



**CALLINEX**  
MINES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2019**

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended March 31, 2019 ("MD&A") has been prepared as of May 28, 2019. It should be read in conjunction with the condensed interim financial statements of Callinex Mines Inc. for the three and six months ended March 31, 2019 as well as the audited annual financial statements for the year ended September 30, 2018 and the accompanying MD&A for the year then ended.

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) 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<sup>6%</sup> 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 preliminary results from an ongoing Induced Polarization ("IP") survey at the Nash Creek Project in New Brunswick, which outlined a significant target that spans 1900m by 400m and compares favorably to the IP signature associated with the Nash Creek Deposit.
- Completed a significant portion of the ongoing IP survey resulting in 82% of the total survey area having been completed as of February 11, 2019
- Announced results from the 2018 drilling campaign that included two drill holes at the end of the campaign to target the preliminary IP target, which intersected mineralization, alteration and lithologies similar to the Hickey Zone of the Nash Creek Deposit
- Announced the acquisition of the high-grade Headway Deposit, located adjacent to the world-class Brunswick No 12 Mine in the Bathurst Mining District of New Brunswick
- 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

**Management's Discussion and Analysis for the three and six months ended March 31, 2019**

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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.

- Executed a purchase agreement to acquire the Headway North claim, which hosts the Pabineau Deposit, that significantly expands the Company's Headway Project. The Company will issue the vendor 120,000 shares and a 1.0% NSR royalty, of which half can be re-purchased for \$500,000, subject to TSX Venture Exchange approval.;
- Announced results of initial Preliminary Economic Assessment that Generates a 34% IRR and a \$230M NPV<sup>8%</sup> 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<sup>8%</sup> 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.

- 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 six months ended March 31, 2019, the Company incurred deferred acquisition and exploration expenditures of \$463,881 (2018 - \$2,056,226). The majority of the expenditures relate to the Nash Creek project.

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
<b>September 30, 2018</b>	<b>13,177,704</b>	<b>661,760</b>	<b>2,929,407</b>	<b>1,016,693</b>	<b>347,716</b>	<b>18,133,280</b>
Acquisition	-	-	-	-	20,000	20,000
Assaying	496	-	44,166	-	-	44,662
Camp costs	15,137	-	8,972	5,079	-	29,188
Consulting	3,500	-	9,987	-	-	13,487
Drilling	-	-	153,570	-	-	153,570
Geologists	425	-	36,518	-	-	36,943
Geophysical	109,725	-	22,408	-	-	132,133
Other	-	-	388	-	-	388
Permitting	2,849	-	12,730	3,200	-	18,779
Recovery	-	-	(300)	-	-	(300)
Share-based compensation	1,652	-	13,379	-	-	15,031
	133,784	-	301,818	8,279	20,000	463,881
<b>March 31, 2019</b>	<b>13,311,488</b>	<b>661,760</b>	<b>3,231,225</b>	<b>1,024,972</b>	<b>367,716</b>	<b>18,597,161</b>

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, 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. During the first quarter of fiscal 2018 Callinex received the initial considerations of \$200,000 cash and 1,000,000 common shares of LION (initially recorded at the acquisition date fair value of \$900,000 upon receipt). During the three months ended June 30, 2018, the Company paid a finders' fee to a third party of 100,000 LION common shares at the then 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.

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 (issued on closing 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.

**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 March 31, 2019.

	<b>March 31 2019</b>	<b>December 31 2018</b>	<b>September 30 2018</b>	<b>June 30 2018</b>
<b>Three months ended</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	-	-	-	-
Loss	(382,375)	(508,742)	(486,333)	(794,944)
Comprehensive loss	(304,610)	(539,582)	(550,583)	(661,614)
Loss per share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.01)	(0.01)	(0.01)

	<b>March 31 2018</b>	<b>December 31 2017</b>	<b>September 30 2017</b>	<b>June 30 2017</b>
<b>Three months ended</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	-	-	-	-
Loss	(1,293,240)	(712,636)	(498,146)	(403,663)
Comprehensive loss	(1,263,240)	(1,212,636)	(498,146)	(403,663)
Loss per share (basic and diluted) <sup>(1)</sup>	(0.02)	(0.01)	(0.01)	(0.01)

**Management's Discussion and Analysis for the three and six months ended March 31, 2019**

- (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.

**RESULTS OF OPERATIONS**
**Six months ended March 31, 2019**

During the six months ended March 31, 2019, the Company reported a loss of \$891,117 and a loss per share of \$0.01 (2018 - of \$2,005,876 and \$0.03 loss per share)

	<b>2019</b> <b>(\$)</b>	<b>2018</b> <b>(\$)</b>
General and administrative expenses	(554,184)	(1,029,735)
Share-based payments	(391,714)	(612,665)
Finance income	15,963	16,188
Flow-through premium recovery	38,818	38,130
Write-off of exploration and evaluation assets	-	(417,794)
Loss for the period	(891,117)	(2,005,876)

The general and administrative expenses decreased during the six months ended March 31, 2019 compared to the comparable period. The most significant general and administrative expenses were with respect to the following:

- (i) Corporate development - \$119,419 (2018 - \$335,632)  
 These costs relate to corporate development matters. The decrease is a result of decreased activity arising from streamlining of corporate overhead costs in the current period.
- (ii) Management and consulting fees - \$172,827 (2018 - \$360,618)  
 These include fees paid to the Company's senior executives and employees. The decrease is a result of unused vacation being paid out during the 2018 period.

Share-based compensation expense of \$391,714 (2018 - \$612,665)

This non-cash expense relates primarily to the vesting of Restricted Share Units granted to the CEO and the VP of Corporate Development as well as for options granted to executives, directors and consultants.

**Management's Discussion and Analysis for the three and six months ended March 31, 2019**
**Three months ended March 31, 2019**

During the three months ended March 31, 2019, the Company reported a loss of \$382,375 and a loss per share of \$0.00 (2018 - of \$1,293,240 and \$0.01 loss per share)

	<b>2019</b> <b>(\$)</b>	<b>2018</b> <b>(\$)</b>
General and administrative expenses	(225,175)	(575,175)
Share-based payments	(184,854)	(346,405)
Finance income	7,767	8,004
Flow-through premium recovery	19,887	38,130
Write-off of exploration and evaluation assets	-	(417,794)
Loss for the period	(382,375)	(1,293,240)

The general and administrative expenses decreased during the three months ended March 31, 2019 compared to the comparable period. The most significant general and administrative expenses were with respect to the following:

- (i) Corporate development - \$29,414 (2018 - \$151,184)  
These costs relate to corporate development matters. The decrease is a result of decreased activity arising from streamlining of corporate overhead costs in the current period.
- (ii) Management and consulting fees - \$82,598 (2018 - \$245,048)  
These include fees paid to the Company's senior executives and employees. The decrease is a result of unused vacation being paid out during the 2018 period.
- (iii) Office and administration - \$59,887 (2018 - \$108,704)  
These costs relate to general corporate matters. The decrease is generally due to the decreases in travel and general office expense resulting from the decreased corporate activities.

Share-based compensation expense of \$184,854 (2018 - \$346,405)

This non-cash expense relates primarily to the vesting of 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 six months ended March 31, 2019, the Company did not complete any equity or debt financings.

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.

**LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2019 the Company had cash on hand of \$2,571,271 compared to \$3,501,403 as at September 30, 2018. The net decrease in cash for the period is due to the Company's cash used in operating activities (\$357,952) and investing activities (\$572,180).

As at March 31, 2019 the Company had working capital of \$2,548,982 (September 30, 2018 - \$3,417,956) and no long-term debt.

**RELATED PARTY TRANSACTIONS**

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the three and six months ended March 31, 2019 and 2018 was as follows:

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Professional fees <sup>(1)</sup>	<b>10,486</b>	8,288	<b>18,178</b>	17,568
Management and consulting <sup>(2)</sup>	<b>67,500</b>	236,500	<b>142,875</b>	350,216
Geological consulting <sup>(3)</sup>	-	-	-	37,500
Share-based compensation	<b>181,746</b>	314,344	<b>380,374</b>	577,471
	<b>259,732</b>	559,132	<b>541,427</b>	982,755

- (1) Includes fees earned by the Chief Financial Officer, Killian Ruby. 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 owned by Mr. Ruby. The consulting agreement can be terminated with sixty days' notice.
- (2) Includes salary earned by the Chief Executive Officer, Max Porterfield, the VP of Corporate Development, Jordan Butler, and a Director, Mike Muzykowski. 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 March 31, 2019, a total of \$645 (September 30, 2018 - \$9,000) was owed to related parties and is included in accounts payable and accrued liabilities.

**ADOPTION OF NEW ACCOUNTING STANDARD****IFRS 9 - Financial Instruments**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on October 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

### Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Original classification</b> <b>IAS 39</b>	<b>New classification</b> <b>IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	FVOCI
Deposit	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liability	Other financial liabilities	Amortized cost

On transition to IFRS 9 the Company elected to classify its marketable securities as FVTOCI. The change in classification did not have a measurement impact on the carrying value of these financial assets at October 1, 2018.

### Measurement

#### Financial assets at FVTOCI

Investments in equity instruments designated at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with both realized and unrealized gains and losses recognized in other comprehensive income (loss).

#### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

#### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Derecognition****Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

**Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**FUTURE ACCOUNTING STANDARDS AND PRONOUNCEMENTS**

At the date of approval of the financial statements the following standard, 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 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 North claim*

Subsequent to March 31, 2019, the Company closed a purchase agreement to acquire the Headway North claim located in the Bathurst Mining District of New Brunswick. In consideration, the Company issued 120,000 common shares of the Company to the Vendor.

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

The Headway Project includes \$36,000 in work credits, which will allow the claims to remain in good standing until late 2024.

**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 May 28, 2019:

Issued and outstanding common shares	85,945,778
Restricted share units	6,105,000
Share options with a weighted average exercise price of \$0.34	5,895,000
Share purchase warrants with a weighted average exercise price of \$0.75	4,025,000
<b>Fully Diluted</b>	<b>101,970,778</b>

**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 six months ended March 31, 2019 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](http://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](http://www.sedar.com) and at the Company's website at [www.callinex.ca](http://www.callinex.ca)