

# **CALLINEX MINES INC.**

**Financial Statements  
Three months ended December 31, 2019 and 2018**

*(Unaudited - Expressed in Canadian dollars)*

## **Notice of no Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# CALLINEX MINES INC.

Statements of Financial Position  
As at December 31, 2019 and 2018  
(Unaudited - Expressed in Canadian dollars)

	Note	December 31, 2019	September 30, 2019
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		2,269,794	2,880,132
Receivables	5	78,754	18,086
Prepaid expenses and other assets		93,443	86,613
		2,441,991	2,984,831
Non-current			
Deposits		28,192	28,192
Property and equipment	7	363,769	200,686
Exploration and evaluation assets	8	19,489,944	18,735,125
		22,323,896	21,948,834
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	9	609,135	171,388
Lease obligations	10	32,592	-
Flow-through premium liability	11	-	11,653
		641,727	183,041
Lease obligations	10	136,619	-
		778,346	183,041
<b>Shareholders' Equity</b>			
Capital stock	12	62,571,726	62,571,726
Equity reserve	12(f)	7,307,125	7,236,806
Accumulated other comprehensive loss		(353,995)	(353,995)
Deficit		(47,979,306)	(47,688,744)
		21,545,550	21,765,793
		22,323,896	21,948,834

Commitments – Note 15

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  
Three months ended December 31, 2019 and 2018  
(Unaudited - Expressed in Canadian dollars)

	Note	2019	2018
		\$	\$
Corporate development		43,057	90,005
Depreciation	7	16,129	6,177
Listing and filing fees		10,041	16,463
Lease finance charges	10	5,759	-
Management and consulting fees	13	69,613	90,229
Office and administration		71,231	105,409
Professional fees	13	27,158	20,726
Share-based compensation	12(d), 13	66,435	206,860
		(309,423)	(535,869)
Finance income		7,208	8,196
Flow-through premium recovery	11	11,653	18,931
<b>Loss for the period</b>		<b>(290,562)</b>	<b>(508,742)</b>
<b>Items that will not be reclassified subsequently to loss:</b>			
Realized loss on sale of marketable securities	6	-	(30,840)
Transfer from unrealized loss to realized loss on sale of marketable securities	6	-	-
<b>Comprehensive income (loss) for the period</b>		<b>-</b>	<b>(30,840)</b>
<b>Total comprehensive loss for the period</b>		<b>(290,562)</b>	<b>(539,582)</b>
<b>Loss per share</b>			
- Basic and diluted		<b>(0.03)</b>	<b>(0.06)</b>
<b>Weighted average number of shares outstanding<sup>1</sup></b>			
- Basic and diluted		<b>10,661,142</b>	<b>8,504,159</b>

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

Three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	2019	2018
	\$	\$
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Loss for the period	(290,562)	(508,742)
Items not affecting cash		
Depreciation	16,129	6,177
Share-based compensation	66,435	206,860
Lease finance charges	5,759	-
Finance income	(7,208)	-
Flow-through premium recovery	(11,653)	(18,931)
Net change in non-cash working capital items		
Receivables	-	69,688
Prepaid expenses	(6,830)	106,494
Accounts payable and accrued liabilities	(72,562)	1,029
	(300,492)	(137,425)
<b>Investing activities</b>		
Investment in exploration and evaluation assets	(298,797)	(447,681)
Receipt of finance income	4,711	-
Acquisition of property and equipment	-	-
	(294,086)	(447,681)
<b>Financing activities</b>		
Lease payments	(15,760)	-
	(15,760)	-
<b>(Decrease) in cash and cash equivalents</b>	<b>(610,338)</b>	<b>(585,106)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,880,132</b>	<b>3,501,403</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,269,794</b>	<b>2,916,297</b>
Cash and cash equivalents consist of:		
Cash	399,371	133,297
Cash equivalents	1,870,423	2,783,000

Supplemental Cash Flow Information – Note 14

*The accompanying notes are an integral part of these financial statements*

## CALLINEX MINES INC.

### Statements of Changes in Equity

Three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

	Common shares <sup>1</sup>	Capital Stock	Equity reserve	AOCI(L) <sup>2</sup>	Deficit	Total
	#	\$	\$	\$	\$	\$
<b>Balance, September 30, 2018</b>	<b>8,498,060</b>	<b>61,180,901</b>	<b>6,711,200</b>	<b>(400,920)</b>	<b>(45,691,991)</b>	<b>21,799,190</b>
Shares issued in consideration for:	-	-	-	-	-	-
Exercise of RSU	59,500	199,325	(199,325)	-	-	-
Exploration and evaluation asset acquisition	25,000	20,000	-	-	-	20,000
Share-based compensation - stock options	-	-	22,822	-	-	22,822
Share-based compensation - RSU's	-	-	193,739	-	-	193,739
Comprehensive loss for the period	-	-	-	(30,840)	(508,742)	(539,582)
<b>Balance, December 31, 2018</b>	<b>8,582,560</b>	<b>61,400,226</b>	<b>6,728,436</b>	<b>(431,760)</b>	<b>(46,200,733)</b>	<b>21,496,169</b>
Shares issued in consideration for:						
- Private placement	2,020,000	1,010,000	-	-	-	1,010,000
Exercise of RSU	46,582	156,052	(156,052)	-	-	-
Share issuance costs	-	(6,552)	-	-	-	(6,552)
Exploration and evaluation asset acquisition	12,000	12,000	-	-	-	12,000
Share-based compensation – stock options	-	-	19,176	-	-	19,176
Share-based compensation – RSUs	-	-	645,246	-	-	645,246
Comprehensive loss for the period	-	-	-	77,765	(1,488,011)	(1,410,246)
<b>Balance, September 30, 2019</b>	<b>10,661,142</b>	<b>62,571,726</b>	<b>7,236,806</b>	<b>(353,995)</b>	<b>(47,688,744)</b>	<b>21,765,793</b>
Share-based compensation – stock options	-	-	70,319	-	-	70,319
Comprehensive loss for the period	-	-	-	-	(290,562)	(290,562)
<b>Balance, December 31, 2019</b>	<b>10,661,142</b>	<b>62,571,726</b>	<b>7,307,125</b>	<b>(353,995)</b>	<b>(47,979,306)</b>	<b>21,545,550</b>

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

# **CALLINEX MINES INC.**

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

---

## **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**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018 which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these interim condensed financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements for the year ended September 30, 2019 except for the adoption of IFRS 6 - Leases.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

These condensed interim financial statements were approved by the board of directors for use on February 27, 2020.

## **3. New and future accounting standards and pronouncements**

### **a) New accounting standards adopted during the year**

Effective October 1, 2019 the following standard was adopted by the Company.

#### **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.

## **CALLINEX MINES INC.**

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

---

The primary lease which is subject to the requirements of IFRS-16 is the Company's lease of office premises. The Company adopted IFRS-16 effective October 1, 2019, and has elected not to apply this Standard to contracts that were not previously identified as containing a lease. IFRS-16 permits a choice that, upon adoption of IFRS-16, enables the Company to apply the standard retrospectively on a modified basis, which requires that the Company shall not restate comparative information, but instead shall recognise the cumulative effect of initially applying IFRS-16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. In applying this form of retrospective application, the Company is required to:

- (a) recognise a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Company shall measure that lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application.
- (b) recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Company chose, as permitted by IFRS-16 to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

As there were no accrued or prepaid lease amounts the initial carrying value of the lease obligations and right of use asset were recorded at the initial value of \$179,212. The Company's right of use asset is the office rental asset and is presented within property and equipment (Note 7).

The following is the Company's accounting policy for right-of-use assets and leases under IFRS-16:

### *Right of Use Assets (Leases)*

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.



# CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

---

## b) Future accounting standards issued but not yet effective

### IAS 1 – Presentation of financial statements and IAS 8 - Accounting policies, changes in accounting estimates and errors

The amendments to these standards specify a new definition of materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

These amendments to IAS 1 and IAS 8 were issued in October 2018 and will be effective for the Company, on a prospective basis, for the fiscal year beginning October 1, 2020.

## 4. Critical accounting estimates and judgments

There have been no material revisions to the nature of judgements and amount of changes in estimates reported in the company's September 30, 2019 annual financial statements, other than estimating the incremental borrowing rate inherent in the office premises lease (Note 3).

### *Leases: incremental borrowing rates*

Management is required to estimate the Company's incremental borrowing rate. This rate is used to discount the future lease cash flows to determine the carrying value of the lease liability. Management estimates its incremental borrowing rate based on the risk free rate and a credit risk premium for a period commensurate with the term of the lease.

## 5. Receivables

	December 31, 2019	September 30, 2018
	\$	\$
GST receivable	71,043	12,872
Interest receivable	7,711	5,214
	<b>78,754</b>	18,086

## 6. 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.

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

---

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.

### 7. Property and equipment

	Equipment	Office Furniture	Computer Equipment	Building	Office rental asset	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance, September 30, 2019	123,230	8,868	91,150	163,592	-	386,840
Additions	-	-	-	-	179,212	179,212
<b>Balance, December 31, 2019</b>	<b>123,230</b>	<b>8,868</b>	<b>91,150</b>	<b>163,592</b>	<b>179,212</b>	<b>566,052</b>
<b>Accumulated depreciation</b>						
Balance, September 30, 2019	101,607	6,221	65,934	12,392	-	186,154
Depreciation	1,622	132	1,891	1,512	10,972	16,129
<b>Balance, December 31, 2019</b>	<b>103,229</b>	<b>6,353</b>	<b>67,825</b>	<b>13,904</b>	<b>10,972</b>	<b>202,283</b>
<b>Net book value</b>						
September 30, 2019	21,623	2,647	25,216	151,200	-	200,686
<b>December 31, 2019</b>	<b>20,001</b>	<b>2,515</b>	<b>23,325</b>	<b>149,688</b>	<b>168,240</b>	<b>363,769</b>

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### 8. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
<b>September 30, 2019</b>	<b>13,389,025</b>	<b>694,763</b>	<b>3,383,427</b>	<b>1,044,297</b>	<b>223,613</b>	<b>18,735,125</b>
Acquisition	-	-	-	-	-	-
Assaying	-	-	4,291	-	-	4,291
Camp costs	8,451	-	44,313	551	-	53,315
Consulting	9,562	-	8,500	850	-	18,912
Drilling	313,995	-	245,520	-	-	559,515
Geologists	10,229	-	36,735	-	-	46,964
Geophysical	48,026	11,058	8,171	-	-	67,255
Other	-	-	7,583	-	-	7,583
Permitting	-	-	-	-	-	-
Recovery	-	-	(6,900)	-	-	(6,900)
Share-based compensation	1,980	39	1,865	-	-	3,884
	392,243	11,097	350,078	1,401	-	754,819
<b>December 31, 2019</b>	<b>13,781,268</b>	<b>705,860</b>	<b>3,733,505</b>	<b>1,045,698</b>	<b>223,613</b>	<b>19,489,944</b>

#### 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.

## **CALLINEX MINES INC.**

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

---

### 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.

### 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

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

---

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).

### 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 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.

### *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.

## 9. Accounts payable and accrued liabilities

	December 31, 2019	September 30, 2019
	\$	\$
Accounts payable	591,098	128,455
Accrued liabilities	18,037	42,933
	<b>609,135</b>	<b>171,388</b>

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### 10. Lease obligations

The Company recognized lease obligations with respect to the leases for right-of-use assets. The leases are for office space leased by the Company. The Company is required to make monthly payments of approximately \$5,300, with the term of the lease expiring on October 31, 2023. The outstanding balances as at December 31, 2019, calculated using an implied rate of 20% p.a., are as follows:

	December 31, 2019	September 30, 2019
	\$	\$
Office lease asset	169,211	-
Current portion	(32,592)	-
Non-current portion	136,619	-

The following is a schedule of the Company's future minimum lease payments related to the lease obligations:

	December 31, 2019
	\$
2020	63,554
2021	63,554
2022	63,554
2023	52,962
Total minimum lease payments	243,624
Less: imputed interest	(74,413)
Total present value of minimum lease payments	169,211
Less: Current portion	(32,592)
Non-current portion	136,619

### 11. Flow-through premium liability

The flow-through premium liability balance as at December 31, 2019 is \$nil (September 31, 2018 - \$11,653).

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 December 31, 2019, the Company had incurred approximately \$2,283,668 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of \$11,653 during the three months ended December 31, 2019.

### 12. Share capital

#### a) Authorized:

Unlimited common shares with no par value

#### b) Consolidation

## **CALLINEX MINES INC.**

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

*(Unaudited - Expressed in Canadian dollars)*

---

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 period three-month period ended December 31, 2019 the Company did not complete any 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.

### **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.

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

The balance of options outstanding and related information for the three months ended December 31, 2019 are as follows:

	Number of options <sup>1</sup>	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2019	947,000	\$1.70	3.72
Granted	25,000	\$0.50	
Balance December 31, 2019	972,000	\$1.67	3.50
Unvested	(590,000)	\$0.50	4.70
<b>Exercisable, December 31, 2019</b>	<b>382,000</b>	<b>\$3.47</b>	<b>1.66</b>

<sup>1</sup> Post 10:1 share consolidation (Notes 1 and 12 (b))

The balance of options outstanding as at December 31, 2019 was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding <sup>1</sup>	Unvested <sup>1</sup>	Vested <sup>1</sup>
May 14, 2020	\$2.90	0.37	15,000	-	15,000
December 18, 2020	\$3.30	0.97	104,500	-	104,500
August 8, 2021	\$3.80	1.61	147,500	-	147,500
December 12, 2021	\$6.00	1.95	10,000	-	10,000
September 6, 2022	\$3.30	5.37	10,000	-	10,000
November 10, 2022	\$3.70	2.86	30,000	-	30,000
June 29, 2021	\$2.50	1.50	35,000	-	35,000
July 9, 2023	\$2.90	3.52	30,000	-	30,000
September 9, 2024	\$0.50	4.70	570,000	570,000	-
October 14, 2024	\$0.50	4.79	20,000	20,000	-
			<b>972,000</b>	<b>590,000</b>	<b>382,000</b>

<sup>1</sup> Post 10:1 share consolidation (Notes 1 and 12 (b))

For the three months ended December 31, 2019, the company had recorded share-based compensation expense, arising from options, of \$70,319 (2018 – 22,822) of which \$3,884 (2018 -\$9,701) was allocated to exploration and evaluation assets.



## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### e) Share purchase warrants

The balance of warrants outstanding and related information for the three months ended December 31, 2019 are as follows:

	Number of warrants <sup>1</sup>	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2019	1,412,500	\$2.85	1.47
Expired	(402,500)	(\$7.50)	
Balance December 31, 2019	1,010,000	\$1.00	1.74
<b>Exercisable, December 31, 2019</b>	<b>1,010,000</b>	<b>\$1.00</b>	<b>1.74</b>

<sup>1</sup> Post 10:1 share consolidation (Notes 1 and 12 (b))

Expiry date	Exercise price	Remaining life (years)	Warrants		
			Outstanding <sup>1</sup>	Unvested <sup>1</sup>	Vested <sup>1</sup>
September 26, 2021	\$1.00	1.74	1,010,000	-	1,010,000
			<b>1,010,000</b>	<b>-</b>	<b>1,010,000</b>

<sup>1</sup> Post 10:1 share consolidation (Notes 1 and 12 (b))

### f) Equity reserve

	Funding by Callinan	Options, RSUs and warrants	Total
	\$	\$	\$
Balance, September 30, 2019	2,660,523	4,576,283	7,236,806
Transfer of value on the exercise of RSUs	-	-	-
Share-based compensation – stock options	-	67,702	67,702
Share-based compensation – RSUs	-	-	-
<b>Balance, December 31, 2019</b>	<b>2,660,523</b>	<b>4,643,985</b>	<b>7,304,508</b>

## CALLINEX MINES INC.

Notes to the financial statements

For the three months ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian dollars)

### 13. Related party transactions

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

	2019	2018
	\$	\$
Professional fees	7,100	7,693
Management and consulting	54,308	75,375
Geological consulting	-	-
Share-based compensation	39,476	198,628
	100,884	281,696

Professional fees represents fees charged by a company controlled by the Chief Financial Officer of the Company for the provision of CFO services.

During the three months ended December 31, 2019, the Company incurred professional fees of \$17,105 (2018 - \$6,880) 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 December 31, 2019 are amounts due to related parties of \$19,747 (September 30, 2019 - \$9,223) 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.

### 14. Supplemental cash flow information

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

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 three months ended December 31, 2019 and 2018, the following transactions were excluded from the statements of cash flows:

	2019	2018
	\$	\$
<b>Non-cash investing and financing transactions</b>		
Share-based compensation included in exploration and evaluation assets	3,884	9,701
Shares issued for mineral property option agreements	-	20,000
Non-cash exercise of RSUs	-	(199,325)
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	510,309	(232,650)

### 15. Commitments

Commitments are disclosed as follows: pursuant to mineral property interest obligations (Note 8), qualifying Canadian exploration expenses (Note 10), leasing of office premises (Note 10).