MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2019 ("MD&A") has been prepared as of January 24, 2020. It should be read in conjunction with the audited financial statements of Callinex Mines Inc. for the year ended September 30, 2019.

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. 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 shares (the "Consolidation"). All references to share and per share amounts in this MD&A have been retroactively restated to reflect the Consolidation.

### Operational Highlights and Outlook

- Commenced an Induced Polarization ("IP") survey at the Nash Creek Project in New Brunswick and announced the preliminary results from the survey. These results outlined a significant target that spans 1900m by 400m and compares favourably to the IP signature associated with 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. The acquisition of the Headway Deposit fits well with the Company's existing project portfolio in the Bathurst Mining District.

- 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.

- Commenced a deep penetrating IP survey at the Pine Bay Project to detect pyrite-rich mineralization that may host high-grade copper, zinc, gold and silver up to depths of 580m along three favourable volcanogenic massive sulphide ("VMS") horizons. Along with this survey, Callinex completed a re-interpretation of existing Deep Penetrating Electromagnetics (DPEM) geophysical survey data, physical rock properties testing and a compilation of historic drill data. These collective efforts generated four key target areas that have the potential to host base and precious metals-rich VMS deposits.

- Executed a purchase agreement to acquire the Headway North claim, which hosts the Pabineau Deposit, that significantly expands the Company's Headway Project. The acquisition further solidifies a land package that covers approximately 4 km of strike length along the prolific Brunswick Horizon and encircled by mineral rights held by Glencore and Osisko Mining. Previous exploration has identified three high-priority drill targets and several untested near-surface electromagnetic anomalies.

- Consolidated its issued and outstanding common shares at a ratio of ten (10) pre-consolidated shares to one (1) post-consolidation share. The purpose of the Consolidation is to facilitate the Company's ability to attract future financings and generate greater investor interest.

- Closed a non-brokered private placement financing to issue 2,020,000 flow-through share units at a price per share of $0.50 for gross proceeds of $1.1 million. Each flow through share unit represents one flow through share and one half of a non-flow through share purchase warrant.

Following the share consolidation and closing of the non-brokered private placement financing, Callinex has sufficient funds and a favourable share structure to carry out its exploration campaigns into 2020. Accordingly, the Company has commenced two ongoing drilling campaigns at its Nash Creek and Superjack projects in the Bathurst Mining District of New Brunswick and at its Pine Bay Project in the Flin Flon Mining District of Manitoba.

Exploration commenced a the Pine Bay project, with the drill campaign to drill some 3,000m at the project, drill testing four of ten newly identified target areas that have the potential to host a high-grade zinc, copper, gold and silver-rich VMS deposits. New drill target areas are supported by recently completed IP and magnetic survey results along favourable geologic trends, reinterpretation of DPEM data, physical rock property testing and compilation of recent and historic drilling.

In the Bathurst Mining District of New Brunswick, exploration efforts continue with up to 20 planned drill holes at the Nash Creek and Superjack projects. These targets were identified utilizing the IP survey and an airborne Versatile Time Domain Electromagnetic ("VTEM") geophysical survey from 2006. Making discoveries at both projects holds the potential to enhance the economics from the maiden Preliminary Economic Assessment ("PEA") that was published in 2018.

## EXPLORATION PROGRAMS AND EXPENDITURES

During the year ended September 30, 2019, the Company incurred deferred acquisition and exploration expenditures of $759,098 (2018 - $3,358,709). The majority of the expenditures relate to the Nash Creek project.

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

| | 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

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, respectively, 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 continued significant exploration programs including diamond drilling.

**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 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 2020 including geophysical surveys and diamond drilling.

**Big Island**

Callinex had an option to acquire a 100% interest in the Big Island Project located 10km 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). 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 20 km 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).

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 25,000 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.

*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.

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

## SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited financial information of the Company as at and for the years ended September 30, 2019, 2018 and 2017.

| | **2019 ($)** | **2018 ($)** | **2017 ($)** |
|---|---|---|---|
| Total Revenues | - | - | - |
| Loss for the year | (1,996,753) | (3,287,153) | (2,021,142) |
| Total comprehensive loss for the year | (1,949,828) | (3,688,073) | (2,021,142) |
| Loss Per Share (basic and diluted)[1] | (0.23) | (0.40) | (0.27) |
| Total Assets | 21,948,834 | 22,208,724 | 22,760,732 |
| Long Term Debt | - | - | - |
| Dividends Declared | - | - | - |

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

The loss was lower in the year ended September 30, 2019 due to lower write off of exploration and evaluation assets of $157,253 (2018 - $417,794), decreased corporate development expenses of $213,959 (2018 - $572,712), decreased management and consulting fees of $310,310 (2018 - $540,197), and decreased share-based compensation related to the accelerated vesting of Restricted Share Units of $838,985 (2018 vesting of RSU - $954,379).

The total assets were higher in the years ended September 30, 2018 and September 30, 2017 due to gross proceeds received from the equity financings of $2,255,363 and $7,435,001, respectively.

## QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2019.

| Three months ended | September 30, 2019 $ | June 30, 2019 $ | March 31, 2019 $ | December 31, 2018 $ |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| Loss for the period | (415,197) | (690,439) | (382,375) | (508,742) |
| Total comprehensive loss for the period | (415,197) | (690,439) | (304,610) | (539,582) |
| Loss per share (basic and diluted)(1)(2) | (0.05) | (0.08) | (0.04) | (0.06) |

| Three months ended | September 30, 2018 $ | June 30, 2018 $ | March 31, 2018 $ | December 31, 2017 $ |
|---|---|---|---|---|
| Revenues | - | - | - | - |
| Loss for the period | (486,333) | (794,944) | (1,293,240) | (712,636) |
| Total comprehensive loss for the period | (550,583) | (661,614) | (1,263,240) | (1,212,636) |
| Loss per share (basic and diluted)(1)(2) | (0.06) | (0.09) | (0.16) | (0.09) |

(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.
(2) Post 10:1 share consolidation.

The loss for the quarter ended June 30, 2019 was higher compared to other quarters due to the share-based compensation of $465,448 relating, primarily, to the accelerated vesting of Restricted Share Units cancelled during the quarter.

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 $259,744 of share-based compensation related to the vesting of Restricted Share Units.

The total 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

During the year ended September 30, 2019, the Company reported a loss of $1,966,753 and a loss per share of $0.21 (2018 – loss of $3,287,153 and $0.40 loss per share).

| | **2019 ($)** | **2018 ($)** |
|---|---|---|
| General and administrative expenses | (1,080,926) | (1,716,642) |
| Share-based compensation | (855,535) | (1,094,447) |
| Finance income | 34,473 | 34,675 |
| Flow-through premium recovery | 62,488 | 154,226 |
| Realized loss on sale of marketable securities | - | (247,171) |
| Write-off of exploration and evaluation assets | (157,253) | (417,794) |
| Loss for the year | (1,996,753) | (3,287,153) |

The general and administrative expenses decreased during the year ended September 30, 2019 compared to the comparable period. The most significant general and administrative expenses were with respect to the following:

(i) Corporate development - $213,959 (2018 - $572,712)
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 year.

(ii) Management and consulting fees - $310,310 (2018 - $540,197)
These include fees paid to the Company's senior executives and employees. During 2019, there was a reduction in the number of employees compared with 2018. Further, during the 2018 period, management received bonuses totaling $160,000 that were reinvested into the Company via a private placement.

(iii) Share-based compensation expense of $855,535 (2018 - $1,094,447)
This non-cash expense relates primarily to the vesting of Restricted Share Units ("RSUs") granted to the CEO and the VP of Corporate Development as well as for options granted to executives, directors and consultants. During 2019 the RSU plan was terminated resulting in a non-cash accelerated recognition of share-based compensation expense of $611,858 (2018 - $nil), pertaining to the RSUs granted to the CEO, offset by a reversal of $114,837 (2018 - $nil) of previously recognized share-based compensation pertaining to RSUs granted to the VP of Corporate Development which were unvested and forfeited upon his departure from the Company.

**Three months ended September 30, 2019**

During the three months ended September 30, 2019, the Company reported a loss of $415,197 and a loss per share of $0.05 (2018 – loss of $486,333 and $0.06 loss per share).

| | 2019 ($) | 2018 ($) |
|---|---|---|
| General and administrative expenses | (288,414) | (307,924) |
| Share-based compensation | 1,627 | (272,063) |
| Finance income | 11,540 | 10,381 |
| Flow-through premium recovery | 17,303 | 83,273 |
| Realized loss on sale of marketable securities | - | - |
| Write-off of exploration and evaluation assets | (157,253) | - |
| Loss for the period | (415,197) | (486,333) |

The general and administrative expenses decreased during the three months ended September 30, 2019 compared to the comparable period. The most significant general and administrative expenses were with respect to the following:

(i) Corporate development - $51,688 (2018 - $84,556)
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 - $58,062 (2018 - $87,474)
These include fees paid to the Company's senior executives and employees. The decrease is due to less salaries being paid out as a result of the resignation of a senior executive during the current year.

(iii) Share-based compensation expense (recovery) – ($1,627) (2018 - $272,063)
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. The decrease is a result of cancellation of RSUs in May 2019 and the options granted during the period are unvested.

**FINANCING ACTIVITIES**

On September 26, 2019, the Company issued 2,020,000 flow-through units at a price of $0.50 per share for gross proceeds of $1,010,000. Each flow-through 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 non-flow through 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.

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

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 September 30, 2019 the Company had cash on hand of $2,880,132 compared to $3,501,403 as at September 30, 2018. The net decrease in cash for the year is due to the Company's cash used in operating activities ($810,122) and investing activities ($814,597) offset by the Company raising $1,010,000 of gross proceeds through a private placement.

As at September 30, 2019 the Company had working capital of $2,801,789 (September 30, 2018 - $3,417,956) and no long-term debt.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, marketable securities, and accounts payable and accrued liabilities. The Company's cash and cash equivalents, receivables and deposits are measured at amortized cost. Marketable securities are designated as FVTOCI. The accounts payable and accrued liabilities are measured at 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.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company's receivables consist mainly of input tax credits receivable due from the Government of Canada and mineral exploration assistance program receivable from the Government of Manitoba. The Company does not believe it is exposed to significant credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management as outlined in Note 16 to the financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities have contractual maturities of 30 days or are payable on demand, and are subject to normal trade terms. As at September 30, 2019, the Company had a cash balance of $2,880,132 to settle current liabilities of $183,041 which is sufficient to cover funding requirements for administrative operations as currently planned for at least the next twelve months.

**Market risk**
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the price of publicly traded marketable securities.

a) Interest rate risk
The Company has cash balances and no interest-bearing debt liabilities. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions. The short-term deposit certificates are cashable on demand.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks.

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

## RELATED PARTY TRANSACTIONS

Compensation paid or payable to the Company's Board of Directors and corporate officers for services provided during the three and year ended September 30, 2019 and 2018 was as follows:

| | 2019 | 2018 |
|---|---|---|
| | **$** | **$** |
| Professional fees[1] | **30,178** | 27,810 |
| Management and consulting[2] | **250,116** | 503,216 |
| Geological consulting[3] | **-** | 37,500 |
| Share-based compensation | **842,679** | 991,155 |
| | **1,122,973** | 1,559,681 |

(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 controlled 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 former VP of Corporate Development, Jordan Butler (resigned May 31, 2019), and a former Director, Mike Muzylowski (retired June 3, 2019). 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 year's 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.

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 Malaspina Consultants Inc., 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 Max Porterfield, the Chief Executive Officer, and to Malaspina Consultants Inc., a company controlled by the Chief Financial Officer. These amounts are non-interest bearing and due on normal commercial terms

## 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 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. 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:

| | Original classification IAS 39 | New classification IFRS 9 |
|---|---:|---:|
| 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

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.

## 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, stock options and warrants that are convertible into common shares as of January 23, 2020:

| | |
|---|---|
| Issued and outstanding common shares(1) | 10,661,142 |
| Share options(1) with a weighted average exercise price of $1.70 | 947,000 |
| Share purchase warrants(1) with a weighted average exercise price of $1.00 | 1,010,000 |
| **Fully Diluted** | **12,618,142** |

(1) Post 10:1 share consolidation.

## RISKS AND UNCERTAINTIES

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

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, First

Nations consultation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

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

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

## DISCLOSURE CONTROLS AND PROCEDURES

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

## FORWARD LOOKING STATEMENTS

Certain of the statements made herein may constitute "forward-looking statements" or contain "forward-looking information" within the meaning of applicable Canadian securities laws. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the potential for additional mineralization at the Company's properties, the timelines to complete the Company's exploration programs, timing for permit applications, timing for new resource estimates, timing to complete technical reports, forecasts for exploration expenditures, estimates of future administrative costs and statements about the Company's future development of its properties. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mine exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the potential for unexpected costs and expenses and commodity price; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the MD&A.

Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long-term price of commodities; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements or information, except as may be required by applicable law.

## OTHER INFORMATION

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