CALLINEX MINES INC.

Financial Statements
Years ended September 30, 2016 and 2015

(Expressed in Canadian dollars)

December 19, 2016

Independent Auditor's Report

To the Shareholders of Callinex Mines Inc.

We have audited the accompanying financial statements of Callinex Mines Inc. which comprise the statement of financial position as at September 30, 2016 and the statements of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. as at September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The financial statements as at September 30, 2015 and for the year then ended, were audited by other auditors who expressed an opinion without reservation in their report dated January 27, 2016.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

CALLINEX MINES INC.

Statements of Financial Position
As at:
(Expressed in Canadian dollars)

	Note	September 30 2016	September 30 2015
		$	**$**
Assets			
Current			
Cash and cash equivalents		**4,259,785**	3,663,503
Receivables	**6**	**37,217**	188,692
Prepaid expenses		**119,030**	103,392
		4,416,032	3,955,587
Non-current			
Deposits		**27,992**	27,992
Equipment		**28,559**	33,269
Exploration and evaluation assets	**7**	**12,438,978**	9,805,169
		16,911,561	13,822,017
Liabilities			
Current			
Accounts payable and accrued liabilities	**8**	**245,225**	520,039
Shareholders' Equity			
Capital stock	**9**	**51,453,256**	47,115,364
Equity reserve	**9**	**5,596,776**	4,586,672
Deficit		**(40,383,696)**	(38,400,058)
		16,666,336	13,301,978
		16,911,561	13,822,017

Commitments – Note 16
Subsequent events – Note 17

APPROVED BY THE BOARD OF DIRECTORS

Michael Louie ("signed") Director *Nico Civelli ("signed")* Director

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Loss and Comprehensive Loss
Years ended September 30
(Expressed in Canadian dollars)

	Note	2016	2015
		$	**$**
Depreciation		**9,710**	23,149
Listing and filing fees		**56,615**	35,881
Management and consulting fees	**10**	**404,774**	335,350
Office and administration		**244,916**	276,879
Professional fees	**10**	**114,352**	94,130
Property investigation expenses		**47,831**	11,506
Share-based compensation	**9,10**	**461,539**	205,781
Corporate development		**792,296**	260,257
		(2,132,033)	(1,242,933)
Finance income		**6,195**	3,134
Gain on settlement of accounts payable	**8**	**142,200**	-
Write off of equipment		**-**	(32,095)
Impairment of exploration and evaluation assets	**7**	**-**	(3,536,375)
		(1,983,638)	(4,808,269)
Deferred income tax recovery	**11**	**-**	418,306
Loss and comprehensive loss		**(1,983,638)**	(4,389,963)
Loss per share			
- Basic and diluted		**(0.04)**	(0.12)
Weighted average number of shares outstanding			
- Basic and diluted		**53,217,850**	35,519,325

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Cash Flows
Years ended September 30
(Expressed in Canadian dollars)

	2016	2015
	$	**$**
Cash flows (used in) provided by		
Operating activities		
Net loss	**(1,983,638)**	(4,389,963)
Items not affecting cash		
Depreciation	**9,710**	23,149
Share-based payments	**461,539**	205,781
Gain on settlement of accounts payable	**(142,200)**	-
Deferred income tax recovery	**-**	(418,306)
Write off of equipment	**-**	32,095
Impairment of exploration and evaluation assets	**-**	3,536,375
Net change in non-cash working capital items		
Receivables	**(8,525)**	(10,405)
Prepaid expenses	**(15,638)**	(88,801)
Accounts payable and accrued liabilities	**153,340**	(37,581)
	(1,525,412)	(1,147,656)
Investing activities		
Exploration and evaluation assets expenditures	**(2,242,198)**	(212,137)
Receipt of mineral exploration assistance	**160,000**	-
Purchase of equipment	**(5,000)**	(5,000)
Deposits	**-**	(5,290)
	(2,087,198)	(222,427)
Financing activities		
Proceeds on shares issued	**4,308,000**	4,104,375
Share issuance costs	**(99,108)**	(32,272)
	4,208,892	4,072,103
Increase (decrease) in cash and cash equivalents	**596,282**	2,702,020
Cash and cash equivalents, beginning of year	**3,663,503**	961,483
Cash and cash equivalents, end of year	**4,259,785**	3,663,503
Cash and cash equivalents consist of:		
Cash	**1,476,785**	3,663,503
Cash equivalents	**2,783,000**	-

Supplemental Cash Flow Information – Note 14

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Changes in Equity

(Expressed in Canadian dollars)

	Common shares	Capital Stock	Equity reserve	Deficit	Total
	number	**$**	**$**	**$**	**$**
Balance, September 30, 2014	**32,056,101**	**42,792,853**	**4,380,891**	**(34,010,095)**	**13,163,649**
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	-	-	205,781	-	205,781
Net loss	-	-	-	(4,389,963)	(4,389,963)
Balance, September 30, 2015	**47,654,472**	**47,115,364**	**4,586,672**	**(38,400,058)**	**13,301,978**
Shares issued in consideration for:					
Cash, pursuant to:					
- Private placement	14,000,000	4,200,000	-	-	4,200,000
- Exercise of warrants	240,000	108,000	-	-	108,000
Exploration and evaluation assets	300,000	129,000	-	-	129,000
Share issuance costs	-	(99,108)	-	-	(99,108)
Exploration and evaluation asset acquisition	-	-	400,000	-	400,000
Share-based payments	-	-	610,104	-	610,104
Net loss	-	-	-	(1,983,638)	(1,983,638)
Balance, September 30, 2016	**62,194,472**	**51,453,256**	**5,596,776**	**(40,383,696)**	**16,666,336**

1. Nature 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. Subsequent to the plan of arrangement, the Company is directly engaged in the exploration of mineral properties in Canada.

The Company's head office and registered and records office address is 1500 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

2. Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").The financial statements have been prepared under the historical cost convention except certain financial instruments carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements were approved by the Board of Directors for use on December 19, 2016.

3. Summary of significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and highly liquid short term interest bearing investments with an original maturity of three months or less.

b) Equipment

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

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:

Equipment	30%
Office Furniture	20%
Computer Equipment	30%

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

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

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 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.

c) Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of 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 comprehensive loss.

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.

d) Future reclamation costs

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

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

For the years presented, the Company has not recognized any future reclamation costs.

e) Foreign exchange

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

f) 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 the value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

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

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

h) 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.

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.

i) 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.

j) 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 in income tax recovery at the same time the qualifying expenditures are made.

k) 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.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net income or loss. 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 / or liabilities classified as either "held-to-maturity", "loans and receivables", or "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

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).

l) 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.

4. Future Accounting standards and pronouncements

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

IFRS 9 - Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 - Leases
This standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

5. Critical accounting estimates and judgments

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

Impairment
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 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 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.

Management reviewed exploration and evaluation assets for the year ended September 30, 2016 and noted there were no impairment indicators.

Management reviewed exploration and evaluation assets for the year ended September 30, 2015 and noted the Moak Lake, Norris Lake, Herblet Lake and Sneath Lake properties had impairment indicators. Management made an assessment of the net recoverable amount of the properties and wrote the carrying value down to that amount. (Refer to Note 7).

(Expressed in Canadian dollars)

b) Significant Estimates

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

6. Receivables

	September 30 2016	September 30 2015
	$	$
Mineral exploration assistance program receivable	-	160,000
GST receivable	28,166	25,692
Interest receivable	6,051	-
Other	3,000	3,000
	37,217	188,692

7. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	$	$	$	$	$	$
September 30, 2014	**7,624,648**	**-**	**-**	**-**	**4,990,332**	**12,614,980**
Acquisition	220,472	-	-	-	-	220,472
Consulting	54,203	-	-	-	5,479	59,682
Drilling	642,783	-	-	-	-	642,783
Geophysical	267,388	-	-	-	-	267,388
Other	43,040	-	-	-	-	43,040
Permitting	48,035	-	-	-	-	48,035
Recovery	(461,583)	-	-	-	(93,253)	(554,836)
	814,338	-	-	-	(87,774)	726,564
Impairment	-	-	-	-	(3,536,375)	(3,536,375
September 30, 2015	**8,438,986**	**-**	**-**	**-**	**1,366,183**	**9,805,169**
Acquisition	-	525,000	114,800	114,800	-	754,600
Assaying	25,237	-	-	-	-	25,237
Camp costs	60,643	-	-	-	-	60,643
Consulting	36,682	4,898	5,617	4,898	-	52,095
Drilling	1,145,213	-	-	-	-	1,145,213
Geologists	99,200	2,700	-	-	-	101,900
Geochemical	24,687	-	-	-	-	24,687
Geophysical	255,862	6,692	1,243	18,117	-	281,914
Other	22,068	4,865	-	-	-	26,933
Permitting	13,672	6,673	1,980	1,916	1,781	26,022
Recovery	-	-	-	(14,000)	-	(14,000)
Share-based payments	64,997	27,856	27,856	27,856	-	148,565
	1,748,261	578,684	151,496	153,587	1,781	2,633,809
September 30, 2016	**10,187,247**	**578,684**	**151,496**	**153,587**	**1,367,964**	**12,438,978**

Flin Flon Area

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

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

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

Superjack and Nash Creek properties

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

Consideration for the properties is to be as follows:

(i) $150,000 in cash or shares on or before the first anniversary
(ii) $25,000 cash and $125,000 in cash or common shares on or before the second anniversary
(iii) $25,000 in cash on or before the third anniversary
(iv) $125,000 due in cash or common shares within 10 days of the Company completing a preliminary economic assessment on the Nash Creek property

Consideration for the exploration data is to be as follows:

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

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

Pt. Leamington property

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

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

(i) 50% reimbursement of first annual permitting fees (paid $15,000)
(ii) $100,000 in cash or common shares on the first anniversary
(iii) $200,000 in cash or common shares on the second anniversary

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

(i) $100,000 cash (paid)
(ii) 100,000 in cash or common shares on the first anniversary

(Expressed in Canadian dollars)

In the event that common shares are issued to settle any of the above payments, the number of common shares to be issued is fixed, as per the contract, by dividing the amount of cash to be paid by $0.462. At September 30, 2016, the remaining $400,000 payable in cash or the fixed number of common shares at the Company's option has been recorded to the equity reserve.

Other

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

During the year ended September 30, 2015 an impairment write down of $3,536,375 was taken in relation to the Herblet Lake, Sneath Lake, Moak Lake and Norris Lake properties as the Company had no plans for the properties in the near future.

8. Accounts payable and accrued liabilities

	September 30 2016	**September 30 2015**
	$	**$**
Accounts payable	167,691	461,282
Accrued liabilities	68,534	49,185
Related party payables	9,000	9,572
	245,225	520,039

During the year ended September 30, 2016 the Company settled an account payable with a vendor resulting in a gain on settlement of $142,200.

9. Share capital

a) Authorized:
Unlimited common shares with no par value

b) Financings
On May 11, 2016 and May 13, 2016 the Company closed private placements consisting of 7,000,000 non-flow-through units at $0.30 per unit and 7,000,000 flow-through shares at $0.30 per flow-through share for gross proceeds of $4,200,000. The non-flow-through units consists of one common share and one half of one share purchase warrants. Each whole warrant entitles the holder to acquire one common share at a price of $0.45 for a period of two years. The Company incurred cash share issuance costs of $99,108 in respect of this placement

(Expressed in Canadian dollars)

On July 31, 2015 the Company closed a non-brokered private placement for gross proceeds of \$3,406,375. The private placement consisted of 5,728,751 flow-through shares at a price per share of \$0.30 for gross proceeds of \$1,718,625 and of 5,625,832 non-flow through units at a price per unit of \$0.30 for gross proceeds of \$1,687,750. Each non-flow through unit consisted of one non-flow through common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to acquire one non-flow through common share at a price of \$0.45 for a period of two years from the date of issue. The Company incurred share issuance costs of \$32,272 with respect to the private placement

During the year ended September 30, 2016 the Company received gross proceeds of \$108,000 (2015 - \$698,000) from the exercise of warrants.

c) Stock options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days, or 30 days for a person engaged in investor relations activities, or within reasonable discretion of the board. Options granted to employees, management and directors vest immediately, unless otherwise specified by the Board of Directors. Investor relation options vest over 12 months with no more than one quarter of the options vesting in any three month period.

The balance of options outstanding and related information for the years ended September 30, 2016 and 2015 are as follows:

	Number of options	**Weighted average exercise price (per share)**	**Weighted average remaining life (years)**
Balance September 30, 2014	3,195,000	\$0.36	4.35
Granted	475,000	\$0.29	
Expired	(520,000)	\$0.41	
Balance September 30, 2015	3,150,000	\$0.34	3.60
Granted	3,400,000	\$0.36	
Cancelled	(90,000)	\$0.29	
Expired	(350,000)	\$0.55	
Balance September 30, 2016	6,110,000	\$0.34	3.72
Unvested	(1,760,000)	\$0.37	4.74
Exercisable, September 30, 2016	**4,350,000**	**\$0.33**	**3.31**

(Expressed in Canadian dollars)

The weighted average fair value of the options granted during the year ended September 30, 2016 was $0.26 (2015 - $0.21). For the years ended September 30, 2016 and 2015, the Company recorded share-based payments expense of $610,104 (2015 - $205,781). The fair value of these options was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2016	**2015**
Risk free interest rate	1.00%	1.00%
Expected life	5 years	5 years
Expected volatility	99%	138%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The balance of options outstanding as at September 30, 2016 was as follows:

Expiry date	**Average Exercise price**	**Remaining life (years)**	**Options Outstanding**	**Unvested**	**Vested**
August 6, 2018	$0.30	1.85	550,000	-	550,000
October 28, 2018	$0.37	2.08	150,000	-	150,000
May 7, 2019	$0.42	2.60	300,000	-	300,000
September 5, 2019	$0.29	2.93	1,160,000	-	1,160,000
September 12, 2019	$0.29	2.95	275,000	-	275,000
October 15, 2019	$0.29	3.04	75,000	-	75,000
January 20, 2020	$0.29	3.31	50,000	-	50,000
May 14, 2020	$0.29	3.62	150,000	-	150,000
December 18, 2020	$0.33	4.22	1,600,000	320,000	1,280,000
August 8, 2021	$0.38	4.86	1,800,000	1,440,000	360,000
			6,110,000	1,760,000	4,350,000

d) Share purchase warrants

The balance of warrants outstanding and related information for the years ended September 30, 2016 and 2015 are as follows:

	Number of warrants	**Weighted average exercise price (per share)**	**Weighted average Remaining life (years)**
Balance September 30, 2014	9,992,691	$0.22	0.84
Issued	2,812,918	$0.45	
Exercised	(3,490,000)	$0.20	
Expired	(5,450,000)	$0.20	
Balance September 30, 2015	3,865,609	$0.44	1.36
Issued	3,500,000	$0.45	
Exercised	(240,000)	$0.45	
Expired	(1,052,691)	$0.40	
Balance September 30, 2016	**6,072,918**	**0.45**	**1.28**

(Expressed in Canadian dollars)

The balance of warrants outstanding as at September 30, 2016 was as follows:

Expiry date	Average Exercise price	Remaining life (years)	Warrants Outstanding
July 31, 2017	$0.45	0.83	2,572,918
May 12, 2018	$0.45	1.61	3,500,000
	$0.45	1.28	6,072,918

e) Equity reserve

	Funding by Callinan	Options and warrants	Other	Total
	$	$	$	$
Balance, September 30, 2014	2,660,523	1,720,368	-	4,380,891
Share-based compensation	-	205,781	-	205,781
Balance, September 30, 2015	2,660,523	1,926,149	-	4,586,672
Exploration and evaluation asset acquisition	-	-	400,000	400,000
Share-based compensation	-	610,104	-	610,104
Balance, September 30, 2016	2,660,523	2,536,253	400,000	5,596,776

f) Flow-through shares

The Company committed to incur qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of $2,100,000 and $1,718,625 with respect to the flow-through share financings completed during the fiscal years ended September 30, 2016 and 2015 respectively. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at September 30, 2016 the Company has completed the full $1,718,625 required qualifying Canadian exploration expenses related to the financings completed during the fiscal year ended September 30, 2015 and has $1,450,248 remaining to be incurred prior to December 31, 2017 in relation to the financings completed during the year ended September 30, 2016.

10. Related party transactions

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the years ended September 30, 2016 and 2015 was as follows:

	2016	2015
	$	$
Professional fees	23,651	24,712
Management and consulting	260,643	264,618
Share-based compensation	341,053	131,728
	625,347	421,058

(Expressed in Canadian dollars)

During the years ended September 30, 2016 and 2015, the Company entered into the following additional related party transaction:

	2016	**2015**
	$	**$**
Office and administration	-	(24,000)

11. Income taxes

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

	2016	**2015**
Statutory tax rate	**26%**	**26%**
	$	**$**
Loss for the year before taxes	(1,983,638)	(4,808,269)
Expected income tax recovery at statutory rate	(515,746)	(1,250,150)
Add (deduct)reconciling items:		
(Recognition) / non-recognition of tax losses	(126,963)	675,460
Permanent differences	140,779	42,530
Impact of flow through expenditures	501,930	113,854
Income tax recovery as booked	-	(418,306)

The income tax recovery above represents deferred tax only.

The significant components of the Company's net deferred tax assets and liabilities as at September 30 are as follows:

	2016	**2015**
	$	**$**
Deferred tax assets:		
Equipment	42,000	40,000
Share issue costs	36,000	28,000
Capital loss carry forward and other	75,000	76,000
Non-capital losses carried forward	1,947,000	1,552,000
Deferred tax assets	2,100,000	1,696,000
Deferred tax liabilities:		
Exploration and evaluation assets	(1,504,000)	(973,000)
Unrecognized net deferred tax balance	596,000	723,000

The potential benefit of deferred tax assets arising from carry forward non-capital losses, capital losses and deductible temporary differences that are in excess of the deferred tax liabilities has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

(Expressed in Canadian dollars)

As at September 30, 2016, the Company has estimated $7,490,000 of non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates range from 2031 – 2036.

	$
2031	496,000
2032	1,658,000
2033	1,383,000
2034	1,289,000
2035	1,154,000
2036	1,510,000
	7,490,000

12. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents, receivables and deposits as loans and receivables. The accounts payable and accrued liabilities are designated as other financial liabilities.

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's receivables consists mainly of input tax credits 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 12 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, 2016, the Company had a cash balance of $4,259,785 to settle current liabilities of $245,225 which is sufficient to cover funding requirements for administrative operations as currently planned for at least the next twelve months.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

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 is less than 90 days.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. The Company has no investments in asset backed commercial paper or similar investments.

(Expressed in Canadian dollars)

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

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

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

Management reviews its capital management policies on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended September 30, 2016.

14. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flow. As at, and during the years ended September 30, 2016 and 2015 the following transactions were excluded from the statements of cash flows:

	2016	**2015**
	$	**$**
Non-cash investing and financing transactions		
Shares issued for exploration and evaluation assets	129,000	237,714
Exploration and evaluation asset acquisition	400,000	-
Share issuance costs included in accounts payable and accrued liabilities	15,555	15,555
Share-based payments included in exploration and evaluation assets	148,565	-
Exploration and evaluation recovery included in accounts receivable	-	160,000
Exploration and evaluation assets included in accounts payable and accrued liabilities	155,900	441,854

During the year ended September 30, 2016 the Company received $165 (2015 - $3,134) in interest revenue and paid $nil (2015 - $nil) for interest and taxes.

(Expressed in Canadian dollars)

15. Segmented Information

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

16. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 7), qualifying Canadian exploration expenses (Note 9f) as at September 30, 2016, the Company has 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, 2017	$63,600
Fiscal year ended September 30, 2018	$63,600
Fiscal year ended September 30, 2019	$5,300

17. Subsequent events

The Company closed a private placement consisting of 8,050,000 non-flow through units at $0.50 per unit and 1,820,000 flow through shares at $0.55 per share for aggregate gross proceeds of $5,026,000. Each non-flow through unit consists of one non-flow through common share and one-half of one share purchase warrant. Each Warrant entitles the holder to acquire one non-flow through common share at a price of $0.75 for a period of three years.

Pursuant to the terms of the warrants issued under the Company's private placement financings completed on July 30, 2015 and May 11, 2016, if the average volume weighted average trading price of the Company's shares on the TSX Venture Exchange is above $0.60 per share for a period of any fifteen trading days, the Company is entitled to accelerate the expiry date of the warrants. Subsequent to September 30, 2016 the Company elected to provide such notice and a total of 2,042,168 warrants have been exercised for gross proceeds of $918,975