CALLINEX MINES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2018 ("MD&A") has been prepared as of January 18, 2019. It should be read in conjunction with the audited financial statements of Callinex Mines Inc. for the year ended September 30, 2018.

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

Callinex Mines Inc. (TSX-V: CNX) (OTCQX: CLLXF) is advancing its portfolio of zinc rich deposits located in established Canadian mining jurisdictions. The portfolio is highlighted by its Nash Creek and Superjack deposits in the Bathurst Mining District of New Brunswick. A 2018 PEA outlined a mine plan that generates a strong economic return with a pre-tax IRR of 34.1% and a NPV$^{8\%}$ of $230 million (See News Release dated May 14, 2018). The projects have significant exploration upside over a district-scale land package that encompasses several high-grade mineral occurrences along a 20 km trend.

Callinex has a project portfolio that also includes projects within the Flin Flon Mining District of Manitoba that are located within 25 km of an operating processing facility that requires additional ore. The Company's projects host Indicated resources of 13.6 Mt averaging 3.2% Zn Eq. totaling 963 million pounds and Inferred resources of 23.2 Mt averaging 5.2% Zn Eq. totaling 2.7 billion pounds (See News Releases dated April 16, 2018).

Operational Highlights

- Announced a major increase in the Nash Creek Deposit and updated resource estimate. The current mineral resource now hosts an Indicated mineral resource totaling 13.6 Mt averaging 3.2% Zn Eq. (2.7% Zn, 0.6% Pb and 17.8 g/t Ag) containing 963 million pounds of zinc equivalent mineralization and an Inferred mineral resource totaling 5.9 Mt averaging 3.1% Zn Eq. (2.7% Zn, 0.5% Pb and 14.0 g/t Ag) containing 407 million pounds of zinc equivalent mineralization.

- Announced results of initial Preliminary Economic Assessment that Generates a 34% IRR and a \$230M $NPV^{8\%}$ at the Nash Creek and Superjack Projects:
  - Average annual production of 77M pounds of zinc, 15M pounds of lead and 437K ounces of silver over a ten-year mine life;
  - Life of Mine ("LOM") undiscounted pre-tax net cash flow of C\$483M (C\$293M post-tax);
  - Pre-tax IRR of a 34.1% (25.2% post-tax) and a pre-tax $NPV^{8\%}$ of C\$230M (C\$128M post-tax) with a payback period of 2.4 years (2.8 years post-tax);
  - LOM all-in sustaining costs ("AISC") of C\$0.37 per pound of zinc produced, net by-product credits;
  - Total pre-production capital costs of C\$168 million (including 18% contingency); and
  - Assumed metal prices of US\$1.25 per lb of zinc, US\$1.10 per lb of lead, US\$17 per ounce of silver and a C\$/US\$ exchange rate of 0.77.

  Cautionary Note on PEA. The PEA is preliminary in nature and it includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized.

- The Company plans to commence a district-scale, 175-line km induced polarization survey ("IP Survey") to identify potential for additional deposits that are located along a 20 km trend with previously identified high-grade mineral occurrences. The second phase of the drilling campaign will follow up on results from the ongoing campaign and new targets derived from the IP Survey.

- Completed a 2018 drill campaign at the Nash Creek Project consisting of 23 drill holes totaling 4,750m

- Closed a non-brokered private placement financing to issue 5,709,170 flow-through shares at a price per share of \$0.40 for gross proceeds of \$2.3 million.

EXPLORATION PROGRAMS AND EXPENDITURES

During the year ended September 30, 2018, the Company incurred deferred acquisition and exploration expenditures of \$3,358,709 (2017 - \$3,763,387). The majority of the expenditures relate to the Pine Bay project, the Nash Creek project and the Superjack project.

	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 costs	-	-	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	20,264	-	57,904
Permitting	14,076	63,031	16,742	1,400	-	95,249
Recovery	466	-	(36,000)	-	-	(35,534)
Share-based compensation	20,807	-	23,885	4,333	-	49,025
	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**

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

Nash Creek and Superjack

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 concentrate processing facility approximately 90km and 50km away 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 zinc sulphide rich material have been extracted from at least ten mines, nearly all of which has been mined since the 1950s.

On May 14, 2018, the Company announced results from an independent initial Preliminary Economic Assessment ("PEA") on the Company's 100% owned Nash Creek and Superjack Projects. **The mine plan generates a strong economic return with a pre-tax internal rate of return ("IRR") of a 34.1% (25.2% post-tax) and a pre-tax Net Present Value ("NPV") at an 8% discount rate of C$230 million** (C$128 million post-tax) based on pre-production capital costs of C$168 million and a zinc price of US$1.25/lb.*

Cautionary Note on PEA. The PEA is preliminary in nature and it includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized.

Callinex has completed over 15,000m of drilling with the objective of expanding the zinc-rich mineralized zones at the Nash Creek and Superjack projects. The Company anticipates significant exploration programs including diamond drilling and ground-based geophysics in 2019.

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 6,000ha Pine Bay Project. The project is located 16km east of Flin Flon, MB and covers the Baker Patton Felsic Complex, one of the largest and most highly altered accumulations of felsic rocks within the Flin Flon Greenstone Belt. The project hosts four past producing VMS mines and historic resources. Additionally, high-grade copper and zinc mineralization is contained within a mineral lease that allows for the right to operate a mine and covers a 212m vertical shaft with 760m of underground development.

In October, 2016 Callinex announced that hole 284-3-93-DPN intersected 10.3m grading 13.1% zinc equivalent mineralization ("Zn Eq.") containing 6.0% Zn, 1.8 g/t Au, 60.4 g/t Ag, 0.7% Cu and 0.4% Pb including a higher grade interval over 4.2m grading 20.8% Zn Eq. containing 11.8% Zn, 2.4 g/t Au, 73.8 g/t Ag, 0.7% Cu and 0.7% Pb (See News Release dated October 18, 2016). The discovery was made by extending a historic Placer Dome drill hole by an additional 38 meters. The historic drill hole was initially drilled as part of their mandate to discover a 30 million ton Volcanogenic Massive Sulphide ("VMS") deposit at the Pine Bay Project.

Callinex has completed over 15,000m of drilling with the objective to discover additional high-grade VMS mineralization within the project area. The Company anticipates completing additional exploration in 2019 including geophysical surveys.

Big Island

Callinex had an option to acquire a 100% interest in the Big Island Project located 10 km east of Flin Flon, Manitoba.

On April 18, 2018, the Company notified the vendor of the Company's decision not to proceed with the option agreement and accordingly, wrote-down the property to $nil, recognizing an impairment charge of $417,794 during the year ended September 30, 2018.

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.

Callinex anticipates completing additional geological and geophysical interpretation to evaluate potential drill targets at the property.

Pt. Leamington

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.

The Company has completed preliminary metallurgical work with the objective of characterizing the nature of sulphide mineralization. Callinex will assess opportunities for further metallurgical testing and preliminary engineering work.

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, Gossan Gold, Sneath Lake property, Coles Creek property, Fox River property, Moak 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 a fair value of $900,000 upon receipt). 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 20 km area of interest.

SELECTED ANNUAL INFORMATION

The following is a summary of certain selected financial information extracted from audited financial statements of the Company as at and for the years ended September 30, 2018, 2017 and 2016.

	2018 ($)	**2017 ($)**	**2016 ($)**
Total Revenues	-	-	-
Loss	(3,287,153)	(2,021,142)	(1,983,638)
Comprehensive loss	(3,688,073)	(2,021,142)	(1,983,638)
Loss Per Share (basic and diluted)[1]	(0.04)	(0.03)	(0.04)
Total Assets	22,208,724	22,760,732	16,911,561
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 loss was higher in the year ended September 30, 2018 due to exploration and evaluation assets write downs of $417,794, a loss on sale of marketable securities of $247,171 and share-based compensation related to the vesting of Restricted Share Units of $954,379.

The total assets increase during the year ended September 30, 2017 due to net proceeds received from the equity financings of $7,435,001.

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, 2018.

Three months ended	September 30 2018 $	June 30 2018 $	March 31 2018 $	December 31 2017 $
Revenues	-	-	-	-
Loss	(486,333)	(794,944)	(1,293,240)	(712,636)
Comprehensive loss	(550,583)	(661,614)	(1,263,240)	(1,212,636)
Loss per share (basic and diluted)(1)	(0.01)	(0.01)	(0.02)	(0.01)

Three months ended	September 30 2017 $	June 30 2017 $	March 31 2017 $	December 31 2016 $
Revenues	-	-	-	-
Loss	(498,146)	(403,663)	(339,031)	(780,302)
Comprehensive loss	(498,146)	(403,663)	(339,031)	(780,302)
Loss per share ((basic and diluted)(1)	(0.01)	(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 loss for the quarter ended March 31, 2018 was higher compared to other quarters due to the write-down of exploration and evaluation asset of $417,794 relating to the Big Island property as well as $300,112 of share-based compensation related to the vesting of Restricted Share Units.

The comprehensive loss for the quarter ended December 31, 2017 was higher compared to prior quarters, due to an unrealized loss of $500,000 resulting from the revaluation of marketable securities included in other comprehensive loss as well as $257,491 of share-based compensation related to the vesting of Restricted Share Units.

The loss for the quarter ended December 31, 2016 was higher compared to other quarters, due to the increase in corporate development expense of $371,490, a significant portion of which relates to long-term investor relations agreements and an increase in share-based compensation of $177,657 as a result of stock options granted during the period and vesting of previously granted options.

RESULTS OF OPERATIONS

During the year ended September 30, 2018, the Company reported a loss of $3,287,153 and a loss per share of $0.04 (2017 - $2,021,142 and $0.03 loss per share)

	2018 ($)	2017 ($)
General and administrative expenses	(1,716,642)	(1,732,861)
Share-based payments	(1,094,447)	(311,559)
Finance income	34,675	23,278
Flow-through premium recovery	154,226	-
Loss on sale of marketable securities	(247,171)	-
Write-off of exploration and evaluation assets	(417,794)	-
Loss for the period	(3,287,153)	(2,021,142)

The general and administrative expenses generally remained consistent during the year ended September 30, 2018 compared to those of 2017. The most significant general and administrative expenses were with respect to the following:

Corporate development - $572,712 (2017 - $825,252)
These costs relate to corporate development matters. The decrease is a result of decreased activity in relation to corporate development.

Management and consulting fees - $540,197 (2017 - $333,329)
These include fees paid to the Company's senior executives and employees. During the 2018 period, management received bonuses totaling $160,000 that were reinvested into the Company via a private placement.

Share-based compensation expense of $1,094,447 (2017 - $311,559)
Relates primarily to Restricted Share Units granted to the CEO and the VP of Corporate Development as well as for options granted to executives, directors and consultants.

Three months ended September 30, 2018
During the three months ended September 30, 2018, the Company reported a loss of $486,333 and a loss per share of $0.01 (2017 - $498,146 and $0.01 loss per share)

	2018 ($)	2017 ($)
General and administrative expenses	(307,924)	(494,467)
Share-based payments	(272,063)	(10,947)
Finance income	10,381	7,268
Flow-through premium recovery	83,273	-
Loss for the period	(486,333)	(498,146)

The general and administrative expenses during the three months ended September 30, 2018 decreased compared to the comparable period. The most significant general and administrative expenses were with respect to the following:

Corporate development - $84,556 (2017 - $267,453)
These costs relate to corporate development matters. The decrease is as a result of decreased activity in relation to corporate development.

Management and consulting fees - $87,474 (2017 - $78,908)
These include fees paid to the Company's senior executives and employees.

Office and administration - $70,852 (2017 - $86,261)
These costs relate to general corporate matters and administrative salaries. The decrease is generally due to the decreases in travel and administrative salaries.

Share-based compensation expense of $272,063 (2017 - $10,947)
Relates primarily to Restricted Share Units granted to the CEO and the VP of Corporate Development as well as for options granted to executives, directors and consultants.

FINANCING ACTIVITIES

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

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

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

1) 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 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.

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

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018 the Company had cash on hand of $3,501,403 compared to $5,711,751 as at September 30, 2017. The net decrease in cash for the period is due to the Company's cash used in operating activities ($1,599,433) and investing activities ($2,812,060) offset by the Company raising $2,201,145 of net proceeds through a private placement and the exercise of options.

As at September 30, 2018 the Company had working capital of $3,417,956 (September 30, 2017 - $5,896,802) and no long-term debt.

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 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 consist 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 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, 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.

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 other comprehensive loss for the period of approximately $7,000.

RELATED PARTY TRANSACTIONS

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the three and year ended September 30, 2018 and 2017 was as follows:

	2018	**2017**
	$	**$**
Professional fees(1)	**27,810**	26,840
Management and consulting(2)	**503,216**	268,500
Geological consulting(3)	**37,500**	-
Share-based compensation	**991,155**	200,607
	1,559,681	495,947

(1) Includes fees earned by the Chief Financial Officer, Matt Anderson, and the former Chief Financial Officer, Rebecca Moriarty. The business purpose of the transactions was to compensate the individual for administration and management services provided. The Company has a consulting agreement with Malaspina Consultants Inc., a company that employs Mr. Anderson and Ms. Moriarty. The consulting agreement can be terminated with ninety days' notice.

(2) Includes salary earned by the Chief Executive Officer, Max Porterfield, the VP of Corporate Development, Jordan Butler, and a Director, Mike Muzylowski. During the 2018 period, the CEO and the VP of Corporate Development received bonuses totaling $160,000 that were reinvested into the Company via a private placement. The business purpose of the transactions was to compensate the individuals for administration and management services provided. The Company has an employment agreement with Mr. Porterfield that includes a change of control provision calling for a severance payment equal to two years of annual salary. An employment agreement is also in place with Mr. Butler that includes a change of control provision calling for a severance payment equal to one year of annual salary.

(3) Includes salary earned by the former VP of Exploration, J.J. O'Donnell. The business purpose of the transactions was to compensate the individual for geological services provided. Effective January 1, 2018, the employment agreement with J.J. O'Donnell was terminated and replaced with a consulting agreement. The consulting agreement may be terminated by either party for any reason by giving ten days notice.

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.

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. 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

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.

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 restricted share units, stock options and warrants that are convertible into common shares as of January 18, 2019:

Issued and outstanding common shares	85,825,778
Restricted share units	6,105,000
Share options with a weighted average exercise price of $0.34	6,095,000
Share purchase warrants with a weighted average exercise price of $0.75	4,025,000
Fully Diluted	**102,050,778**

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

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 financial statements for the year ended September 30, 2018 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