

CALLINEX MINES INC.

**Condensed Interim Financial Statements
Three months ended December 31, 2015 and 2014**

(Unaudited - Expressed in Canadian dollars)

Notice of no Auditor Review of Interim Financial Statements

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

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

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

CALLINEX MINES INC.

Condensed Interim Statements of Financial Position

As at:

(Unaudited - Expressed in Canadian dollars)

	Note	December 31 2015	September 30 2015
		\$	\$
Assets			
Current			
Cash and cash equivalents		2,835,399	3,663,503
Receivables		178,926	188,692
Prepaid expenses		78,704	103,392
		3,093,029	3,955,587
Non-current			
Deposits		28,202	27,992
Equipment	5	30,935	33,269
Exploration and evaluation assets	6	9,957,228	9,805,169
		13,109,394	13,822,017
Liabilities			
Current			
Accounts payable and accrued liabilities		106,880	520,039
Shareholders' Equity			
Capital stock	7	47,115,364	47,115,364
Equity reserve		4,697,459	4,586,672
Deficit		(38,810,309)	(38,400,058)
		13,002,514	13,301,978
		13,109,394	13,822,017

Nature and continuance of operations – Note 1

Commitments – Note 9

APPROVED BY THE BOARD OF DIRECTORS

Michael Louie

Director

Peter Schriber

Director

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

CALLINEX MINES INC.

Condensed Interim Statements of Comprehensive Loss

Three months ended December 31

(Unaudited - Expressed in Canadian dollars)

	Note	2015	2014
		\$	\$
Audit and accounting	10	10,591	9,860
Consulting fees	10	21,032	26,915
Depreciation	7	2,334	5,740
Insurance expense		6,582	6,772
Legal fees		3,204	4,722
Listing and sustaining fees		7,489	1,826
Property expenses		2,699	4,129
Office administration and corporate development	10	57,060	21,230
Salaries		92,715	54,184
Shareholder engagement		80,677	31,782
Share-based compensation	9	110,787	114,090
Transfer agent		2,188	1,453
Travel		12,936	15,982
		(410,294)	(298,685)
Finance income		43	2,899
Loss and comprehensive loss for the period		(410,251)	(295,786)
Loss per share			
- Basic and diluted		(0.01)	(0.01)
Weighted average number of shares outstanding			
- Basic and diluted		47,654,472	32,056,101

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CALLINEX MINES INC.

Condensed Interim Statements of Cash Flows

Three months ended December 31

(Unaudited - Expressed in Canadian dollars)

	2015	2014
	\$	\$
Cash flows (used in) provided by		
Operating activities		
Net loss	(410,251)	(295,786)
Items not affecting cash		
Depreciation	2,334	5,740
Share-based payments	110,787	114,090
Net change in non-cash working capital items		
Receivables	9,766	(8,561)
Prepaid expenses	24,688	(22,270)
Deposits	(210)	-
Accounts payable and accrued liabilities	23,554	(39,735)
	(239,332)	(246,523)
Investing activities		
Exploration and evaluation assets expenditures	(588,772)	(41,112)
Decrease in cash and cash equivalents	(828,104)	(287,635)
Cash and cash equivalents, beginning of period	3,663,503	961,483
Cash and cash equivalents, end of period	2,835,399	673,848
Cash and cash equivalents consist of:		
Cash	2,835,399	68,848
Cash equivalents	-	605,000

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CALLINEX MINES INC.

Condensed Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian dollars)

	Common shares number	Capital Stock \$	Subscription received in advance \$	Equity reserve \$	Deficit \$	Total \$
Balance, September 30, 2014	32,056,101	42,792,853	-	4,380,891	(34,010,095)	13,163,649
Share-based payments	-	-	-	114,090	-	114,090
Net loss	-	-	-	-	(295,786)	(295,786)
Balance, December 31, 2014	32,056,101	42,792,853	-	4,494,981	(34,305,882)	12,981,952
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	11,354,583	3,406,375	-	-	-	3,406,375
- Exercise of warrants	3,490,000	698,000	-	-	-	698,000
Exploration and evaluation assets	753,788	237,714	-	-	-	237,714
Share issuance costs	-	(32,272)	-	-	-	(32,272)
Deferred tax	-	12,694	-	-	-	12,694
Share-based payments	-	-	-	91,691	-	91,691
Net loss	-	-	-	-	(4,094,176)	(4,094,176)
Balance, September 30, 2015	47,654,472	47,115,364	-	4,586,672	(38,400,058)	13,301,978
Share-based payments	-	-	-	110,787	-	110,787
Net loss	-	-	-	-	(410,251)	(410,251)
Balance, December 31, 2015	47,654,472	47,115,364	-	4,697,459	(38,810,309)	13,002,514

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

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

1. Nature and continuance of operations

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

The Company's head office and registered and records office address is 1555 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N6.

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company's ability to continue future operations beyond December 31, 2015 and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

2. Basis of presentation

These condensed interim financial statements for the three months ended December 31, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's September 30, 2015 annual financial statements which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These condensed interim financial statements have been prepared under the historical cost convention.

These financial statements were approved by the board of directors for use on February 26, 2016.

3. New and Future Accounting standards and pronouncements

a) New standards and amendments effective for the first time from October 1, 2015

The following revised standards and amendments became effective for the Company on October 1, 2015. The new and amended standards did not have a significant impact on the condensed interim financial statements. The following is a brief summary of the principal new standards adopted by the Company:

IFRS 7 – Financial Instruments disclosures

The Standard was amended to require additional disclosures on transition from IAS 39 and IFRS 9.

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

b) Accounting standards issued but not yet effective

At the date of approval of the condensed interim financial statements the following standards, which are applicable to the Company, were issued but not yet effective. The Company has not completed its assessment of the impact that the new and amended standard will have on its financial statements. The following is a brief summary of the principal new or amended standards:

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments – to replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

4. Critical accounting estimates and judgments

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's September 30, 2015 annual financial statements.

5. Receivables

	December 31 2015	September 30 2015
MEAP receivable	160,000	160,000
GST receivable	15,904	25,692
Due from related parties (Note 10)	3,000	3,000
	178,904	188,692

The Company has received eligibility for a cash rebate on exploration expenditures up to \$160,000 up to March 31, 2016 through Government of Manitoba's Mineral Economic Assistance Program (MEAP). As at December 31, 2015 the Company has incurred all eligible expenditures to receive the rebate.

6. Equipment

	Equipment	Office Furniture	Computer Equipment	Total
	\$	\$	\$	\$
Cost				
Balance, September 30, 2015	90,880	8,868	43,310	143,058
Additions	-	-	-	-
Balance, December 31, 2015	90,880	8,868	43,310	143,058
Accumulated depreciation				
Balance, September 30, 2015	80,055	2,406	27,328	109,789
Depreciation	812	323	1,199	2,334
Balance, December 31, 2015	80,867	2,729	28,527	112,123
Net book value				
September 30, 2015	10,825	6,462	15,982	33,269
December 31, 2015	10,013	6,139	14,783	30,935

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

7. Exploration and evaluation assets

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.

	Flin Flon	Pine Bay	Gossan/ Rug	Other	Total
	\$	\$		\$	\$
September 30, 2015	387,982	3,215,619	4,835,385	1,366,183	9,805,169
Acquisition	-	-	-	-	-
Consulting	-	-	-	-	-
Drilling	-	45,703	-	-	45,703
Geophysical	-	67,925	-	-	67,925
Other	-	33,158	-	-	33,158
Permitting	676	1,503	1,313	1,781	5,273
Recovery	-	-	-	-	-
	676	148,289	1,313	1,781	152,059
December 31, 2015	388,658	3,363,908	4,836,698	1,367,964	9,957,228
	Flin Flon	Pine Bay	Gossan/ Rug	Other	Total
	\$	\$		\$	\$
September 30, 2014	166,699	2,622,564	4,835,385	4,990,332	12,614,980
Acquisition	210,357	10,115	-	-	220,472
Consulting	9,884	44,319	-	5,479	59,682
Drilling	-	642,783	-	-	642,783
Geophysical	13,015	254,373	-	-	267,388
Other	8,478	34,562	-	-	43,040
Permitting	30,399	17,636	-	-	48,035
Recovery	(50,850)	(410,733)	-	(93,253)	(554,836)
	221,283	593,055	-	(87,774)	726,564
Impairment	-	-	-	(3,536,375)	(3,536,375)
September 30, 2015	387,982	3,215,619	4,835,385	1,366,183	9,805,169

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

a) Pine Bay

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

b) Flin Flon

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

c) Gossan/Rug Claims

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

d) Other

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

8. Share capital

a) Authorized:

Unlimited common shares with no par value

b) Stock options

The balance of options outstanding and related information for the three months ended December 31, 2015 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2015	3,150,000	\$0.34	3.60
Granted	1,600,000	\$0.33	
Balance December 31, 2015	4,795,000	\$0.33	3.86
Unvested	(1,365,000)	\$0.33	4.93
Exercisable, December 31, 2015	3,385,000	\$0.34	3.48

The weighted average fair value of the options granted during the three months December 31, 2015 was \$0.25 (2014 - \$0.22).

For the three months ended December 31, 2015, the Company recorded share-based payments expense of \$110,787 (2013 - \$114,090). The fair value of these options was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2015	2014
Risk free interest rate	1.00%	1.00%
Expected life	5 years	5 years
Expected volatility	102%	134%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

CALLINEX MINES INC.

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For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

The balance of options outstanding as at December 31, 2015 was as follows:

Expiry date	Average Exercise price	Remaining life (years)	Options Outstanding	Unvested	Vested
September 14, 2016	\$0.90	0.71	150,000	-	150,000
August 6, 2018	\$0.30	2.60	550,000	-	550,000
October 28, 2018	\$0.37	2.83	150,000	-	150,000
May 7, 2019	\$0.47	3.35	300,000	-	300,000
September 5, 2019	\$0.29	3.68	1,250,000	-	1,250,000
September 12, 2019	\$0.29	3.70	275,000	-	275,000
October 15, 2019	\$0.29	3.79	75,000	-	75,000
January 20, 2020	\$0.29	4.06	250,000	250,000	225,000
May 14, 2020	\$0.29	4.37	150,000	60,000	90,000
December 18, 2020	\$0.33	4.97	1,600,000	1,280,000	320,000
			4,750,000	1,365,000	3,385,000

Subsequent to December 31, 2015 a total of 200,000 options with an exercise price of \$0.29 expired.

c) Share purchase warrants

The balance of warrants outstanding and related information for the three months ended December 31, 2015 is as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average Remaining life (years)
Balance, September 30, 2015	3,865,609	\$0.22	0.59
Expired	(1,052,691)	\$0.40	
Balance, December 31, 2015	2,812,918	\$0.45	1.58

As at December 31 2015 there were a total of 2,812,918 warrants outstanding with an exercise price of \$0.45 and expiry date of July 31, 2017.

f) Flow-through shares

The Company is committed to incur on or before December 31, 2016 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of \$1,718,625 with respect to the flow-through share financings completed during the fiscal year ended September 30, 2015. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at December 31, 2015 the Company has incurred \$601,758 of the required qualifying Canadian exploration expenses.

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

9. Related party transactions

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the three months ended December 31, 2015 and 2014 was as follows:

	2015	2014
	\$	\$
Accounting	4,371	6,952
Consulting	19,500	16,500
Salaries	45,500	30,000
Share-based compensation	57,936	69,901
	127,307	123,353

During the three months ended December 31, 2015 and 2014, the Company incurred the following additional related party expenditures:

	2015	2014
	\$	\$
Office and administration	-	(9,000)
	-	(9,000)

As at December 31, 2015 a total of \$ 3,000 (September 30, 2015 - \$3,000) from related parties is included in accounts receivables and \$6,500 (September 30, 2015 - \$9,572) was owed to related parties and is included in accounts payable and accrued liabilities.

10. Commitments

The Company is committed to payments, for the next twelve months, of \$137,000 under various consulting agreements. The Company entered into a lease agreement for its office premises. The lease will expire on October 31, 2018. The annual lease commitment is as follows:

Fiscal year ended September 30, 2016	\$45,750
Fiscal year ended September 30, 2017	\$61,000
Fiscal year ended September 30, 2018	\$61,000