Callinan	-	5,858,964
Changes in non-cash working capital:		
(Increases) decrease in receivable	361,026	(508,881)
(Increases)/decrease in prepaid expenses	16,483	(44,471)
(Increase)/decrease in deposits	191,396	(316,216)
Increase/(decrease) in accounts payable and accrued liabilities	(127,703)	351,549
Net cash (used in)/provided by operating activities	(1,349,102)	3,312,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(5,475,448)	(7,648,401)
Equipment purchases	(63,103)	(63,118)
Net cash used in investing activities	(5,538,551)	(7,711,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares, net of share issuance costs	1,480,788	6,179,557
Subscriptions received in advance	690,000	-
Cash from plan of arrangement	-	8,000,000
Net cash provided by financing activities	2,170,788	14,179,557
Increase/(decrease) in cash and cash equivalents for the year	(4,716,865)	9,780,770
Cash and cash equivalents, beginning of year	9,780,770	-
Cash and cash equivalents, end of year	$ 5,063,905	$ 9,780,770
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -
Cash and cash equivalents consist of:		
Cash	$ 442,039	$725,770
Cash equivalents	$ 4,621,866	$9,055,000

Supplemental information with respect to cash flow (Note 13)

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

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 (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 (Note 10). 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 January 22, 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

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, and as financial instruments classified as available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. Assumptions made relate to, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and these assets have been accounted for under the assumption that the carrying value will be

2. BASIS OF PREPARATION (cont'd….)

recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical Judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at September 30, 2012, the Company had a working capital of $4,540,818. Management believes that the Company has sufficient working capital to cover its obligations as they come due.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short term interest bearing investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd….)

Equipment (cont'd…)

The cost of an item of 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 equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Machinery & Equipment	30%
Office Furniture	20%
Computer Equipment	30%

Leasehold improvements are depreciated straight-line, over 5 years.

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 in the statement of operations and comprehensive income or loss. Where an item of 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 equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

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 exploration and evaluation assets are capitalized by property. 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.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Future reclamation costs

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral interests (exploration and evaluation assets) and equipment. The net present value of future reclamation cost

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future reclamation costs (cont'd…)

estimate is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate 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 does not have any significant future reclamation costs.

Foreign exchange

The Company's functional and reporting 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.

Impairment of long-lived 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 any such indication exists, 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 to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. 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.

For the purposes of impairment testing, equipment and exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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.

Share-based compensation

The Company grants 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 installment 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 both share-based compensation expense and other equity reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The other equity reserve

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation (cont'd…)

account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

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.

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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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 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 at the time of issue is credited to other liabilities and included income at the same time the qualifying expenditures are made.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets and liabilities "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivable is classified as loans and receivables, and its restricted investment is classified as available-for-sale. Long term deposits have been classified as held-to-maturity. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company classifies the fair value of financial instruments according to a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices; and
- Level 3 – inputs for the asset or liability that are not based on observable market date (unobservable inputs).

See Note 15 for relevant disclosures.

Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss includes holding gains and losses from financial instruments classified as available-for-sale.

4. NEW AND FUTURE ACCOUNTING PROUNCEMENTS

As at September 30, 2012, 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.

4. NEW AND FUTURE ACCOUNTING PROUNCEMENTS (cont'd…)

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.

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 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

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

Amendments to IAS 32, *Financial Instruments: Presentation,* are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

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(Expressed in Canadian dollars)

5. EXPORATION AND EVALUATION ASSETS

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	2,028,794	16,205,777	4,173,403	459,720	1,899,896	1,635,267	1,489,945	1,072,249	28,965,051
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.

(Expressed in Canadian dollars)

5. EXPORATION AND EVALUATION ASSETS (cont'd…)

Activity for the year ended September 30, 2011

	Berry Creek	Coles/Troitsa	Fox	Hamell Lake	Gossan/Rug	Herblet	Pine Bay	Other	Total
Acquisition	$ 88,800	$ 153,600	$ -	$ 53,736	$ 170,150	$ -	$ 261,169	$ (2,467)	$ 724,988
Geochemical	-	16,362	-	-	9,239	35,568	-	-	61,169
Geophysical	15,911	247,642	-	-	47,949	74,083	58,586	33,778	477,949
Line-Cutting	2,960	-	-	-	-	37,880	-	-	40,840
Drilling	300,010	2,426,071	36,031	-	1,096,440	909,832	407,261	-	5,175,645
Consulting	-	94,742	1,200	-	28,524	40,550	4,400	32,864	202,280
Travel	-	31,549	-	-	-	-	-	153	31,702
Field & Camp	6,369	2,198,427	-	-	169,865	70,313	31,007	-	2,475,981
Vehicle	1,600	36,497	-	-	1,500	3,402	2,800	-	45,799
Prospecting	3,861	70,221	-	-	15,290	12,950	8,537	16,844	127,703
Miscellaneous	-	3,637	37,498	-	15,368	-	-	3,358	59,861
Recovery***	(9,775)	-	(59,901)	-	-	-	-	-	(69,676)
Total for the year	409,736	5,278,748	14,828	53,736	1,554,325	1,184,578	773,760	84,530	9,354,241
Opening balance	1,619,058	10,927,029	4,158,575	405,984	345,571	450,689	716,185	987,719	19,610,810
Balance at September 30, 2011	$ 2,028,794	$16,205,777	$ 4,173,403	$ 459,720	$1,899,896	$1,635,267	$1,489,945	$1,072,249	$28,965,051

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

5. EXPORATION 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) Berry Creek

On March 15, 2008 Callinan optioned the Berry Creek Claims which affords it the right to acquire 100% interest in and to the mineral claims, subject only to the royalty interest of 2% Net Smelter Returns. In order to acquire 100% interest Callinan had to pay $20,000 and issue 25,000 shares on receipt of regulatory approval (received, paid/issued), and a further $40,000 and 375,000 shares within 36 months of the effective date. In March of 2011 the agreement was amended whereby, the payment to be made in March 2011 was deferred to March 2012 while management decided if the Company would continue with this project. 20,000 shares were issued and $20,000 paid, in order to defer the payment to March 2012. Management has since decided that it would no longer pursue this property and it was returned to the optionor. As a result, the capitalized costs of $2,005,759 were written off to operations.

b) Coles Creek/Troitsa

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, 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.

5. EXPORATION AND EVALUATION ASSETS (cont'd….)

d) Hamell Lake

On July 9, 2008 Callinan received Toronto Stock Exchange ("Exchange") approval for the option agreement entered into for the Hamell Lake claims located near Flin Flon, Manitoba. The agreement called for payments of $150,000 and issuance of 150,000 shares of common stock over a three year period. The property is subject to a 2% Net Smelter Return Royalty of which Callinan may purchase half for $1,000,000 subject to further Exchange review and acceptance. During the fiscal year management decided it would no longer pursue this property and returned it to the optionor. As a result, the capitalized costs of $459,720 were written off to operations.

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) 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.

i) Dion Lake

On June 26, 2007 Callinan entered into an option agreement for the Dion Lake property near Snow Lake, Manitoba. The agreement called for payment of $100,000 and 100,000 common shares over 36 months on receipt of regulatory approval. During the fiscal year management decided it was no longer interested in this property. As a result the capitalized costs of $483,648 were written off to operations.

5. EXPORATION AND EVALUATION ASSETS (cont'd….)

j) Tramping Lake

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

k) Sneath Lake

The Company holds claims in the Flin Flon area of Manitoba. During the year the Company expended $225,768 on this property.

l) 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.

m) Stag Claim

On May 29, 2010 the claims at Stag Lake in Manitoba were staked. These claims were allowed to lapse during the fiscal year as management decided not to continue work on these claims. As result, the capitalized costs of $32,996 were written off to operations.

n) Pulver Lake

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

o) Cameco

During fiscal 2012 the Company acquired additional claims in the Saskatchewan area for acquisition costs of $10,000.

p) Flin Flon Claims

During fiscal 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.

q) Elliot Lake

The Company holds claims in the Elliot Lake area of Ontario. To date, the Company has expended $27,629 on this property.

(Expressed in Canadian dollars)

6. EQUIPMENT

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at September 30, 2010	$ 158,082	$ 62,583	$ 56,137	$ -	$ 276,802
Additions	4,604	6,823	51,691	-	63,118
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**
Accumulated depreciation at September 30, 2010	$ 100,130	$ 46,007	$ 37,304	$ -	$ 183,441
Depreciation	29,922	8,391	40,126	-	78,439
Accumulated depreciation at September 30, 2011	**$ 130,052**	**$ 54,398**	**$ 77,430**	**$ -**	**$ 261,880**
Current period 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**
Net book value at September 30, 2011	**$ 32,634**	**$ 15,008**	**$ 30,398**	**$ -**	**$ 78,040**
Net book value at September 30, 2012	**$ 28,791**	**$ 20,242**	**$ 27,238**	**$ 36,967**	**$ 113,238**

7. 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 September 30, 2012.

8. OTHER LIABILITY

	September 30, 2012	September 30,2011
Balance, beginning	$ 539,421	$ -
Liability incurred on flow-through shares issued	223,365	1,200,000
Settlement on flow-through share liability on expenditure made	(442,693)	(660,579)
Balance, ending	$ 320,093	$ 539,421

8. OTHER LIABILITY (cont'd…)

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 year ended September 30, 2012, 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 $7,720 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.

- The Company issued 25,000 common shares valued at $7,500 as option payment for the Flin Flon claims.

- The Company issued 168,302 common shares upon exercise of stock option for proceeds of $73,863 with a fair value of $119,111.

- $690,000 was received in advance for a non-brokered private placement which was completed subsequent to year end. (Note 17).

During the year ended September 30, 2011, the Company entered into the following capital stock transactions:

- The Company issued 10,877,728 shares to shareholders of Callinan by way of the plan of arrangement. (Note 10)

- The Company issued 6,000,000 flow-through common shares at a price of $1.10 per share for gross proceeds of $6,600,000. On the date of issue of these shares, the Company's common shares were trading at $0.90 per share. As a result, a flow-through premium of $1,200,000 was recorded as an other liability on the statement of financial position. This was reduced for funds spent during the year ended September 30, 2011. In connection with the share issuance, the Company paid the agent a cash commission of $528,000, and issued 480,000 agent warrants valued at $167,058 using the Black-Scholes pricing model. The agent options are exercisable into one non flow-through common share of the Company at a price of $1.10 per share until February 26, 2013.

- The Company issued 2,222 common shares upon the exercise of stock options with a fair value of $2,889.

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

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.

During the year ended September 30, 2012, the Company granted 250,000 stock options to employees and directors of the Company. These common stock options are exercisable at $0.50 per share on or before May 15, 2017. Shared-based compensation expense of $74,563 (2011 - $959,070) has been recorded during the year ended September 30, 2012 under the Black-scholes pricing model in relation to the options vested. The weighted average fair value of the options granted is $0.30 (2011 - $0.61) per option.

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

	Number of Shares	Weighted Average Exercise Price
Options outstanding, September 30, 2010	-	$ -
Issued in connection with the plan of arrangement (Note 10)	581,428	0.48
Granted	1,115,000	0.90
Exercised	(2,222)	0.46
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	1,546,659	$ 0.77

Exercise price	Options outstanding and exercisable at September 30, 2012	Average Remaining Contractual Life (Years)	Expiry Date
0.47	116,663	0.29	January 13, 2013 (subsequently expired)
0.34	44,441	0.66	May 29, 2013
0.30	55,555	1.02	October 9, 2013
0.90	1,080,000	3.96	September 14, 2016
0.50	250,000	4.62	May 15, 2017
	1,546,659		

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

Stock options (cont'd….)

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2012 and 2011:

	September 30, 2012	September 30, 2011
Risk-free interest rate	1.46%	2.65%
Expected life of options	5 years	4.86 years
Annualized volatility	93.2%	92.81%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

Warrants

The following is a summary of warrants outstanding:

	Number of warrants	Weighted Average Exercise Price
Warrants outstanding, September 30, 2010	-	$ -
Issued	480,000	1.10
Warrants outstanding, September 30, 2011	480,000	1.10
Issued	752,678	1.00
Warrants outstanding, September 30, 2012	1,232,678	$ 1.04

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

September 30, 2012			
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date
$ 1.10	480,000[(1)]	0.4	February 26, 2013
1.00	744,550	1.2	December 30, 2013
1.00	8,128[(1)]	1.2	December 30, 2013
$ 1.04	1,232,678		

(1) Agent warrants

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

Warrants (cont'd….)

The following weighted average assumptions were used for the Black-Scholes method of valuation of agents warrants granted during the years ended September 30, 2012 and the year ended September 30, 2011:

	September 30, 2012	September 30, 2011
Risk-free interest rate	0.95%	2.75%
Expected life of options	2 years	1.5 years
Annualized volatility	93.2%	93.2%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

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, 2010	**$ 20,840,528**	**$ -**	**$ 20,840,528**
Funding by Callinan	(18,180,005)	-	(18,180,005)
Fair value of agent warrants issued	-	167,058	167,058
Fair value of stock options exercised	-	(2,889)	(2,889)
Share-based compensation	-	959,070	959,070
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	**$ 2,660,523**	**$ 1,081,541**	**$ 3,742,064**

(Expressed in Canadian dollars)

10. PLAN OF ARRANGEMENT

On July 13, 2011, the shareholders of Callinan approved a plan of arrangement to reorganize Callinan's exploration and evaluation assets in an effort to maximize shareholder value. Under the terms of the plan of arrangement, Callinan spun out the following properties to a new company incorporated under the name Callinex Mines Inc. ("Callinex"): Coles Creek; Gossan Gold; Sneath Lake; CAL; Herblet Lake; Dion Lake; Moak and Norris Lake; Elliot Lake; Tramping Lake; Cook Lake; Lobar Lake; Pulver Lake; Berry Creek; Fox River; Troitsa; Hamell Lake; Rug; Stag; Pine Bay; Island Lake; Keputch; Assean Lake; and Pine Lake. The right to earn any royalties in the above properties remained with Callinan, and was not transferred to Callinex. Callinan also transferred equipment valued at $99,837 and $8,000,000 in cash to Callinex. Shareholders of Callinan received one new Callinan common share for each Callinan share held, and one Callinex common share for every 4.5 Callinan common shares held. Concurrently, Callinan transferred certain cash and securities to the Company to provide working capital and exploration funding along with certain property, plant, and equipment.

The reorganization was designed to allow Callinan's shareholders to realize the value of the Callinan Royalty property through continued ownership of Callinan's common shares, while retaining the upside potential associated with Callinan's other exploration and evaluation assets through the ownership of the Company's shares.

The Company's statements of operations and comprehensive loss for the year ended September 30, 2011 is the result of a "carve-out" of an allocation of general and administrative expenses for those periods to the Company. The allocation of the Company's general and administrative expenses was calculated on the basis of each company's share of the expenditures on a line-by-line basis.

The aggregate value of the assets and liabilities transferred from Callinan to the Company are as follows:

Asset (liability)	
Cash and cash equivalents	$ 8,000,000
Restricted investment	1,745,000
Equipment	99,837
Exploration and evaluation assets	24,012,132
	$ 33,856,969

11. 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.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (cont'd…)

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

	Year ended September 30, 2012	2011
Salaries	$ 382,820	$ 93,335
Consulting fees	120,000	-
Share-based compensation	59,650	959,070
	$ 562,470	$ 1,052,405

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 year a total of $57,254 was incurred for this service (2011 – 22,596). At September 30, 2012 $32,380 (2011 - $198,984) was owed to Callinan. Also, included in accounts payable as at September 30, 2012 is $20,533 owed to a director of the Company.

12. 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.

13. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOW

The significant non cash transactions for the year ended September 30, 2012 were:

(a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $457,195.

(b) Reallocation of fair value of options exercised from equity reserve to capital stock of $119,111.

(c) 8,128 agent warrants were issued with a value of $2,850 included as share issue costs.

(d) The issuance of 355,000 common shares of Callinan Royalties shares held in trust, with a fair value of $1,302,200 for the option payments to Troitsa, Rug and Pine Bay for the acquisition of exploration and evaluation assets.

(e) 25,000 shares with a value of $7,500 were issued for the Flin Flon Claims. (Note 5)

The significant non cash transactions for the year ended September 30, 2011 were:

(a) The issuance of 75,000 common shares of Callinan Royalties shares held in trust, with a value of $198,750 for the option payment to Pine Bay for the acquisition of exploration and evaluation assets.

(b) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $1,507,090.

(c) Reallocation of fair value of options exercised from equity reserve to capital stock of $2,889.

(d) 480,000 agent options were issued with a value of $167,058 included as share issuance costs.

(Expressed in Canadian dollars)

14. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2012	2011
Income (loss) for the year before income taxes	$ (4,874,895)	$ (2,997,722)
Expected income tax expense (recovery)	$ (1,237,000)	$ (809,385)
Change in statutory, foreign tax, foreign exchange rates and other	(11,000)	11,359
Permanent differences	16,000	656,043
Impact of flow through shares	221,000	980,960
Share issue costs	(2,000)	(142,725)
Purchase from Callinan	-	1,102,000
Change in unrecognized deductible temporary differences and other	(183,000)	(508,831)
Total deferred income taxes	$ (1,196,000)	$ 1,289,421

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2012	Expiry dates	2011	Expiry dates
Deferred income tax assets (liabilities)				
Exploration and evaluation assets	$ (6,707,000)	Not applicable	$ (6,990,000)	Not applicable
Share issue costs	86,000	2033 – 2036	112,000	2032 - 2035
Non-capital loses	603,000	2031 - 2032	124,000	2031
Property and equipment	9,000	Not applicable	2,000	Not applicable
Canadian eligible capital	17,000	Not applicable	17,000	Not applicable
Marketable securities	11,000	Not applicable	-	Not applicable
Net deferred income tax liability	$ (5,981,000)		$ (6,735,000)	

As discussed in note 9, during the year ended September 30, 2012, the Company issued 1,489,100 common shares on a flow-through basis for gross proceeds of $1,414,645, and during the year ended September 30, 2011, the Company issued 6,000,000 common shares on a flow-through basis for gross proceeds of $6,600,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's exploration and evaluation assets.

Tax attributes are subject to tax review, and potential adjustment by tax authorities.

15. 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,

15. FINANCIAL INSTRUMENTS (cont'd…)

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.

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, 2012, the Company had a cash and cash equivalents balance of $5,063,905 to settle current liabilities of $698,930. Management believes the Company has sufficient funds to meets 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 September 30, 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.

15. FINANCIAL INSTRUMENTS (cont'd…)

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.

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, 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 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 year ended September 30, 2012.

17. SUBSEQUENT EVENT

Subsequent to year end, the Company closed a non-brokered private placement of 1,725,000 common shares at a price of $0.40 per share, for gross proceeds of $690,000. These proceeds were received by the Company during the year ended September 30, 2012, and were recorded as subscriptions received in advance.

On December 3, 2012, it was announced that three directors had resigned from the Company; two effective immediately and the other to be effective on January 3, 2013.

MANAGEMENT DISCUSSION & ANALYSIS

Supplementary Information and MD&A
For the year ended September 30, 2012

Filed: January 28, 2013

A copy of this report will be provided to any shareholder who requests it.

FORWARD LOOKING STATEMENTS

Certain of the statements made herein may constitute “forward-looking statements” or contain “forward-looking information” within the meaning of applicable Canadian securities laws. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the potential for additional mineralization at the Company’s properties, the timelines to complete the Company’s exploration programs, timing for permit applications, timing for new resource estimates, timing to complete technical reports, forecasts for exploration expenditures, estimates of future administrative costs and statements about the Company’s future development of its properties. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mine exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the potential for unexpected costs and expenses and commodity price; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the MD&A.

Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements or information, except as may be required by applicable law.

1. DESCRIPTION OF BUSINESS AND REPORT DATE

Callinex Mines Inc. (the "Company" or "Callinex") is principally engaged in the acquisition, exploration and development of exploration & evaluation assets in the provinces of Manitoba, Saskatchewan and British Columbia and has not yet determined whether its exploration & evaluation assets contain ore reserves that are economically recoverable. The Company defers all acquisition, exploration and development costs related to mineral properties. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the property, and any future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover and develop economically viable mineral deposits. Exploration is a lengthy process that can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, and from the exercise of securities. Although the Company has had past success in obtaining financing, there can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favorable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record and the experience and caliber of its management.

Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity. The Company intends to continue to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived there from are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements and MD&A, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The following management discussion is for the year ended September 30, 2012 and includes relevant information up to January 22, 2013 (the "Report Date"). It should be read in conjunction with the financial statements and related notes which have been prepared in accordance with international financial reporting standards ("IFRS").

2. CORPORATE STRATEGY

On October 25, 2010 Callinan Royalties Corp. (formerly Callinan Mines Limited) ("Callinan") announced its intention to become a royalty company by reorganizing its exploration assets into a separate corporation (the "Spin-Out Proposal"), with a view to enhancing shareholders' value.

In anticipation of this Spin-Out Proposal, Callinex was incorporated on April 21, 2011. On June 7, 2011 at a Special Meeting of shareholders the Spin-Out Proposal was approved and on July 13, 2011 the arrangement was finalized.

On implementation of the arrangement, Callinan transferred $8 million in cash and all of its mineral exploration assets, except for the interest in the 777 Mine in Flin Flon, Manitoba and the War Baby property to Callinex. Callinan also issued 500,000 shares of its capital stock to satisfy any outstanding share obligations on the exploration properties transferred. Callinan retained the rights to re-purchase any net smelter return royalties due to optionees of certain exploration properties that were transferred to Callinex.

Under the terms of the Spin-Out Proposal, existing Callinan shareholders received the same percentage interest in Callinex Mines Inc., as they held in Callinan, which resulted in shareholders at date of record receiving 10,879,950 shares of Callinex.

On July 13, 2011 Callinex (CNX.V) began trading on the TSX Venture Exchange.

On August 25, 2011 the Company closed a brokered private placement for 6,000,000 flow-through common shares at $1.10 per share which raised $6,600,000. The Company paid cash commission of $528,000 and issued agent compensation options exercisable for an aggregate of 480,000 non- flow-through common shares exercisable at a price of $1.10 per share until February 26, 2013.

Proceeds of the private placement are being used for the Company's planned programs in British Colombia and Manitoba.

On December 30, 2011 the Company closed a non-brokered private placement for 1,489,100 flow-through common shares at $0.95 per share which raised $1,414,645. The Company paid cash commissions of $7,720 and issued agent compensation non-flow through warrants for an aggregate of 8,128 common shares exercisable at a price of $1.00 per share until December 30, 2013. Proceeds of this private placement will be used for exploration activities in the province of British Columbia.

3. EXPLORATION HIGHLIGHTS

During the period, the Company completed exploration programs on three of its properties; Coles Creek, Troitsa, and Flin Flon which are located in British Columbia and Manitoba. The programs consisted of diamond drilling, prospecting, and airborne geophysical surveys.

Coles Creek – Troitsa

The Company conducted a prospecting, drilling, and airborne geophysical program at their wholly owned Coles Creek-Troitsa property in northern British Columbia during July – August, 2012. The program was designed to follow up on success from the 2011 exploration program, in which drilling (TR11-07) intersected copper mineralization grading 0.326% copper over 82.06 meters, with traces of molybdenum (see company news release November 16, 2011). The 2012 program was designed to follow-up on these results, testing 3D-IP anomalies associated with the mineralization intersected by TR11-07. In total, three drill holes were completed on the Troitsa property, for a total of 1,006 metres.

Drill hole TR12-09 was collared 82 metres behind drill hole TR11-07, and encountered copper mineralization through its entire 264 metres of core length which assayed 0.156%Cu, which included a 78.07metre intersection (75.58m-153.65m) which assayed 0.301% Cu, and 0.003% Mo. A second hole (TR12-10) was collared 240 metres to the northeast of TR11-07 and, drilled to a depth of 313 metres. The hole encountered near-surface mineralization and geology similar to that of drill hole TR11-07 and TR12-09. TR12-10 intersected 252.79m of 0.2%Cu which included a 78.11metre section which assayed 0.369% Cu, and 0.003% Mo. The third hole (TR12-10) was designed to test a separate 3D-IP anomaly which was thought to be a possible parallel mineralized system to the southwest of TR11-07, which encountered favorable geology, with shorter sections of copper mineralization (ie. 2.0 metres assaying 0.271% Copper) .

At the adjacent Coles Creek property, additional drilling was also conducted with a total of 629 metres drilled to test two separate geophysical and geochemical anomalies. Though favorable geology and alteration were intersected in drill holes, no significant mineralization was sampled from the two holes.

The prospecting portion of the exploration program discovered a new molybdenite showing 420 metres south of the known mineralized zone (TR11-07), thus indicating even greater potential for extension. Clusters of rosette molybdenite crystals (5cm in diameter) within a pegmatitic vein are observed. A one-metre chip sample of the showing returned assays of 21.22% molybdenum and 0.008% copper.

A total of 1,011 line kilometres of Z-Axis Tipper Electromagnetic (ZTEM), and Magnetics geophysics were completed on the Coles Creek Troitsa property during July 2012. Geophysical and magnetic targets isolated by the ZTEM survey are to be evaluated.

The Flin Flon Claims

Callinex has recently completed a 692 line kilometer airborne survey, which consisted of helicopter borne EM using the versatile time-domain electromagnetic (VTEMplus) system with Z and X component measurements and horizontal magnetic gradiometer using two cesium magnetometers on its Flin Flon claims in Northern Manitoba. The 3,798 hectare claim block is located in the prolific Flin Flon Greenstone Belt, near the producing 777 mine, and the formerly producing Westarm and Schist Lake mines. Geophysical and magnetic targets isolated by the VTEM survey are to be evaluated, along with a compilation of historical work and results, in an effort to define VMS-style targets.

Sneath Lake

Callinex's Sneath Lake property is a copper-zinc-gold prospect in Manitoba's Snow Lake mining camp. A recent ground-based geophysical survey (Deep Pulse E-M), conducted by Callinex in 2012(Q2), has defined several (four) deep targets that will be drill tested in the near future. The Deep Pulse E-M survey is the same technique used to discover the 14 million tonne Hudbay Minerals Lalor Lake VMS deposit, located five kilometres Northwest of Callinex's Sneath Lake Property.

Moak Lake

The Company has proposed a four hole drill program for the Moak Lake Nickel property, located in Northern Manitoba's Thompson Nickel Belt. The Moak Lake property is approximately 30 kilometers north of the main Thompson deposit, and just three kilometers from the Moak Lake nickel deposit, which contains a historical resource of 45 million tonnes of nickel-sulphide style ore grading 0.7% nickel, according to the Geological Survey of Canada.

Moak Lake claims were previous explored in the 1960s by Inco, which intersected Ultramafic Peridotites that commonly host the Nickel deposits in the region. Callinex plans to drill test four VTEM/Magnetometer anomalies on the claims which were defined during a 2007 survey and are considered untested.

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4. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS

For periods prior to July 13, 2011, the financial statements of Callinex, including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan as is described in Note 10 of the financial statements. The financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

During the year ended September 30, 2012, the Company received $114,442 in revenue made up of $98,442 in interest revenue and $16,000 in dividend income. Interest revenue for the quarter ended September 30, 2012 was $21,631, while dividend income was $3,900. Actual general and administrative expenses were $448,658 for the quarter and $2,007,214 for the year, while cash and cash equivalents on hand at the end of the year was $5,063,905, a decrease of $4,716,865 from September 30, 2011. All excess cash is invested in short-term securities to generate interest revenue.

Net loss per the financial statement for the three month period is $2,779,966 and $3,678,895 for the year ended September 30, 2012 after recording deferred tax recovery of $639,999 and $1,196,000 for the three and twelve months periods, respectively. Basic and diluted loss per share for the year was $(0.20) and $(0.15) for the quarter ended September 30, 2012.

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

The following financing transaction took place during the period ended September 30, 2012.

1,489,100 flow-through common shares priced at $0.95 were issued for net proceeds of $1,414,645.

168,302 incentive share options were exercised for net proceeds of $73,863.

The following financing transaction took place during the year ended September 30, 2011.

6,000,000 flow-through common shares priced at $1.10 were issued for net proceeds of $6,072,000 before taxes.

2,222 incentive share options were exercised for net proceeds of $1,022.

The following table sets forth selected financial data from the Company’s annual audited financial statements. These financial statements were prepared in accordance with international financial reporting standards and are in Canadian dollars. The table should be read in conjunction with such statements.

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Income Statement Data		September 30, 2012 ($)	September 30, 2011 ($)
Revenue (interest and dividend)		114,442	15,564
Income/(loss) before discontinued Operations taxes and extraordinary Items		(4,874,895)	(2,997,722)
Deferred income taxes (expense)/recovery		1,196,000	(1,289,421)
Net loss for the period		(3,678,895)	(4,287,143)
Income (loss) per common share Outstanding			
Basic		(0.20)	(0.32)
Fully diluted		(0.20)	(0.32)
Balance Sheet Data			
Total assets		37,367,633	40,713,429
Total long-term financial liabilities		6,301,093	7,274,421
Dividend		-	-

The following table details how the financial statement numbers were arrived at for the year ended September 30, 2011.

	July 13, 2011 to September 30, 2011	"Carve out" from Callinan October 1, 2010 to July 12, 2011	Total Callinex October 1, 2010 to September 30,2011
EXPENSES			
Audit and accounting	56,421	34,877	91,298
Bank charges and interest	1,322	5,106	6,428
Consulting fees	63,725	141,836	205,561
Donations	-	2,000	2,000
Equipment amortization	29,183	49,256	78,439
Insurance expense	7,708	11,544	19,252
Legal fees	90,217	92,379	182,596
Listing and sustaining fees	43,714	76,538	120,252
Property expenses	19,987	100,967	120,954
Property investigation costs	4,200	161,144	165,344
Office and administration	26,041	73,005	99,046
Office rent	5,431	33,120	38,551
Salaries	159,775	468,000	627,775
Shareholder relations and news releases	4,839	236,508	241,347
Stock-based compensation	591,247	367,823	959,070
Telephone	4,061	23,751	27,812
Transfer agent	5,789	3,272	9,061
Travel	4,637	13,863	18,500
	1,118,297	1,894,989	3,013,286
OTHER INCOME			
Interest income	4,064	3,000	7,064
Dividend income	8,500	-	8,500
	12,564	3,000	15,564
Loss before tax	(1,105,733)	(1,892,989)	(2,997,722)

The following table sets forth selected quarterly financial information at the end of the periods shown below. The financial information is derived from the Company's initial history and carve-out from the financial statements of Callinan Mines prior to the Spin Out.

	For the Three Months Ending							
	Fiscal 2012				Fiscal 2011			
	Sep 30($)	Jun 30($)	Mar 31($)	Dec 31($)	Sept 30($)	Jun 30 ($)	Mar 31 ($)	Dec 31 ($)
Income Statement Data								
Total revenues	25,531	29,733	32,350	36,543	12,564	6,000	3,000	3,000
Income (loss) before income taxes	(3,414,909)	(578,982)	(495,977)	(385,027)	(1,142,833)	(391,135)	(509,762)	(751,851)
Deferred Income tax (expense)/recovery	639,999	415,193	157,222	(16,414)	(491,571)	(315,000)	(399,000)	(179,000)
Net loss	(2,774,910)	(163,789)	(338,755)	(401,441)	(1,634,404)	(706,135)	(908,762)	(930,851)
Income (loss) per common share outstanding - basic and diluted								
Income (loss) before income taxes	(0.12)	(0.031)	(0.027)	(0.02)	(0.32)	N/A	N/A	N/A
Net income (loss) per share	(0.15)	(0.008)	(0.018)	(0.024)	(0.32)	N/A	N/A	N/A

Revenues for the period ending December 31, 2011, to September 30, 2012 includes dividend revenue of $8,500, $7,300, $4,800 and $3,900 respectively, while revenues for the remaining periods resulted from interests only.

a) Trend Information

Other than the financial obligations as set out in item 8 below, there are no identifiable trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The Company will require sufficient capital in the future to meet its acquisition payments and other obligations under exploration & evaluation assets option agreements for those properties it considers worthy to incur continued holding and exploration costs upon. The need to make such payments is a trend as it is unlikely that all such obligations will be eliminated from the Company's future business activities. The Company intends to utilize its cash on hand in order to meet its obligations under mineral property option agreements and exploration activities. At this time the Company has no plan or intention to issue any debt in order to raise capital for future requirements.

It is the opinion of the Company that its liquidity will be most affected by the results of its own acquisition, exploration, and development activities. The acquisition or discovery of an economic mineral deposit on one of its exploration & evaluation assets may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect.

b) Risk Factors

The Company, and thus the securities of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this Report prior to making an investment in the Company. In addition to the other information presented in this Report, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

General

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production.

The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. The Company is confident that it will be able to meet its earn-in obligations on those properties which management considers to be of merit. At the time of writing the Company expects to incur further property exploration and acquisition expenses.

The Company's business is subject to exploration and development risks

All of the Company's properties are in the exploration stage and no known reserves have been discovered on such properties. There is no certainty that the expenditures to be made by the Company or its joint venture partners in the exploration of its properties described herein will result in discoveries of metals in commercial quantities or that any of the Company's properties will be developed. Most exploration projects do not result in the discovery of economic deposits of metals and no assurance can be given that any particular level of recovery of metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable (or viable) resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Political and economic instability may affect the Company's business

The Company's activities in Canada are subject to risks common to operations in the mining industry in general.

The Company's properties are subject to title risks

The Company has investigated title to all of its exploration & evaluation assets and, to the best of its knowledge, title to all of its properties, and properties that it has the right to acquire or earn an interest in are in good standing. However, the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company's title to such properties or delay or increase the cost of the development of such properties.

The Company's properties may also be subject to Aboriginal or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. The Company is not aware of any Aboriginal land claims having been asserted or any legal actions relating to Aboriginal issues having been instituted with respect to any of the exploration & evaluation assets in which the Company has an interest, with the possible exceptions of Coles Creek and Island Lake. The Company is in continuous communication with the interested parties in regards to these two properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

Environmental Risk

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development and a higher level of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental legislation in Canada will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown at present and which have been caused by previous or existing owners or operators. Furthermore, future compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities. In particular, the Company's operations and exploration activities are subject to Canadian federal and provincial laws and regulations governing protection of the environment. Such laws are continually changing and, in general, are becoming more restrictive.

The mineral exploration industry is extremely competitive

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Company's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

Metal prices affect the success of the Company's business

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Factors beyond the control of the Company may affect the marketability of any minerals discovered. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted. As the Company is in the exploration stage, the above factors have had no material impact on present operations or income.

c) Exploration Programs and Expenditures

During the year ended September 30, 2012 the Company incurred exploration & evaluation assets expenditures of $5,752,199 net of recoveries of $158,873 from the Mineral Exploration Assistance Program. Acquisition costs were $1,492,150 by way of cash and share payments while exploration expenditures for the year were $4,418,922, spent mainly on the Company's Coles Creek and Troitsa project in British Columbian and Gossan and Pine Bay properties in Manitoba. Additionally, the Company decided it was no longer interested in some of its properties in Manitoba and wrote-off properties valued at $2,982,123.

(i) Coles Creek

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, who was president of Callinan at the time, under which Callinan was granted the option to acquire a 100% interest in two claims in the Omenica Mining Division of British Columbia. The claims are located approximately 80 km South West of Houston, British Columbia. Under the terms of the agreement, Mr. Muzylowski, who had owned the claims since September of 1994, prior to his appointment as President of Callinan, was paid $50,000 which has been accepted by the TSX Venture Exchange as reimbursement for expenses incurred. If the option was exercised on or before September 1, 2008, $200,000 would be due to Mr. Muzylowski. The option was exercised and Mr. Muzylowski agreed to defer this payment date to September 1, 2009 in consideration for a payment of $5,000. In September 2009 Mr. Muzylowski again agreed to defer this payment in lieu of a payment of $5,000. During August 2010 payment of the full amount was made to Mr. Muzylowski. To maintain the option in good standing, Callinan had to expend $500,000 on exploration of the claims prior to September 1, 2008. Callinan met its obligation by expending $18,214,630 on the claims of which $1,551,162 was recovered from the British Columbia Mining Exploration Tax Credit program. If the claims are placed into production, Mr. Muzylowski will be entitled to a 5% royalty on net smelter returns, of which one half or 2.5% can be purchased for $1,500,000. During the year Callinex expended $1,663,022 on this project.

All terms of the agreement except the entitlement to purchase the royalty on net smelter return were transferred to Callinex.

(ii) Troitsa Claim

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 and issuance of 40,000 common shares within 5 days of acceptance by the TSX Venture Exchange, (received, paid/issued); a further $50,000 and 60,000 shares within 12 months (issued and paid); a further $60,000 and 80,000 shares within 24 months; a further $80,000 and 100,000 shares within 36 months and a further $90,000 and 120,000 shares within 48 months from the effective date of the agreement.

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 $80,000 within 12 months, $160,000 within 24 months, and $240,000 within 36 months and $320,000 within 48 months from the effective date of the agreement. The property is subject to a 3% Net Smelter Return Royalty, one half of which may be purchased for $2,000,000 subject to further TSX Venture Exchange review and acceptance. During the year Callinex expended $635,250.

All terms of the agreement except for the right to purchase the NSR have been assumed by Callinex.

(iii) Rug Claims

On May 12, 2010 Callinan entered into an agreement to acquire a 100% interest in the Rug Claims for payments of $25,000 and 25,000 shares within 5 days of acceptance by the TSX Venture Exchange, (received, paid/issued); a further $30,000 and 30,000 shares within 12 months; a further $45,000 and 45,000 shares (paid/issued) within 24 months and $100,000 and 100,000 shares within 36 months of the effective date of the agreement. The Company must incur cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months from the effective date of the agreement. Expenditures for these claims are grouped with the Gossan claims. All obligations have been completed.

All terms of the agreement were transferred to and assumed by Callinex.

(iv) Gossan

On April 10, 2010 Callinan entered into an agreement to acquire a 100% interest in the Gossan Gold Property. To acquire the property Callinan had to make payments of $20,000 and issue 150,000 shares within 5 days of acceptance by the TSX Venture

Exchange (paid/issued). During the year Callinex incurred expenditures of $1,990,981 on this property and received a recovery of $123,648 from MEAP.
All terms of the agreement were transferred to Callinex.

(v) Pine Bay

On July 8, 2009 Callinan entered into an agreement to acquire a 100% interest in the Pine Bay Claims and a 90% interest in the Sour Claims. To acquire the claims Callinan had to make payments of $20,000 (paid) on execution of the agreement, $180,000 and 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid/issued) a further $100,000 and 50,000 shares within 12 months, (paid/issued), a further $50,000 and 75,000 shares within 24 months (paid/issued), a further $25,000 and 125,000 (paid/issued) within 30 months and 125,000 shares within 36 months of the effective date of the agreement. During the year Callinex expended $69,757 and $989,067 as option payment on this project.

All terms of the agreement were transferred to Callinex.

(vi) Herblet Lake

On March 15, 2007 Callinan entered into an option agreement for the Herblet Lake property in Manitoba. The agreement called for an initial payment of $10,000 and 25,000 common shares on receipt of regulatory approval (received and paid/issued), a further $10,000 and 25,000 common shares within 12 months (paid and issued), another $10,000 and 25,000 common shares within 24 months, (paid and issued) and a further $20,000 and 25,000 common shares within 36 months from the effective date of the agreement (paid and issued). In order to maintain the working option in good standing Callinan had to incur cumulative expenditure of $50,000 within 12 months, $100,000 within 24 months and $250,000 within 36 months from the effective date of the agreement. Callinan had the right to earn 100% interest in the property, which it has, subject to a 2.5% NSR, 50% of the NSR can be purchased for $1,250,000. During the year Callinex expended $2,335 on this project.

All terms of the agreement except the entitlement to purchase 50% of the NSR were transferred to Callinex.

(vii) Moak and Norris Lake

On May 14, 2007 Callinan entered into an option agreement for the Moak Claims and Norris Lake property in Manitoba. This agreement called for $10,000 and 50,000 common shares upon regulatory approval, (received and paid/issued) a further $20,000 and 50,000 common shares within 12 months (paid/issued), a further $30,000 and 50,000 common shares within 24 months (paid/issued) and $40,000 and 50,000 common shares (paid/issued) within 36 months of approval.

To maintain the option in good standing and earn 100% interest in the property Callinan had to incur cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months. During March 2012 the date to accumulate the required expenditures of $250,000 and $450,000 was extended to 72 and 84 months respectively, from the effective date. The optionor is entitled to royalty of 2% NSR. 1% of the NSR may be purchased for $1,000,000 at any time. During the year Callinex expended $57,986 on this project.

All terms of the agreement except the entitlement to purchase 50% of the NSR were transferred to Callinex.

(viii) Sneath Lake

The Company holds claims in the Flin Flon area of Manitoba. During the year the Company expended $225,768 on this property.

(ix) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, Callinan had to pay $20,000 and issue 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid and issued), a further $50,000 and 75,000 shares within 12 months, (paid/issued), a further $150,000 and 100,000 shares within 24 months and a further $180,000 and 175,000 shares within 36 months, of the effective date of the agreement. Callinan also had to incur cumulative expenditure of $100,000 within 12 months, $1,000,000 within 24 months and $1,900,000 within 36 months. The dates to make the payment and to incur the expenditures on the claim have been deferred, as Callinan has not yet received permit to drill the property. The property is subject to a 2% Net Smelter Return Royalty, one half of which may be purchased for $1,000,000 subject to further TSX Venture Exchange review and acceptance.

All terms of the agreement except for the right to purchase the NSR have been assumed by Callinex.

(x) Tramping Lake

Between March 28 and April 10, 2008 Callinan staked the Tramping Lake Property in the Snow Lake area of Manitoba. A total of 1,036 hectares were staked.

(xi) Pulver Lake

During the fiscal 2011 Callinan staked additional claims in the Snow Lake area of Manitoba. To date $17,650 has been expended on this property.

(xii) Fox River

On March 15, 2003 Callinan acquired an option to purchase the Fox River Property. The option stated that the Callinan can earn a 50% interest by expending $500,000 by March 15, 2005; a further 10% by expending $1,000,000 to March 15, 2007; and a further 10% by producing a feasibility study by March 15, 2008. The seller retains a 2 1/2% net smelter return royalty (NSR). 1% of the NSR may be purchased for $1,000,000.

On March 15, 2006, an amendment was made to the agreement whereby, the deadline for Callinan expending $1,000,000 to acquire the 60% interest was extended to March 15, 2008, and the deadline for the feasibility study and Callinan acquiring a further 10% extended to March 15, 2010.

On March 19, 2004 Callinan assigned half of its interest in the Fox River property to Bell Resources (“Bell”) in exchange for Bell making cash payments to the Company of $25,000 and by expending $250,000 on the property by March 15, 2005. Bell had the option to acquire a further 5% by expending $500,000 on the property by March 15, 2007. Bell could earn a further 5% property interest from the Company by paying 50% of the cost of a feasibility study prior to March 15, 2008. Bell met the expenditure requirements to date on the project, thus earning an additional 5%. The above amendment on March 15, 2006 also extended to this joint venture with Bell.

On February 21, 2005 the agreement with Bell was amended to allow Bell to pay Callinan1,250,000 common shares of Bell at a deemed price of $0.20 per share in lieu of expending $250,000 before March 15, 2005. By doing so Bell earned 25% of the Company’s interest in the property. The TSX Venture Exchange approved the transaction on April 22, 2005.

On April 14, 2008 the agreement with Bell was again amended to allow Bell to withdraw from the joint venture with Callinan. As Bell will no longer be participating in the project, its 30% interest in the property will be diluted based on the dilution provisions in the original agreement of March 19, 2004 as Callinex continues to explore this property. Callinex has agreed to keep Bell apprise of results of exploration and the funds expended on the property.

Bell can re-affirm its participation at the start of each exploration season and can do so at the percentage it then has, taking into account the dilution which has taken place. If Bell’s interest in the property drops below 5% it will be deemed to have no interest in the property. If a discovery is made, provided that Bell still has an interest in the property it may sell its interest after giving Callinan a right of first refusal or start funding its percentage share of the joint venture with the provision that if it falls below 5% the provision above will apply.

On October 9, 2009 Callinan again amended its agreement for the Fox River property. The new agreement now states that Callinan can earn a further 10% interest, for a total of 70% interest in the Mineral Claims by paying an additional $200,000 by October 30, 2009, which Callinan did. All other terms remains the same, except the deadline for the feasibility study has been removed. After all requirements have been satisfied, the Company will have an 80% interest in the property subject to the interest of Bell, if any.

Callinan expended $6,217,637 on this project, thereby, meeting all obligations for the property to date. Of the amount expended $2,042,741 was recovered through the MEAP program and the joint venture with Bell.

Expenditures of $4,158,575 were transferred to Callinex which has assumed all terms of the agreements, except for the entitlement to purchase the royalty on net smelter returns. During the year Callinex expended $1,493 on this project.

(xiii) Elliot Lake

The Company holds claims in Elliot Lake area of Ontario. To date the Company has expended $27,629 on this property.

(xiv) Cameco

During fiscal 2012 the Company acquired additional claims in the Saskatchewan area.

(xv) Flin Flon Claims

During fiscal 2012 the Company entered into an option agreement to acquire 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 issued. The property is subject to a 2% Net Smelter Return Royalty of which Callinex may purchase half for $1,000,000.

(xvi) Berry Creek

On March 15, 2008 Callinan optioned the Berry Creek Claims which affords it the right to acquire 100% interest in the mineral claims, subject only to the royalty interest of 2% NSR. In order to acquire 100% interest Callinan had to pay $20,000 and issue 25,000 common shares on receipt of regulatory approval (received, paid/issued), a further $10,000 and 25,000 common shares within 12 months of the effective date (paid/issued), a further $10,000 and 100,000 common shares within 24 months (paid/issued) and $20,000 and 250,000 shares within 36 months (deferred). During fiscal 2011the agreement was amended whereby, the payment to be made in March 2011 was deferred to May 2012 while management decides if the Company will continue with this project. Management issued 20,000 shares and paid $20,000 in lieu of its obligations on this property this fiscal year.

All terms of the agreement except the entitlement to purchase a portion of the NSR were transferred to and assumed by Callinex.

During the year management decided that it had no further interest in this property and it was returned to the optionor. As a result, the capitalized costs of $2,005,759 were written off to operations.

(xvii) Hamell Lake

In July 2008 Callinan optioned the Hamell Lake claims in Saskatchewan. The agreement called for an initial payment of $20,000 and issuance of 15,000 shares of common shares (paid/issued), a further payment of $20,000 and common shares within 6 months of the effective date (paid/issued), a further $20,000 and 20,000 common shares within 12 months of the effective date (paid/issued), a further $40,000 and 25,000 common shares within 24 months (paid/issued) and $50,000 and 75,000 common shares within 36 months of the effective date. Upon completion of the payments and issuance of the common shares, Callinan earned a 100% interest in, and to the mineral claims. The property is subject to a 2% Net Smelter Return Royalty, one half of which may be purchased for $1,000,000 subject to further TSX Venture Exchange review and acceptance.

All terms of the agreement except for the right to purchase the NSR have been assumed by Callinex.

During the year management decided that it had no further interest in this property and it was returned to the optionor. As a result, the capitalized costs of $449,720 were written off to operations.

(xviii) Dion Lake

On June 26, 2007 Callinan entered into an option agreement for the Dion Lake property near Snow Lake, Manitoba. The agreement called for an initial payment of $10,000 and 25,000 common shares on receipt of regulatory approval (received and paid/issued). Callinan had the right to earn 100% interest in the property, subject to a 2% NSR, by paying an additional $15,000 and issuing an 25,000 common shares within 12 months of the effective date (paid/issued), a further $25,000 and 25,000 common shares within 24 months (paid/issued) and $50,000 and 25,000 common shares within 36 (issued/paid) months of the effective date. One half of the NSR royalty can be purchased for $1,000,000.

All terms of the agreement except the entitlement to purchase the royalty on net smelter returns were transferred to Callinex.

During the year management decided that it had no further interest in this property and it was returned to the optionor. As a result, the capitalized costs of $483,648 were written off to operations.

(xix) Stag Claim

On May 29, 2010 Callinan staked claims at Stag Lake in Manitoba. These claims were transferred to Callinex.

During the year management decided that it had no further interest in this property and it was returned to the optionor. As a result, the capitalized costs of $32,966 were written off to operations.

d) Administration Expenses

General and administration expenses for the year is $2,007,214 and for the quarter ending September 30, 2012 expenses are $448,658. For the fiscal year, salaries were $738,734 while expenses for audit and accounting, legal and consulting were $458,863. Additionally, the Company incurred $172,369 for property investigation, $129,150 on general expenses for all its properties, $149,968 for shareholders relations expenses and $74,563 for share-based compensation related to stock options issued during the period. The remaining amount of $283,567 was incurred for office and administration expenses during the normal course of business. Salaries at $169,446 for the fourth quarter were in line with salaries of the third quarter of the fiscal year at $174,137, while expenses for audit and accounting, legal and consulting were higher at $164,456 compared to $112,848 for the third quarter.

The 2011 comparatives were a result of the carved out amounts from Callinan due to the spin-out.

5. CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are set out in Note 3 of its Annual Financial Statements.

There are two policies that, due to the nature of the mining business, are significant to the financial results of the Company. These policies relate to the capitalization of mineral exploration expenditures and the use of estimates:

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its exploration & evaluation assets. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations over the life of the property using a unit-of-production method. The Company regularly reviews deferred exploration costs to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the calculation of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

New accounting pronouncements

As at September 30, 2012, 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.

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 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

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities

6. LIQUIDITY AND CAPITAL RESOURCES

During the year ended September 30, 2012 the following shares were issued for property and cash proceeds:

(a) On December 30, 2011 the Company issued 1,489,100 common shares at $0.95 per share pursuant to a non-brokered private placement for cash proceeds of $1,414,645.

(b) On July 31, 2012 the Company issued 25,000 common shares valued at $7,500 as option payment for the Flin Flon claims.

(c) 168,302 common share options were exercised for net proceeds of $73,863. These options had a fair value of $119,111.

During the year ended September 30, 2011 the following shares were issued for property and cash proceeds:

(a) On July 13, 2011 the Company issued 10,877,728 shares pursuant to the plan of arrangement of Callinan Mines Limited, whereby, Callinan transferred certain exploration& evaluation assets, fixed assets and $8,000,000 in cash to the Company.

(b) On September 26, 2011 the Company issued 6,000,000 common shares at deemed costs of $1.10 per share pursuant to a brokered private placement for cash proceeds of $6,600,000.

(c) 2,222 common share options were exercised for net proceeds of $1,022. These options had a fair value of $2,889.

7. SECURITIES AS AT THE END OF THE REPORTING PERIOD

At September 30, 2012, there were 18,562,352 common shares of the Company issued and outstanding. Pursuant to a private placement which closed on October 31, 2012, there were 20,287,352 common shares outstanding at the report date. Other outstanding securities outstanding are:

(a) Incentive Stock Options

During the year ended September 30, 2012, the Company granted 250,000 stock options to directors and employees. The weighted average fair value of the options granted is $0.50 per option.

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

	Number of Shares		Weighted Average Exercise Price
Options outstanding at September 30, 2010	-	$	-
Granted - spin out	581,428		0.48
Granted	1,115,000		0.90
Exercised	(2,222)		0.46
Options outstanding at September 30, 2011	1,694,206		0.76
Exercised	(168,302)		0.44
Granted	250,000		0.50
Expired	(229,245)		0.64
Options outstanding at Septenber 30, 2012	1,546,659	$	0.77

(b) Warrants

During the year the Company issued 752,628 warrants relating to the non-brokered private placement in December 2011. No warrants were exercised during the fiscal year.

The following is a summary of warrants outstanding:

	Number of warrants	Weighted Average Exercise Price
Warrants outstanding, September 30, 2010	-	$ -
Issued	480,000	1.10
Warrants outstanding, September 30, 2011	480,000	1.10
Issued	752,628	1.00
Warrants outstanding, September 30, 2012	1,232,628	$ 1.04

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

September 30, 2012			
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date
$ 1.10	480,000[1]	0.4	February 26, 2013
1.00	744,500	1.2	December 30, 2013
1.00	8,128[1]	1.2	December 30, 2013
$ 1.04	1,232,628		

(1) Agent warrants

8. DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The Company occupies leased office space at Suite 1110 – 555 West Hastings Street in Vancouver, B.C. The office lease will expire January 31, 2015. For the period ended September 30, 2012 rental expenses, including taxes and operating expenses were $36,831.

9. CORPORATE GOVERNANCE

The Company has evaluated its internal controls over financial reporting and believes that as of the report date, its systems of internal controls over financial reporting are sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Certain weaknesses in its systems are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in smaller companies. As a consequence of this situation:

a) It is not feasible to achieve the complete segregation of duties; and
b) The Company does not have full competency "in House" in complex areas of financial accounting, such as taxation.

The Company believes these weaknesses are mitigated by:

a) the nature and present levels of activities and transactions within the Company being readily transparent;
b) the thorough review of the Company's financial statements by senior management and the audit committee of the board of directors;
c) by the assistance and advice rendered by the Company's auditors; and,
d) by the active participation of senior management in monitoring financial reporting.

Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

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:

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

	Year ended September 30, 2012	2011
Salaries	$ 382,820	$ 93,335
Consulting fees	138,333	-
Share-based compensation	59,650	959,070
	$ 580,803	$ 1,052,405

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 year a total of $57,254 was incurred for this service (2011 – 22,596). At September 30, 2012, $32,380 (2011 - $198,984) was owed to Callinan. Additionally, $20,533 was owed to a director for consulting services. This amount is included in accounts payable.

11. 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 receivables and accounts payable and accrued liabilities. The Company has reviewed the estimated fair market value of these instruments and concluded that the fair value of these financial instruments approximate their carrying value due to their short term nature.

The Company's other financial instruments, cash and cash equivalents and restricted investment, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities and are measured at fair value.

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 receivables consist mainly of HST receivable due from the Government of Canada. 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 13 to the accompanying financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year. As at September 30, 2012, the Company had cash and cash equivalents balance of $5,063,095 to settle current liabilities of $661,452. Management believes the Company has sufficient funds to meets its current 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 September 30, 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.

12. SUBSEQUENT EVENT

Subsequent to year end, the Company closed a non-brokered private placement of 1,725,000 common shares at a price of $0.40 per share, for gross proceeds of $690,000. These proceeds were received by the Company during the year ended September 30, 2012, and were recorded as subscriptions received in advance.

14. LIST OF DIRECTORS AND OFFICERS

John J O'Donnell	Director	President & COO
Anna Stylianides	Director	CEO (Until January 3, 2013)
Mike Muzylowski	Director	Chairman
Frank Dembinsky	Director	-- (Resigned December 3, 2012)
Mervyn Shnider	Director	--
Gordon Slade	Director	--
Brian Irwin	Director	-- (Resigned December 3, 2012)
Carlo G. Civelli	--	Vice President Finance/Europe
Tamara Edwards	--	Chief Financial Officer
Cheri Pedersen	--	Corporate Secretary