CALLINEX MINES INC.

Financial Statements
Years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

Independent auditor's report

To the shareholders of Callinex Mines Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. (the Company) as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at September 30, 2019 and 2018;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in equity for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 24 , 2020

CALLINEX MINES INC.
Statements of Financial Position
As at September 30, 2019 and 2018
(Expressed in Canadian dollars)

	Note	2019	2018
		$	$
Assets			
Current			
Cash and cash equivalents		**2,880,132**	3,501,403
Receivables	**6**	**18,086**	104,234
Marketable securities	**7**	**-**	61,680
Prepaid expenses and other assets		**86,613**	160,173
		2,984,831	3,827,490
Non-current			
Deposits		**28,192**	27,992
Property and equipment	**8**	**200,686**	219,962
Exploration and evaluation assets	**9**	**18,735,125**	18,133,280
		21,948,834	22,208,724
Liabilities			
Current			
Accounts payable and accrued liabilities	**10**	**171,388**	335,393
Flow-through premium liability	**11**	**11,653**	74,141
		183,041	409,534
Shareholders' Equity			
Capital stock	**12**	**62,571,726**	61,180,901
Equity reserve	**12(e)**	**7,236,806**	6,711,200
Accumulated other comprehensive loss		**(353,995)**	(400,920)
Deficit		**(47,688,744)**	(45,691,991)
		21,765,793	21,799,190
		21,948,834	22,208,724

Commitments – Note 18
Subsequent events – Note 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, 2019 and 2018
(Expressed in Canadian dollars)

	Note	2019	2018
		$	$
Corporate development		**213,959**	572,712
Depreciation	**8**	**24,926**	27,141
Listing and filing fees		**66,902**	87,579
Management and consulting fees	**13**	**310,310**	540,197
Office and administration		**320,244**	344,856
Professional fees	**13**	**135,728**	137,664
Property investigation expenses		**8,857**	6,493
Share-based compensation	**12(c),(e), 13**	**855,535**	1,094,447
		(1,936,461)	(2,811,089)
Finance income		**34,473**	34,675
Flow-through premium recovery	**11**	**62,488**	154,226
Realized loss on sale of marketable securities	**3, 7**	**-**	(247,171)
Write-off of exploration and evaluation assets	**9**	**(157,253)**	(417,794)
Loss for the year		**(1,996,753)**	(3,287,153)
Items that will not be reclassified subsequently to loss:			
Realized loss on sale of marketable securities	**3, 7**	**(353,995)**	-
Transfer from unrealized loss to realized loss on sale of marketable securities	**3, 7**	**400,920**	-
Items that maybe reclassified subsequently to loss:			
Unrealized gain (loss) on marketable securities	**3, 7**	**-**	(648,091)
Transfer from unrealized loss to realized loss on sale of marketable securities	**3, 7**	-	247,171
Comprehensive income (loss) for the year		**46,925**	(400,920)
Total comprehensive loss for the year		**(1,949,828)**	**(3,688,073)**
Loss per share			
- Basic and diluted		**(0.23)**	(0.40)
Weighted average number of shares outstanding[1]			
- Basic and diluted		**8,613,714**	**8,195,858**

1 Post 10:1 share consolidation (Notes 1 and 12(b))

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.
Statements of Cash Flows
Years ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
	$	$
Cash flows (used in) provided by		
Operating activities		
Loss for the year	**(1,996,753)**	(3,287,153)
Items not affecting cash		
Depreciation	**24,926**	27,141
Share-based compensation	**855,535**	1,094,447
Write-off of exploration and evaluation assets	**157,253**	417,794
Finance income	**(34,473)**	-
Flow-through premium recovery	**(62,488)**	(154,226)
Realized loss on sale of marketable securities	**-**	247,171
Net change in non-cash working capital items		
Receivables	**-**	43,924
Prepaid expenses	**73,360**	26,904
Accounts payable and accrued liabilities	**95,087**	(15,435)
	(887,553)	(1,599,433)
Investing activities		
Investment in exploration and evaluation assets	**(876,564)**	(3,348,575)
Receipt of mineral exploration assistance	**-**	359,534
Proceeds from exploration and evaluation assets option	**-**	200,000
Proceeds from sale of marketable securities	**108,605**	100,229
Receipt of finance income	**36,443**	-
Acquisition of property and equipment	**(5,650)**	(123,248)
	(737,166)	(2,812,060)
Financing activities		
Proceeds from shares issued	**1,010,000**	2,255,363
Share issuance costs	**(6,552)**	(67,418)
Proceeds from options exercised	**-**	13,200
	1,003,448	2,201,145
(Decrease) in cash and cash equivalents	**(621,271)**	(2,210,348)
Cash and cash equivalents, beginning of year	**3,501,403**	5,711,751
Cash and cash equivalents, end of year	**2,880,132**	3,501,403
Cash and cash equivalents consist of:		
Cash	**1,297,132**	718,403
Cash equivalents	**1,583,000**	2,783,000

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, 2019 and 2018
(Expressed in Canadian dollars)

	Common shares[1]	Capital Stock	Equity reserve	AOCI(L)[2]	Deficit	Total
	#	$	$	$	$	$
Balance, September 30, 2017	**7,829,853**	**58,878,194**	**5,777,658**	**-**	**(42,404,838)**	**22,251,014**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	570,917	2,255,363	-	-	-	2,255,363
- Exercise of options	4,000	23,129	(9,929)	-	-	13,200
Share issuance costs	-	(67,418)	-	-	-	(67,418)
Exploration and evaluation asset acquisition	93,290	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	**8,498,060**	**61,180,901**	**6,711,200**	**(400,920)**	**(45,691,991)**	**21,799,190**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	2,020,000	1,010,000	-	-	-	1,010,000
Share issuance costs	-	(6,552)	-	-	-	(6,552)
Exercise of RSUs	106,082	355,377	(355,377)	-	-	-
Exploration and evaluation asset acquisition	37,000	32,000	-	-	-	32,000
Share-based compensation – stock options	-	-	41,998	-	-	41,998
Share-based compensation – RSUs	-	-	838,985	-	-	838,985
Comprehensive loss for the year	-	-	-	46,925	(1,996,753)	(1,949,828)
Balance, September 30, 2019	**10,661,142**	**62,571,726**	**7,236,806**	**(353,995)**	**(47,688,744)**	**21,765,793**

1 Post 10:1 share consolidation (Notes 1 and 12(b))

2 AOCI(L): Accumulated other comprehensive income (loss)

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.

On July 4, 2019, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share (the "Consolidation"). All references to share and per share amounts in these financial statements have been retroactively restated to reflect the Consolidation (Note 12).

2. Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 23, 2020.

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) Future reclamation costs
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, no liabilities for future reclamation cost need to be recognised by the Company.

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 of disposal and 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. Cancellations implemented by the Company, which are not forfeitures, result in an accelerated recognition of share-based compensation for the unrecognized expense associated with the cancelled options.

Restricted Share Units
The fair value of equity-settled 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. Cancellations implemented by the Company, which are not forfeitures, result in an accelerated recognition of share-based compensation for the unrecognized expense associated with the cancelled RSUs.

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 qualifying 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. The fair value of warrants issued as part flow through units are valued using the residual value method.

k) Financial instruments

Recognition and Classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

Effective October 1, 2018, 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 classified its marketable securities as FVTOCI.

Measurement

Financial assets at FVTOCI

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

<u>Financial assets and liabilities at amortized cost</u>

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.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. 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 the statements of net (loss) income in the year 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 the statements of net (loss) income, 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 the statements of net (loss) income. 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.

4. New and future accounting standards and pronouncements

a) New accounting standards adopted during the year

Effective October 1, 2018, the Company adopted the requirements of IFRS 9 - Financial Instruments ("IFRS 9"). IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39").

The Company's new accounting policy for financial instruments under IFRS 9 is disclosed in Note 3k).

(Expressed in Canadian dollars)

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:

	Original classification IAS 39	**New classification IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	FVTOCI
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.

The Company did not restate prior year as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on August 1, 2018.

b) Future accounting standards and pronouncements

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.

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.

(Expressed in Canadian dollars)

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, 2019 and 2018 and identified impairment indicators resulting in the write-off of certain exploration and evaluation assets (Note 9).

b) Significant estimates
Other than as noted below, 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.

Share-based payments

The Company uses the fair-value method of accounting for share-based payments related to incentive stock options and compensation warrants granted, modified or settled. Under this method, compensation cost attributable to options granted is measured at fair value, using the Black-Scholes option pricing model, at the grant date and expensed over the vesting period. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options, and an estimated risk-free interest rate.

6. Receivables

	September 30, 2019	**September 30, 2018**
	$	**$**
GST receivable	**12,872**	97,050
Interest receivable	**5,214**	7,184
	18,086	104,234

(Expressed in Canadian dollars)

7. Marketable securities

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.

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.

During the year ended September 30, 2019, the Company sold the remaining 514,000 shares of LION for proceeds of $108,605 and accordingly, the Company realized a cumulative loss on sale of marketable securities of $353,995. The changes in fair value, to the date of sale, of the marketable securities for the year ended September 30, 2019 was a gain of $46,925.

8. Property and equipment

	Equipment	Office Furniture	Computer Equipment	Building	Total
	$	$	$	$	$
Cost					
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
Additions	5,650	-	-	-	5,650
Balance, September 30, 2019	**123,230**	**8,868**	**91,150**	**163,592**	**386,840**
Accumulated depreciation					
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
Depreciation	7,157	662	10,807	6,300	24,926
Balance, September 30, 2019	**101,607**	**6,221**	**65,934**	**12,392**	**186,154**
Net book value					
September 30, 2018	23,130	3,309	36,023	157,500	219,962
September 30, 2019	**21,623**	**2,647**	**25,216**	**151,200**	**200,686**

(Expressed in Canadian dollars)

9. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	$	$	$	$	$	$
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**
Acquisition	-	-	12,500	12,500	32,000	57,000
Assaying	496	-	44,166	-	-	44,662
Camp costs	22,302	-	17,501	7,427	-	47,230
Consulting	7,847	-	20,575	4,477	-	32,899
Drilling	-	-	153,773	-	-	153,773
Geologists	5,821	-	78,418	-	-	84,239
Geophysical	164,765	1,488	119,724	-	-	285,977
Other	-	-	2,600	-	-	2,600
Permitting	5,135	31,515	17,570	3,200	1,150	58,570
Recovery	-	-	(33,300)	-	-	(33,300)
Share-based compensation	4,955	-	20,493	-	-	25,448
	211,321	33,003	454,020	27,604	33,150	759,098
Write-off of exploration and evaluation assets	-	-	-	-	(157,253)	(157,253)
September 30, 2019	**13,389,025**	**694,763**	**3,383,427**	**1,044,297**	**223,613**	**18,735,125**

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 30,000 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 25,000 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 25,000 common shares at a fair value of $60,000)
(iv) $25,000 in cash on or before the third anniversary (paid)

Consideration for the exploration data is to be as follows:

(i) $100,000 cash (paid)
(ii) $150,000 in cash or common shares (issued 30,000 common shares at a fair value of $129,000)
(iii) $50,000 cash on or before the first anniversary (paid)

Flin Flon Area

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

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

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

Big Island project
On March 20, 2017 the Company acquired a 100% interest in the Tara Lake VMS Deposit ("Big Island Project") near the Flin Flon Project. During the year ended September 30, 2018, the Company decided that it would no longer pursue 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, 2018, the Company received $359,534 from the Government of Manitoba for the 2016 and 2017 MEAP. During the year ended September 30, 2019, the Company did not receive additional assistance from the Government of Manitoba.

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 21,645 common shares at a fair value of $63,853)
(iii) $200,000 in cash or common shares on the second anniversary (issued 43,290 common shares at a 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 21,645 common shares at a fair value of $63,853)

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, Herblet Lake property and the Island Lake properties.

<u>Neuron Graphite Project</u>

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). 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. On October 25, 2019 the option agreement was amended to extend the share issuance deadline to October 27, 2020, in consideration for which LION will issue the Company an additional 250,000 common shares of LION. 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. During the year ended September 30, 2019 the Company wrote down the carrying value of the Neuron property by $157,253 (2018 - $nil).

<u>Headway Project</u>

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 25,000 common shares of the Company (issued on closing at a 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.

(Expressed in Canadian dollars)

Headway North claim

During the year ended September 30, 2019, the Company closed a purchase agreement to acquire the Headway North claim, expanding the Company's Headway Project. In consideration, the Company issued 12,000 common shares of the Company at a deemed price of $1.00 per common share or $12,000.

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

10. Accounts payable and accrued liabilities

	September 30, 2019	September 30, 2018
	$	**$**
Accounts payable	**128,455**	292,460
Accrued liabilities	**42,934**	42,933
	171,389	335,393

11. Flow-through premium liability

The flow-through premium liability balance as at September 30, 2019 of $11,653 (December 31, 2018 - $74,141) arose in connection with the flow-through share offering the Company completed on February 26, 2018. 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, 2019, the Company had incurred approximately $2,167,145 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of $62,488 during the year ended September 30, 2019 (2018 - $154,226).

12. Share capital

a) Authorized:
Unlimited common shares with no par value

b) Consolidation
On July 4, 2019, the Company consolidated its issued and outstanding common shares on the basis of 10 pre-consolidation shares for one post-consolidation share. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the Consolidation.

c) Financings:
During the year ended September 30, 2019, the Company completed the following financing:

i) On September 26, 2019, the Company issued 2,020,000 flow-through share units at a price of $0.50 per share for gross proceeds of $1,010,000. Each flow-through share unit consists of one flow-through common share and one half of one share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $1.00 per share for a two year term. The Company incurred cash issuance costs of $6,552 in respect of this placement. No flow through premium was recorded in relation to this financing.

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

ii) 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).

d) 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 1,565,974.

The maximum number of common shares reserved for issue (i) at any time and (ii) issued within any one year period to any one person under the plan (except as noted below) may exceed 5% of the issued and outstanding number of common shares at the date of the grant; the maximum number of common shares issuable to any one person under the plan (except as noted below) may exceed 10% 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. Pursuant to the RSU Plan, there are no mandatory vesting provisions. At the discretion of the Board (or a committee thereof), RSUs granted under the RSU Plan may contain vesting conditions.

During the year ended September 30, 2019, as part of an annual review of its equity compensation plans, the Company cancelled its RSU plan and all outstanding RSUs that were granted under the RSU Plan.

The balance of options outstanding and related information for the year ended September 30, 2019 are as follows:

(Expressed in Canadian dollars)

	Number of options[1]	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2017	738,000	$3.40	3.28
Granted	105,000	$3.00	
Exercised	(4,000)	$3.33	
Forfeited	(19,500)	$3.33	
Expired	(140,000)	$3.33	
Balance September 30, 2018	624,500	$3.40	2.37
Granted	565,000	$0.50	
Forfeited	(90,000)	$3.44	
Expired	(152,500)	$3.06	
Balance September 30, 2019	947,000	$1.70	3.72
Unvested	(565,000)	$0.50	4.95
Exercisable, September 30, 2019	**382,000**	**$3.47**	**1.91**

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

For the year ended September 30, 2019, the Company recorded share-based compensation expense, arising from options, of $41,998 (2018 - $189,092) of which $25,448 was allocated to exploration and evaluation assets (2018 - $49,024).

The weighted average fair value of the options granted during the year ended September 30, 2019 was $0.39 (2018 - $0.16). 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:

(Expressed in Canadian dollars)

	2019	2018
Risk free interest rate	1.45%	1.60%
Expected life	5.00 years	4.27 years
Expected volatility	103%	82%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted.

The balance of options outstanding as at September 30, 2019 was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding[1]	Unvested[1]	Vested[1]
May 14, 2020	$2.90	0.62	15,000	-	15,000
December 18, 2020	$3.30	1.22	104,500	-	104,500
August 8, 2021	$3.80	1.86	147,500	-	147,500
December 12, 2021	$6.00	2.20	10,000	-	10,000
September 6, 2022	$3.30	5.87	10,000	-	10,000
November 10, 2022	$3.70	3.12	30,000	-	30,000
June 29, 2021	$2.50	1.75	35,000	-	35,000
July 9, 2023	$2.90	3.78	30,000	-	30,000
September 9, 2024	$0.50	4.95	565,000	565,000	-
			947,000	**565,000**	**382,000**

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

(Expressed in Canadian dollars)

The balance of RSUs outstanding and related information for the year ended September 30, 2019 are as follows:

	Number of RSUs[1]
Balance September 30, 2017	-
Granted	728,500
Exercised	-
Forfeited	(58,500)
Balance September 30, 2018	670,000
Cancelled	(429,250)
Exercised	(106,083)
Forfeited	(134,667)
Balance September 30, 2019	**-**

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

On October 26, 2017, the Company granted a total of 728,500 RSUs to the CEO, the VP of Corporate Development and the VP of Exploration. During the year ended September 30, 2018, 58,500 RSUs granted to the VP of Exploration were forfeited. The remaining 670,000 RSUs vested as to 5,583 RSUs per month for the first three years with the remaining 474,585 RSUs vesting at the option of the holder on October 1, 2020. If the holder did not elect to early vest the RSUs, the RSUs would continue to vest as to 5,583 RSUs per month until October 1, 2027.

The weighted average fair value of the RSUs granted during the year ended September 30, 2018 was $3.35 based on the closing stock price on the date of grant.

For the year ended September 30, 2019, the Company recorded share-based compensation expense, arising from RSUs, of $838,985 (2018 - $954,379) in respect of RSUs.

During the year ended September 30, 2019, 106,083 RSUs granted to the VP of Corporate Development were forfeited resulting in reversal of $259,178 in unvested portions of the share-based compensation previously expensed and 429,250 RSUs granted to the CEO were cancelled resulting in accelerated vesting of $611,858 in share-based compensation as a result of the Company cancelling the RSUs.

(Expressed in Canadian dollars)

d) Share purchase warrants
The balance of warrants outstanding and related information for the years ended September 30, 2019 and 2018 are as follows:

	Number of warrants[1]	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2017 and 2018	402,500	$7.50	1.15
Issued	1,010,000	$1.00	
Balance September 30, 2019	1,412,500	$2.85	1.47
Exercisable, September 30, 2019	**1,412,500**	**$2.85**	**1.47**

1 Post 10:1 share consolidation (Notes 1 and 12 (b))

The balance of warrants outstanding as at September 30, 2019 was as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants Outstanding[1]	Unvested[1]	Vested[1]
November 22, 2019	$7.50	0.15	402,500	-	402,500
September 26, 2021	$1.00	1.99	1,010,000	-	1,010,000
			1,412,500	**-**	**1,412,500**

(Expressed in Canadian dollars)

e) Equity reserve

	Funding by Callinan	Options, RSUs and warrants	Other	Total
	$	$		$
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
Transfer of value on the exercise of RSUs	-	(355,377)	-	(355,377)
Share-based compensation – stock options	-	41,998	-	41,998
Share-based compensation – RSUs	-	838,985	-	838,985
September 30, 2019	**2,660,523**	**4,576,283**	**-**	**7,236,806**

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, 2019 and 2018 was as follows:

	2019	2018
	$	$
Professional fees	**30,178**	27,810
Management and consulting	**250,116**	503,216
Geological consulting	**-**	37,500
Share-based compensation	**842,679**	991,155
	1,122,973	1,559,681

During the year ended September 30, 2019 the Company incurred professional fees of $30,879 (2018 - $30,837) for the provision of accounting support services charged by a company controlled by the Chief Financial Officer of the Company.

Included in accounts payable and accrued liabilities at September 30, 2019 are amounts due to related parties of $9,223 (September 30, 2018 - $nil) owing to the Chief Executive Officer and to a company controlled by the Chief Financial Officer. These amounts are non-interest bearing and due on normal commercial terms.

(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:

	2019	**2018**
Statutory tax rate	**27%**	**27%**
	$	**$**
Loss for the year before taxes	(1,996,753)	(3,287,153)
Expected income tax recovery at statutory rate	(539,123)	(879,313)
Add (deduct)reconciling items:		
(Recognition) / non-recognition of tax losses	88,819	302,305
Permanent differences and other	332,700	164,455
Impact of flow through expenditures	117,605	412,553
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, 2019 and 2018 are as follows:

	2019	**2018**
	$	**$**
Deferred tax assets:		
Equipment	9,000	15,000
Share issue costs	58,000	87,000
Capital loss carry forward and other	95,000	60,000
Non-capital losses carried forward	3,354,000	3,146,000
Deferred tax assets	3,516,000	3,308,000
Deferred tax liabilities:		
Exploration and evaluation assets	(2,658,000)	(2,576,000)
Marketable securities	-	54,124
Deferred tax liabilities	(2,658,000)	(2,521,876)
Unrecognized net deferred tax assets	858,000	786,124

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, 2019, the Company has an estimated $12,422,000 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 – 2039.

(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	1,829,000
2039	1,188,000
	12,422,000

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 amortized cost. Marketable securities are designated as FVTOCI. The accounts payable and accrued liabilities are designated as amortized cost.

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, 2019, the Company had a cash balance of $2,880,132 to settle current liabilities of $183,042 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.

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, 2019.

(Expressed in Canadian dollars)

17. Supplemental cash flow information

Other cash flow information relating to operating activities is presented below:

	2019	2018
	$	$
Cash received for interest	**36,443**	34,585
Cash paid for taxes	**-**	-

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the years ended September 30, 2019 and 2018, the following transactions were excluded from the statements of cash flows:

	2019	2018
	$	**$**
Non-cash investing and financing transactions		
Share-based compensation included in exploration and evaluation assets	**25,448**	49,024
Shares issued for mineral property option agreements	**29,600**	320,000
Shares received for mineral property option agreements	**-**	810,000
Non-cash exercise of RSUs	**(355,377)**	-
Transfer of value on the exercise of options	**-**	-
Exploration and evaluation recovery included in accounts receivable	**-**	158,890
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	**(252,344)**	-

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 commitments are as follows:

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

On October 25, 2019 the Company amended the option agreement with LION extending the deadline for issuance of 1 million common shares of LION to the Company from October 27, 2019 to October 27, 2020. In consideration for agreeing to the extended deadline, LION has agreed to issue the Company an additional 250,000 common shares of LION.