CALLINEX MINES INC.

Financial Statements
Years ended September 30*, 2018 and 2017*

(Expressed in Canadian dollars)

January 17, 2019

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 Statements of Financial Position as at September 30, 2018 and September 30, 2017 and the Statements of loss and comprehensive loss, Cash Flows and Changes in Equity for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. as at September 30, 2018 and September 30, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

CALLINEX MINES INC.

Statements of Financial Position
As at September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		$	**$**
Assets			
Current			
Cash and cash equivalents		**3,501,403**	5,711,751
Receivables	**6**	**104,234**	507,692
Marketable securities	**7**	**61,680**	-
Prepaid expenses and other assets		**160,173**	187,077
		3,827,490	6,406,520
Non-current			
Deposits		**27,992**	27,992
Property and equipment	**8**	**219,962**	123,855
Exploration and evaluation assets	**9**	**18,133,280**	16,202,365
		22,208,724	22,760,732
Liabilities			
Current			
Accounts payable and accrued liabilities	**10**	**335,393**	509,718
Flow-through premium liability	**11**	**74,141**	-
		409,534	509,718
Shareholders' Equity			
Capital stock	**12**	**61,180,901**	58,878,194
Equity reserve	**12(e)**	**6,711,200**	5,777,658
Accumulated other comprehensive loss ("AOCL")		**(400,920)**	-
Deficit		**(45,691,991)**	(42,404,838)
		21,799,190	22,251,014
		22,208,724	22,760,732

Commitments – Note 18
Subsequent events – Notes 12(c) and 19

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, 2018 and 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		$	$
Corporate development		**572,712**	825,252
Depreciation	**8**	**27,141**	14,588
Listing and filing fees		**87,579**	74,323
Management and consulting fees	**13**	**540,197**	333,329
Office and administration		**344,856**	354,387
Professional fees	**13**	**137,664**	130,982
Property investigation expenses		**6,493**	-
Share-based compensation	**12c, 13**	**1,094,447**	311,559
		(2,811,089)	(2,044,420)
Finance income		**34,675**	23,278
Flow-through premium recovery	**11**	**154,226**	-
Loss on sale of marketable securities	**7**	**(247,171)**	-
Write-off of exploration and evaluation assets	**9**	**(417,794)**	-
Loss for the year		**(3,287,153)**	(2,021,142)
Other comprehensive income (loss)			
Items that maybe reclassified subsequently to loss:			
Unrealized loss on available for sale financial assets	**7**	**(648,091)**	-
Transfer of realized loss on sale of marketable securities	**7**	**247,171**	-
Comprehensive loss for the year		**(3,688,073)**	(2,021,142)
Loss per share			
- Basic and diluted		**(0.04)**	(0.03)
Weighted average number of shares outstanding			
- Basic and diluted		**81,958,581**	75,195,001

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Statements of Cash Flows

Years ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
	$	$
Cash flows (used in) provided by		
Operating activities		
Loss for the year	**(3,287,153)**	(2,021,142)
Items not affecting cash		
Depreciation	**27,141**	14,588
Share-based compensation	**1,094,447**	311,559
Write-down of exploration and evaluation assets	**417,794**	-
Flow-through premium recovery	**(154,226)**	-
Loss on sale of marketable securities	**247,171**	-
Net change in non-cash working capital items		
Receivables	**43,924**	(110,475)
Prepaid expenses	**26,904**	(68,047)
Accounts payable and accrued liabilities	**(15,435)**	(908)
	(1,599,433)	(1,874,425)
Investing activities		
Exploration and evaluation assets expenditures	**(3,348,575)**	(3,626,157)
Receipt of mineral exploration assistance	**359,534**	-
Proceeds from exploration and evaluation assets option	**200,000**	-
Proceeds from sale of marketable securities	**100,229**	-
Property and equipment purchases	**(123,248)**	(109,884)
	(2,812,060)	(3,736,041)
Financing activities		
Proceeds on shares issued	**2,255,363**	7,435,001
Share issuance costs	**(67,418)**	(372,569)
Proceeds on options exercised	**13,200**	-
	2,201,145	7,062,432
(Decrease) increase in cash and cash equivalents	**(2,210,348)**	1,451,966
Cash and cash equivalents, beginning of year	**5,711,751**	4,259,785
Cash and cash equivalents, end of year	**3,501,403**	5,711,751
Cash and cash equivalents consist of:		
Cash	**718,403**	2,928,751
Cash equivalents	**2,783,000**	2,783,000
Cash received for interest	**34,585**	22,235
Cash paid for taxes	**-**	-

Supplemental Cash Flow Information – Note 17

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.
Statements of Changes in Equity
Years ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Common shares	Capital Stock	Equity reserve	AOCL	Deficit	Total
	#	**$**	**$**	**$**	**$**	**$**
Balance, September 30, 2016	**62,194,472**	**51,453,256**	**5,596,776**	**-**	**(40,383,696)**	**16,666,336**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	9,870,000	5,026,000	-	-	-	5,026,000
- Exercise of warrants	5,246,336	2,360,851	-	-	-	2,360,851
- Exercise of options	155,000	83,656	(35,506)	-	-	48,150
Share issuance costs	-	(372,569)	-	-	-	(372,569)
Exploration and evaluation asset acquisition	832,900	327,000	(200,000)	-	-	127,000
Share-based compensation	-	-	416,388	-	-	416,388
Comprehensive loss for the year	-	-	-	-	(2,021,142)	(2,021,142)
Balance, September 30, 2017	**78,298,708**	**58,878,194**	**5,777,658**	**-**	**(42,404,838)**	**22,251,014**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	5,709,170	2,255,363	-	-	-	2,255,363
- Exercise of options	40,000	23,129	(9,929)	-	-	13,200
Share issuance costs	-	(67,418)	-	-	-	(67,418)
Exploration and evaluation asset acquisition	932,900	320,000	(200,000)	-	-	120,000
Flow-through premiums	-	(228,367)	-	-	-	(228,367)
Share-based compensation – stock options	-	-	189,092	-	-	189,092
Share-based compensation – RSUs	-	-	954,379	-	-	954,379
Comprehensive loss for the year	-	-	-	(400,920)	(3,287,153)	(3,688,073)
Balance, September 30, 2018	**84,980,778**	**61,180,901**	**6,711,200**	**(400,920)**	**(45,691,991)**	**21,799,190**

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Callinex Mines Inc. ("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 1555 – 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 IFRS 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 January 17, 2019.

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.

b) Property and equipment
Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and 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 property and 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%

Buildings are depreciated straight-line, over 25 years
Leasehold improvements are depreciated straight-line, over 5 years.

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

Property and 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 loss in the statement of comprehensive loss.

Where an item of property and 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 property and 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 the property are capitalized. 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.

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 reclassified to development properties. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

d) Decommissioning and restoration provision
The Company recognizes liabilities for legal or constructive obligations associated with the required reclamation costs 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 discount 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 no material reclamation obligations.

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 exploration and evaluation 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

Stock options
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 instalment 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 share-based compensation expense. 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.

Restricted Share Units
The fair value of restricted share units ("RSUs") granted are recorded as a charge to operations or deferred exploration costs and a credit to equity reserve. The fair value of RSUs which vest immediately are recorded at the date of grant; the fair value of RSUs which vest in the future are recognized over the vesting period.

On exercise of the RSUs, the book value of the RSUs is transferred from equity reserve to share capital.

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 tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its 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. When calculating diluted loss per share, potentially dilutive instruments do 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 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 data (unobservable inputs).

l) Government assistance
The Company receives assistance from the government as part of the exploration and evaluation of mineral assets. The Company records government assistance as a reduction in exploration and evaluation assets.

4. Future Accounting standards and pronouncements

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. IFRS 9 will be effective for the Company for the fiscal year beginning October 1, 2018. The adoption of IFRS 9 is expected to result in unrealized gains and losses on the change in fair value of marketable securities flowing through the statement of loss instead of through the statement of comprehensive loss.

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 will be effective for the Company for the fiscal year beginning October 1, 2019. The adoption of IFRS 16 is expected to increase the leased assets and liabilities of the Company.

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 years ended September 30, 2018 and 2017 and did not identify any impairment indicators.

b) Significant estimates
There were no key assumptions made concerning the future or 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.

(Expressed in Canadian dollars)

6. Receivables

	September 30, 2018	September 30, 2017
	$	$
Mineral exploration assistance program receivable	-	360,000
GST receivable	97,050	137,598
Interest receivable	7,184	7,094
Other	-	3,000
	104,234	507,692

7. Marketable securities

Marketable securities are classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive loss.

During the year ended September 30, 2018, the Company received 1,000,000 shares of Global Li-Ion Graphite Corp. ("LION") valued at $900,000 in relation to the optioning of the Neuron property (refer to note 9). During the year ended September 30, 2018, the Company transferred 100,000 shares of LION to a third party as a finder's fee in relation to the optioning of the Neuron property.

During the year ended September 30, 2018, the Company sold 386,000 shares of LION for proceeds of $100,229 and accordingly, the Company recorded a loss on sale of marketable securities of $247,171.

As at September 30, 2018, the LION shares were recorded at a fair value of $61,680, and an unrealized loss of $400,920 resulting from the revaluation was included in other comprehensive loss for the year ended September 30, 2018.

(Expressed in Canadian dollars)

8. Equipment

	Equipment	Office Furniture	Computer Equipment	Building	Total
	$	$	$	$	$
Cost					
Balance, September 30, 2016	95,880	8,868	43,310	-	148,058
Additions	10,800	-	47,840	51,244	109,884
Balance, September 30, 2017	106,680	8,868	91,150	51,244	257,942
Additions	10,900	-	-	112,348	123,248
Balance, September 30, 2018	**117,580**	**8,868**	**91,150**	**163,592**	**381,190**
Accumulated depreciation					
Balance, September 30, 2016	83,678	3,698	32,123	-	119,499
Depreciation	5,134	1,034	7,564	856	14,588
Balance, September 30, 2017	88,812	4,732	39,687	856	134,087
Depreciation	5,638	827	15,440	5,236	27,141
Balance, September 30, 2018	**94,450**	**5,559**	**55,127**	**6,092**	**161,228**
Net book value					
September 30, 2017	17,868	4,136	51,463	50,388	123,855
September 30, 2018	**23,130**	**3,309**	**36,023**	**157,500**	**219,962**

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	$	$	$	$	$	$
September 30, 2016	**10,187,247**	**578,684**	**151,496**	**153,587**	**1,367,964**	**12,438,978**
Acquisition	83,044	-	73,750	73,750	-	230,544
Assaying	11,788	18,745	90,432	15,773	-	136,738
Camp costs	130,482	-	9,890	11,471	-	151,843
Consulting	10,292	-	17,670	-	-	27,962
Drilling	1,973,716	-	405,677	344,928	-	2,724,321
Geologists	146,458	-	56,151	38,121	-	240,730
Geochemical	77,061	-	-	-	-	77,061
Geophysical	241,295	1,000	53,154	46,895	212	342,556
Other	22,329	300	20,475	21,677	-	64,781
Permitting	12,310	-	25,345	6,390	902	44,947
Recovery	(360,000)	-	(12,000)	437	(11,362)	(382,925)
Share-based compensation	73,380	-	18,869	12,580	-	104,829
	2,422,155	20,045	759,413	572,022	(10,248)	3,763,387
September 30, 2017	**12,609,402**	**598,729**	**910,909**	**725,609**	**1,357,716**	**16,202,365**
Acquisition	-	-	72,500	72,500	-	145,000
Assaying	13,003	-	197,293	16,134	-	226,430
Camp costs	35,649	-	61,512	21,438	-	118,599
Consulting	17,973	-	250,043	2,373	-	270,389
Drilling	729,052	-	960,924	24,100	-	1,714,076
Geologists	88,015	-	191,573	43,656	-	323,244
Geophysical	57,270	-	252,171	84,886	-	394,327
Other	9,785	-	27,855	20,265	-	57,905
Permitting	14,076	63,031	16,742	1,400	-	95,249
Recovery	466	-	(36,000)	-	-	(35,534)
Share-based compensation	20,807	-	23,885	4,332	-	49,024
	986,096	63,031	2,018,498	291,084	-	3,358,709
Option payment received - cash	-	-	-	-	(200,000)	(200,000)
Option payment received - shares	-	-	-	-	(810,000)	(810,000)
Write-off of exploration and evaluation assets	(417,794)	-	-	-	-	(417,794)
September 30, 2018	**13,177,704**	**661,760**	**2,929,407**	**1,016,693**	**347,716**	**18,133,280**

Nash Creek and Superjack projects

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 (issued 300,000 common shares at the fair value of $97,500)

(ii) $25,000 cash (paid) and $125,000 in cash or common shares on or before the second anniversary (issued 250,000 common shares at the fair value of $60,000)
(iii) $125,000 due in cash or common shares within 10 days of the Company completing a preliminary economic assessment on the Nash Creek project (issued 250,000 common shares at the fair value of $60,000)
(iv) $25,000 in cash on or before the third anniversary

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 (paid)

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.

Flin Flon Area

<u>Pine Bay project</u>
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.

<u>Flin Flon project</u>
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.

<u>Gossan Gold project</u>
Callinex owns a 100% interest, subject to a 2% NSR royalty, in the Gossan Gold Project.

<u>Big Island project</u>
On March 20, 2017 the Company acquired a 100% interest in the Tara Lake VMS Deposit ("Big Island Project") near the Flin Flon Project.

Consideration for the Big Island Project is to be as follows:
(i) $50,000 cash and 100,000 common shares within five days following the effective date of the agreement (paid; issued 100,000 common shares at the fair value of $29,500)
(ii) $50,000 cash and 100,000 common shares on the first anniversary of the agreement
(iii) $50,000 cash and 100,000 common shares on the second anniversary of the agreement
(iv) $50,000 cash and 150,000 common shares on the third anniversary
(v) $65,000 cash and 300,000 common shares on the fourth anniversary

The Big Island Project is subject to a 1% NSR Royalty which can be repurchased for $1,000,000.

During the year ended September 30, 2018, the Company decided that it would no longer purse the Big Island project. Accordingly, the Company recognized an impairment charge of $417,794 during the year ended September 30, 2018.

Government assistance

The Company participates in the Government of Manitoba Mineral Exploration Assistance Program ("MEAP"). During the year ended September 30, 2017, the Company recorded MEAP recovery of $360,000 representing $200,000 of MEAP for the summer of 2017 exploration program and $160,000 of MEAP for the summer of 2016 exploration program. During the year ended September 30, 2018, the Company received $359,534 from the Government of Manitoba for the 2016 and 2017 MEAP. During the year ended September 30, 2018, the Company recorded MEAP recovery of $200,000 for the summer of 2018 exploration program. As at September 30, 2018, $200,000 of MEAP was included in accounts receivable.

Pt. Leamington project

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 (issued 216,450 common shares at the fair value of $63,853)
(iii) $200,000 in cash or common shares on the second anniversary (issued 432,900 common shares at the fair value of $71,429)

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 (issued 216,450 common shares at the fair value of $63,853)

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.

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.

Neuron Graphite Project

On October 27, 2017, the Company signed an option agreement with Global Li-Ion Graphite Corp. ("LION") (CSE: LION) whereby LION can acquire a 100% interest in the Neuron property located in Northern Manitoba by paying $200,000 in cash and issuing 2,000,000 LION common shares. Callinex has received the initial considerations of $200,000 cash and 1,000,000 common shares of LION (recorded at the fair value of $900,000). The Company paid a finders' fee to a third party of 100,000 LION common shares at the fair value of $90,000.

LION has the option to acquire a 100% interest in the Neuron property by making the balance of the agreed payment of 1,000,000 common shares of LION within 24 months from the date of the option agreement. Callinex will receive an additional milestone payment of 3,000,000 shares if an economic study is completed on the Neuron property or any claims within a 20km area of interest.

(Expressed in Canadian dollars)

10. Accounts payable and accrued liabilities

	September 30 2018	September 30, 2017
	$	$
Accounts payable	292,460	367,674
Accrued liabilities	42,933	133,044
Related party payables (Note 13)	-	9,000
	335,393	509,718

11. Flow-through premium liability

The flow-through premium liability balance as at September 30, 2018 of $74,141 (2017 - $nil) arose in connection with the flow-through share offering the Company completed on February 26, 2018 (Note 12(b)). The reported amount is the unamortized balance of the premium received from issuing the flow-through shares. This balance does not represent a cash liability to the Company. The flow-through premium liability will be amortized to the statement of comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company.

The Company is committed to incurring on or before December 31, 2019 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of $2,283,668 with respect to the flow-through share financing completed on February 26, 2018. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at September 30, 2018, the Company had incurred approximately $1,542,257 of Qualifying CEE and accordingly, recognized a flow-through premium recovery of $154,226 during the year ended September 30, 2018.

The Company was committed to incurring on or before December 31, 2017 Qualifying CEE in the amount of $3,101,000 with respect to the flow-through share financings completed on May 11, 2016 and November 22, 2016. None of the Qualifying CEE will be available to the Company for future deduction from taxable income. As at September 30, 2017 the Company had incurred all of the required Qualifying CEE.

12. Share capital

a) Authorized:
Unlimited common shares with no par value

b) Financings:

During the year ended September 30, 2018, the Company completed the following financing:

i) On February 26, 2018, the Company issued 5,709,170 flow-through shares at a price of $0.40 per share for gross proceeds of $2,255,363. The Company incurred cash issuance costs of $67,418 in respect of this placement.

The fair value of the flow-through shares was determined to be $2,055,301 with the remaining $228,367 being allocated to flow-through premium liability (Note 11).

(Expressed in Canadian dollars)

During the year ended September 30, 2017, the Company completed the following financings:

i) 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 consisted 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. The Company incurred cash share issuance costs of $372,569 in respect of this placement.

c) Stock options and restricted share units
The Company had 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. On October 18, 2017, the shareholders of the Company approved an amendment of the Company's rolling stock option plan to a fixed option plan under which the number of common shares available for issuance is fixed and there is no replenishment in the future, and a restricted share unit ("RSU") plan. Under the fixed option plan and the RSU plan, the Company's total number of stock options and RSUs is limited to 15,659,741.

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 upon resignation or termination 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 year ended September 30, 2018 are as follows:

	Number of options	**Weighted average exercise price (per share)**	**Weighted average remaining life (years)**
Balance September 30, 2016	6,110,000	$0.34	3.72
Granted	2,125,000	$0.36	
Exercised	(155,000)	$0.31	
Cancelled	(150,000)	$0.60	
Forfeited	(550,000)	$0.37	
Balance September 30, 2017	7,380,000	$0.34	3.28
Granted	1,050,000	$0.30	
Exercised	(40,000)	$0.33	
Cancelled	(195,000)	$0.33	
Forfeited	(1,400,000)	$0.33	
Expired	(550,000)	$0.30	
Balance September 30, 2018	6,245,000	$0.34	2.37
Unvested	(575,000)	$0.33	
Exercisable, September 30, 2018	**5,670,000**	**$0.34**	**2.17**

(Expressed in Canadian dollars)

For the year ended September 30, 2018, the Company recorded share-based compensation expense of $189,092 (2017 - $416,388) of which $49,024 was allocated to exploration and evaluation assets (2017 - $104,829).

The weighted average fair value of the options granted during the year ended September 30, 2018 was $0.16 (2017 - $0.35). The fair value of these options on the date of grant was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2018	**2017**
Risk free interest rate	1.60%	1.55%
Expected life	4.27 years	5 years
Expected volatility	82%	100%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The balance of options outstanding as at September 30, 2018 was as follows:

Expiry date	**Exercise price**	**Remaining life (years)**	**Options Outstanding**	**Unvested**	**Vested**
October 28, 2018[(1)]	$0.37	0.08	150,000	-	150,000
May 7, 2019	$0.42	0.60	100,000	-	100,000
September 5, 2019	$0.29	0.93	1,050,000	-	1,050,000
September 12, 2019	$0.29	0.95	250,000	-	250,000
October 15, 2019	$0.29	1.04	75,000	-	75,000
January 20, 2020	$0.29	1.31	50,000	-	50,000
May 14, 2020	$0.29	1.62	150,000	-	150,000
December 18, 2020	$0.33	2.22	1,295,000	-	1,295,000
August 8, 2021	$0.38	2.86	1,725,000	-	1,725,000
December 12, 2021	$0.60	3.20	100,000	25,000	75,000
August 21, 2022	$0.32	3.89	100,000	50,000	50,000
September 6, 2022	$0.33	3.94	100,000	50,000	50,000
September 13, 2022	$0.38	3.96	150,000	75,000	75,000
November 10, 2022	$0.37	4.12	300,000	75,000	225,000
June 29, 2021	$0.25	2.75	350,000	-	350,000
July 9, 2023	$0.29	4.78	300,000	300,000	-
			6,245,000	575,000	5,670,000

(1) Subsequent to September 30, 2018, these options expired unexercised.

(Expressed in Canadian dollars)

The balance of RSUs outstanding and related information for the year ended September 30, 2018 are as follows:

	Number of RSUs
Balance September 30, 2017	-
Granted	7,285,000
Exercised	-
Forfeited	(585,000)
Balance September 30, 2018	6,700,000
Unvested	(6,085,837)
Exercisable, September 30, 2018	**614,163**

On October 26, 2017, the Company granted a total of 7,285,000 restricted share units ("RSUs") to the CEO, the VP of Corporate Development and the VP of Exploration. During the year ended September 30, 2018, 585,000 RSUs granted to the VP of Exploration were forfeited. The 6,700,000 RSUs vest as to 55,833 RSUs per month for the first three years with the remaining 4,745,845 RSUs vesting at the option of the holder on October 1, 2020. If the holder does not elect to early vest the RSUs, the RSUs will continue to vest as to 55,833 RSUs per month until October 1, 2027.

The weighted average fair value of the RSUs granted during the year ended September 30, 2018 was $0.335 based on the closing stock price on the date of grant.

For the year ended September 30, 2018, the Company recorded share-based compensation expense of $954,379 (2017 - $nil) in respect of RSUs.

d) Share purchase warrants
The balance of warrants outstanding and related information for the years ended September 30, 2018 and 2017 are as follows

	Number of warrants	**Weighted average exercise price (per share)**	**Weighted average Remaining life (years)**
Balance September 30, 2016	6,072,918	$0.45	1.28
Issued	4,025,000	$0.75	
Exercised	(5,246,336)	$0.45	
Expired	(826,582)	$0.45	
Balance September 30, 2017	4,025,000	$0.75	2.15
Balance, September 30, 2018	**4,025,000**	**$0.75**	**1.15**

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 was entitled to accelerate the expiry date of the warrants. On December 5, 2016 the Company elected to provide such notice and a total of 5,246,336 warrants were exercised for gross proceeds of $2,360,851.

(Expressed in Canadian dollars)

As at September 30, 2018, there were a total of 4,025,000 warrants outstanding with an exercise price of $0.75 and expiry date of November 22, 2019.

e) Equity reserve

	Funding by Callinan	Options, RSUs and warrants	Other	Total
	$	$	$	$
Balance, September 30, 2016	2,660,523	2,536,253	400,000	5,596,776
Exploration and evaluation asset acquisition	-	-	(200,000)	(200,000)
Transfer of value on the exercise of options		(35,506)		(35,506)
Share-based compensation - options	-	416,388	-	416,388
Balance, September 30, 2017	2,660,523	2,917,135	200,000	5,777,658
Exploration and evaluation asset acquisition	-	-	(200,000)	(200,000)
Transfer of value on the exercise of options		(9,929)	-	(9,929)
Share-based compensation - options		189,092	-	189,092
Share-based compensation - RSUs	-	954,379	-	954,379
Balance, September 30, 2018	2,660,523	4,050,677	-	6,711,200

13. 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, 2018 and 2017 was as follows:

	2018	2017
	$	$
Professional fees	**27,810**	26,840
Management and consulting	**503,216**	268,500
Geological consulting	**37,500**	-
Share-based compensation	**991,155**	200,607
	1,559,681	495,947

As at September 30, 2018, a total of $nil (2017 - $9,000) was owed to related parties and is included in accounts payable and accrued liabilities.

(Expressed in Canadian dollars)

14. Income taxes

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

	2018	**2017**
Statutory tax rate	**27%**	**26%**
	$	**$**
Loss for the year before taxes	(3,287,153)	(2,021,142)
Expected income tax recovery at statutory rate	(879,313)	(525,497)
Add (deduct)reconciling items:		
(Recognition) / non-recognition of tax losses	302,305	(225,887)
Permanent differences	164,455	114,060
Impact of flow through expenditures	412,553	637,324
Income tax recovery as booked	-	-

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, 2018 and 2017 are as follows:

	2018	**2017**
	$	**$**
Deferred tax assets:		
Equipment	15,000	16,000
Share issue costs	87,000	99,000
Capital loss carry forward and other	60,000	74,000
Non-capital losses carried forward	3,146,000	2,447,000
Deferred tax assets	3,308,000	2,636,000
Deferred tax liabilities:		
Exploration and evaluation assets	(2,576,000)	(2,169,000)
Marketable securities	54,124	-
Deferred tax liabilities	(2,521,876)	(2,169,000)
Unrecognized net deferred tax assets	786,124	467,000

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 will allow the deferred tax asset to be recovered.

As at September 30, 2018, the Company has an estimated $11,650,000 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 – 2038.

(Expressed in Canadian dollars)

	$
2031	353,000
2032	1,658,000
2033	1,383,000
2034	1,289,000
2035	1,154,000
2036	1,709,000
2037	1,859,000
2038	2,245,000
	11,650,000

15. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, marketable securities, and accounts payable and accrued liabilities. The Company designated its cash and cash equivalents, receivables and deposits as loans and receivables. Marketable securities are designated as available-for-sale financial assets. The accounts payable and accrued liabilities are designated as other financial liabilities.

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of the marketable securities has been assessed based on the fair value hierarchy described above and is classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

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 16 to these financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, and are

subject to normal trade terms. As at September 30, 2018, the Company had a cash balance of $3,501,403 to settle current liabilities of $335,393 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, foreign exchange rates and the price of publicly traded marketable securities.

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 short-term deposit certificates are cashable on demand.

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.

c) Other price risk
Other price risk is the risk that the fair value of a financial instrument changes due to market risks other than foreign exchange risk or interest rate risk. The Company is exposed to changes in the fair value of the LION common shares. At September 30, 2018, the Company had 514,000 LION common shares that trade on the Canadian Securities Exchange under the trading symbol "LION". At September 30, 2018, the value of the LION common shares was $0.12 per share or $61,680. A reasonable possible change in fair value of 10% would result in a change in the loss for the period of approximately $7,000.

16. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, to 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 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, 2018.

(Expressed in Canadian dollars)

17. 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 year ended September 30, 2018 and 2017, the following transactions were excluded from the statements of cash flows:

	2018	2017
	$	$
Non-cash investing and financing transactions		
Share-based compensation included in exploration and evaluation assets	**49,024**	104,829
Shares issued for mineral property option agreements	**320,000**	327,000
Shares received for mineral property option agreements	**810,000**	-
Exploration and evaluation recovery included in accounts receivable	**-**	360,000
Exploration and evaluation assets included in accounts payable and accrued liabilities	**158,890**	421,301

18. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 9) and qualifying Canadian exploration expenses (Note 11), the Company had entered into a lease agreement for its office premises. The lease will expire on October 31, 2023. The annual lease commitment is as follows:

Fiscal year ended September 30, 2019	$64,700
Fiscal year ended September 30, 2020	$64,800
Fiscal year ended September 30, 2021	$64,800
Fiscal year ended September 30, 2022	$64,800
Fiscal year ended September 30, 2023	$64,800

19. Subsequent event

Headway Project

On November 5, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Headway Project located in the Bathurst Mining District of New Brunswick in consideration for 250,000 common shares of the Company issuable on closing (issued at the fair value of $20,000).

The vendor will retain a 1.0% net smelter return royalty, of which half can be purchased by the Company at any time for $500,000.

The Headway Project includes $44,800 in work credits, which will allow the claims to remain in good standing until late-2023.

Restricted Share Units

Subsequent to September 30, 2018, 595,000 RSUs were exercised.