CALLINEX MINES INC.

Management's Discussion and Analysis for the year ended September 30, 2016

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2016 ("MD&A") has been prepared as of December 19, 2016. It should be read in conjunction with the audited financial statements of Callinex Mines Inc. for the year ended September 30, 2016.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in the Company's presentational currency of Canadian dollars unless otherwise indicated.

CORPORATE SUMMARY

Callinex Mines Inc. (the "Company" or "Callinex") is principally engaged in the acquisition, exploration and development of mineral properties within established Canadian mining jurisdictions with its head office located in Vancouver, British Columbia, Canada. The Company is a reporting issuer in British Columbia and Alberta and trades its common shares on the TSX Venture Exchange under the symbol CNX.

Business Strategy

The Company's focus is on carrying out exploration activities on its 100% owned projects located in the Flin Flon Mining District, Manitoba (MB), for the purpose of identifying high grade zinc and copper rich volcanogenic massive sulphide ("VMS") deposits. The larger project portfolio hosts three significant zinc rich mineral resources including the Pt. Leamington, Nash Creek and Superjack Projects located in Eastern Canada.

Operational Highlights

- Closed a $4.2 million non-brokered private placement that was significantly upsized due to investor demand;

- Completed a 12-hole, 6,968m drill program that successfully tested several targets and identified new areas of interest for follow-up drilling;

- Notable drill results from the 2016 winter drilling program included the discovery of the Pine Bay East Zone with hole PBM-008 intersecting 3.3m of 3.2% Cu;

- Commenced a summer drilling program consisting of up to 3,000m at Pine Bay; and

- Acquired portfolio of zinc assets in Eastern Canada including the Pt.Leamington, Nash Creek and Superjack zinc-rich VMS deposits.

SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited financial information of the Company for the years ended September 30, 2016, 2015 and 2014.

	2016 ($)	**2015 ($)**	**2014 ($)**
Total Revenues	-	-	-
Net Loss	(1,983,638)	(4,389,963)	(17,194,821)
Net Loss Per Share (basic and diluted)[(1)]	(0.04)	(0.12)	(0.54)
Total Assets	16,911,561	13,822,017	13,715,556
Long Term Debt	-	-	-
Dividends Declared	-	-	-

(1) The basic and diluted loss per share amounts are the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The net loss was higher and the total assets were reduced in the years ended September 30, 2015 and September 30, 2014 due to exploration and evaluation assets write downs of $3,536,375 and $21,525,857, respectively. During the year ended September 30, 2014 the loss was offset with an income tax recovery of $5,850,000.

The net loss (normalized for the removal of asset write downs) was higher in the year ended September 30, 2016 due to the increased activity of the Company.

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2016.

Three months ended	**September 30 2016 ($)**	**June 30 2016 ($)**	**March 31 2016 ($)**	**December 31 2015 ($)**
Revenues	-	-	-	-
Net Loss	(593,356)	(554,469)	(425,562)	(410,251)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)

Three months ended	**September 30 2015 ($)**	**June 30 2015 ($)**	**March 31 2015 ($)**	**December 31 2014 ($)**
Revenues	-	-	-	-
Net Loss	(3,520,954)	(256,397)	(316,826)	(295,786)
Loss per share (basic and diluted)	(0.09)	(0.01)	(0.01)	(0.01)

(1) The basic and diluted loss per share amounts are the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The net loss for the quarter ended September 30, 2015 was higher due to $3,536,375 of exploration and evaluation assets written down offset by a $418,306 deferred tax recovery.

RESULTS OF OPERATIONS

During the year ended September 30, 2016, the Company reported a net loss of $1,983,638 and a loss per share of $0.04. (2015 - $4,389,963 and $0.12 loss per share)

	2016 ($)	**2015 ($)**
General and administrative expenses	(1,528,294)	(1,037,152)
Share-based payments	(461,539)	(205,781)
Finance income	6,195	3,134
Deferred income tax recovery	-	418,306
Write off of equipment	-	(32,095)
Write off of exploration and evaluation assets	-	(3,536,375
Net loss for the year	(1,983,638)	(4,389,963)

With respect to general and administrative expenses, the 2016 expenditures were generally higher than those of 2015 primarily because of the Company's increased activity levels. The most significant general and administrative expenses were with respect to the following:

<u>Management and consulting fees - $404,774 (2015 - $335,350)</u>
Fees include salaries paid to the Company's senior executives and consulting fees paid to the Chairman of the Board and the previous VP Finance. The increase represents an increase in the salaries paid to senior executives in the year.

<u>Corporate development - $792,296 (2015 - $260,257)</u>
These costs relate to strategic shareholder marketing campaigns. The increase is as a result of increased activity to support capital raising efforts during the year.

Share-based payments expense of $461,539 (2015 - $205,781) related to options granted to executives, directors and consultants. The expense in the current year was based on 3,400,000 (2015 – 465,000) newly granted options and vesting terms of options granted in previous years. In the current year, there was also $148,565 (2015 - $nil) of share-based payments that were capitalized to exploration and evaluation assets.

During the current year, the Company did not record any write down of exploration and evaluation assets or equipment. In the previous year the Company recorded impairments of $3,536,375 as the Company had no plans for further exploration of certain of its properties. The Company also wrote off $32,095 of equipment in the comparative year.

During the current year, the Company did not recognize a deferred income tax recovery. In the previous year the Company recognized a deferred income tax recovery $418,306 which arose as a result of the Company recording an impairment of exploration and evaluation assets during the comparative year.

FINANCING ACTIVITIES

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.

On November 22, 2016 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.

On May 11, 2016 and May 13, 2016 the Company closed a private placement 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 warrant. 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.

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 entitles 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.

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

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, the Company had cash on hand of $4,259,785 compared to $3,663,503 as at September 30, 2015. The net increase in cash for the year, is due primarily to the Company completing a private placement and receiving proceeds from the exercise of warrants, offset by cash used in operating activities ($1,525,412) and investing activities ($2,087,198).

As at September 30, 2016 the Company had working capital of $4,170,807(September 30, 2015 - $3,435,548) and no long term debt.

The Company's cash and working capital was further augmented by the subsequent completion of the private placement for gross proceeds of $5,026,000 and the exercise of stock options and warrants for gross proceeds of $.

EXPLORATION PROGRAMS AND EXPENDITURES

During the year ended September 30, 2016, the Company incurred deferred exploration expenditures of $1,720,644 (2015 - $1,060,928) and acquisition costs of $754,600 (2015 - $220,472).

On May 18, 2016 the Company completed a purchase agreement to acquire 100% of the Superjack and Nash Creek VMS deposits and exploration data for a total consideration of $625,000 payable in cash and / or common shares payable over the next 36 months. In the event that common shares are issued to settle any of the 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.To date the Company has paid $100,000 in cash and issued 300,000 common shares. 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.

On July 29, 2016 the Company completed a purchase agreement to acquire a 100% ownership of the Pt. Leamington VMS deposit and exploration data for total consideration of $515,000 payable in cash and / or common shares payable over the next 24 months. 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. To date the Company has paid $115,000 in cash.

	Flin Flon	Pt 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	137,496	167,587	1,781	2,633,809
September 30, 2016	**10,187,247**	**578,684**	**137,496**	**167,587**	**1,367,964**	**12,438,978**

The following are the exploration and evaluation assets held by the Company:

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. The project is located 16km east of Flin Flon, MB and covers approximately 6,000ha. The project includes a mineral lease that allows for the right to operate a mine and covers a 212m vertical shaft with 760m of underground development accessing high-grade copper mineralization. Additionally, the project hosts four past producing VMS mines and historic resources. The Company completed 8 drill holes totaling 4,536m during the 2015 calendar year and approximately 80km of ground geophysics.

Flin Flon

Callinex owns a 100% interest, subject to a 2% NSR royalty of which 1% of the NSR royalty may be purchased for $1,000,000, in the Flin Flon Project. The project is located 3 km southeast of Flin Flon, MB and covers 2,455 ha with similar geological strata to the main mine horizon that hosts Hudbay's 777 mine. The project was acquired based on the presence of these favourable geological strata, known mineral occurrences and close proximity to more than ten former producing VMS mines. Recent geophysical work completed in 2012 and 2013 identified several prospective targets.

Superjack and Nash Creek properties

The Nash Creek and Superjack projects are located within the Bathurst Mining Camp ("BMC") of New Brunswick, Canada, and benefit from excellent infrastructure including road access to an operating processing facility approximately 90km and 50km by road. The BMC has been one of the most productive and economically significant base metal mining districts in the world. In total, more than 130 million tonnes of ore have been extracted from at least ten mines, nearly all of which has been mined since the 1950s.

Pt. Leamington property

The Pt. Leamington Project, consisting of Mining Lease 136(2655), is located approximately 37km by road and trails from the city of Grand-Falls Windsor, Newfoundland, and approximately 20km from the provincial power grid. The deposit is a large, felsic-hosted zinc rich VMS deposit that dips 70 degrees to the west, has a strike length of 500m and a maximum thickness of 85m. Massive sulphides have been intercepted to a depth of 360m below surface from a total of approximately 21,714m of drilling in 72 drill holes. Regional government mapping and lithogeochemical sampling has indicated that the Pt.Leamington Project's host volcanic stratigraphy extends well beyond the vicinity of the deposit.

Gossan

Callinex owns a 100% interest, subject to a 2% NSR royalty, in the Gossan Gold Project. The project is located 40km southeast of Flin Flon, MB and covers approximately 7,428ha. The project includes a past-producing gold mine with significant unmined gold mineralization. From 2010-2012 the Company completed a 63 core drill hole program resulting in the delineation of gold mineralization over a 1.8 kilometer strike length.

Neuron

Callinex owns a 100% interest in the Neuron Project. The project is located near Thompson, MB and covers 75,762ha. Callinex completed a 12-hole program in 2014 and identified high-grade graphite mineralization along a significant strike length. Additionally, preliminary metallurgical work completed by SGS Labs determined the graphite is comprised of coarse flakes which is typically desirable to consumers.

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.

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 the 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 payable 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.

b) Foreign currency risk

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

RELATED PARTY TRANSACTIONS

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

- NiconsultGMBH, a company owned by Nico Civelli, Director
- Terra Nova Energy, a company of which the former VP Finance, Nico Civelli is an Officer and Director

	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

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

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

As at September 30, 2016 a total of $9,000 (September 30, 2015 - $9,572) was owed to related parties and is included in accounts payable and accrued liabilities.

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. 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 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

- Callinex announced a significant new zinc and gold VMS discovery with 10.3m grading 13.1% Zn Eq. including 4.2m of 20.8% Zn Eq. at the Pine Bay Project;
- Closed a $5.0 million private placement with affiliates of the Sprott Group; and
- Commenced a step-out drilling program focused on the new discovery with plans to complete up to 10,000m before the end of winter.

OUTSTANDING SHARE DATA AND DILUTION CALCULATION

The Company has authorized share capital consisting of common shares without par value. The number of shares authorized is unlimited. The Company has issued warrants for the purchase of common shares and also a stock option plan. The table below summarizes the Company's common shares and stock options and warrants that are convertible into common shares as of December 19, 2016:

Issued and outstanding common shares	74,221,640
Share options with a weighted average exercise price of $0.35	5,895,000
Share purchase warrants with a weighted average exercise price of $0.60	8,055,750
Fully Diluted	**88,172,390**

RISKS AND UNCERTAINTIES

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, First Nations consultation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

Financial risks include commodity prices and interest rates all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital and to repay indebtedness it incurs.

Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

DISCLOSURE CONTROLS AND PROCEDURES

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.

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended September 30, 2016 and this accompanying MD&A (together, the "Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at www.sedar.com.

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.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.callinex.ca