

CALLINEX MINES INC.

**Financial Statements
Three and six months ended March 31, 2020 and 2019**

(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.

Condensed Interim Statements of Financial Position
As at March 31, 2020 and September 30, 2019
(Unaudited - Expressed in Canadian dollars)

| | Note | March 31, 2020 | September 30, 2019 |
|--|-------|-------------------|-----------------------|
| | | \$ | \$ |
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | 949,940 | 2,880,132 |
| Receivables | 5 | 79,513 | 18,086 |
| Prepaid expenses and other assets | | 61,248 | 86,613 |
| | | 1,090,701 | 2,984,831 |
| Non-current | | | |
| Deposits | | 28,192 | 28,192 |
| Property and equipment | 7 | 347,926 | 200,686 |
| Exploration and evaluation assets | 8 | 20,236,194 | 18,735,125 |
| | | 21,703,013 | 21,948,834 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 9 | 282,895 | 171,388 |
| Lease obligations | 10 | 34,249 | - |
| Flow-through premium liability | 11 | - | 11,653 |
| | | 317,144 | 183,041 |
| Lease obligations | 10 | 127,410 | - |
| | | 444,554 | 183,041 |
| Shareholders' Equity | | | |
| Capital stock | 12 | 62,571,726 | 62,571,726 |
| Equity reserve | 12(f) | 7,368,395 | 7,236,806 |
| Accumulated other comprehensive loss | | (353,995) | (353,995) |
| Deficit | | (48,327,667) | (47,688,744) |
| | | 21,258,459 | 21,765,793 |
| | | 21,703,013 | 21,948,834 |

Commitments – Note 15

Subsequent Events – Note 16

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.

Condensed Interim Statements of Loss and Comprehensive Loss

Three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

| | Note | Three months ended | | Six months ended | |
|---|-----------|--------------------|-------------------|-------------------|-------------------|
| | | March 31, 2020 | March 31, 2019 | March 31, 2020 | March 31, 2019 |
| | | | \$ | | \$ |
| Corporate development | | 70,140 | 29,414 | 113,197 | 119,419 |
| Depreciation | 7 | 15,843 | 6,177 | 31,972 | 12,354 |
| Listing and filing fees | | 6,046 | 11,439 | 16,087 | 27,902 |
| Lease finance charges | 10 | 8,336 | - | 14,095 | - |
| Management and consulting fees | 13 | 63,638 | 82,598 | 133,251 | 172,827 |
| Office and administration | | 83,714 | 59,887 | 154,945 | 165,296 |
| Professional fees | 13 | 47,592 | 35,660 | 74,750 | 56,386 |
| Share-based compensation | 12(d), 13 | 57,565 | 184,854 | 124,000 | 391,714 |
| | | (352,874) | (410,029) | (662,297) | (945,898) |
| Finance income | | 4,513 | 7,767 | 11,721 | 15,963 |
| Flow-through premium recovery | 11 | - | 19,887 | 11,653 | 38,818 |
| Loss for the period | | (348,361) | (382,375) | (638,923) | (891,117) |
| Items that will not be reclassified subsequently to loss: | | | | | |
| Realized loss on sale of marketable securities | 6 | - | (353,995) | - | (353,995) |
| Transfer from unrealized loss to realized loss on sale of marketable securities | 6 | - | 431,760 | - | 400,920 |
| Comprehensive income for the period | | - | 77,765 | - | 46,925 |
| Total comprehensive loss for the period | | (348,361) | (304,610) | (638,923) | (844,192) |
| Loss per share | | | | | |
| - Basic and diluted | | (0.03) | (0.04) | (0.06) | (0.10) |
| Weighted average number of shares outstanding¹ | | | | | |
| - Basic and diluted | | 10,661,142 | 8,582,578 | 10,661,142 | 8,542,938 |

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.

Condensed Interim Statements of Cash Flows
Six months ended March 31, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)

| | 2020 | 2019 |
|---|--------------------|-----------|
| | \$ | \$ |
| Cash flows (used in) provided by | | |
| Operating activities | | |
| Loss for the period | (638,923) | (891,117) |
| <i>Items not affecting cash</i> | | |
| Depreciation | 31,972 | 12,354 |
| Share-based compensation | 124,000 | 391,714 |
| Lease finance charges | 14,095 | - |
| Finance income | (11,721) | (15,963) |
| Flow-through premium recovery | (11,653) | (38,818) |
| <i>Net change in non-cash working capital items</i> | | |
| Prepaid expenses | 25,365 | 126,122 |
| Accounts payable and accrued liabilities | (107,076) | (24,476) |
| | (573,941) | (440,184) |
| Investing activities | | |
| Investment in exploration and evaluation assets | (1,333,507) | (603,000) |
| Receipt of finance income | 8,906 | 4,447 |
| Proceeds from sale of marketable securities | - | 108,605 |
| Acquisition of property and equipment | - | - |
| | (1,324,601) | (489,948) |
| Financing activities | | |
| Lease payments | (31,650) | - |
| | (31,650) | - |
| Decrease in cash and cash equivalents | (1,930,192) | (930,132) |
| Cash and cash equivalents, beginning of period | 2,880,132 | 3,501,403 |
| Cash and cash equivalents, end of period | 949,940 | 2,571,271 |
| Cash and cash equivalents consist of: | | |
| Cash | 231,940 | 288,271 |
| Cash equivalents | 718,000 | 2,283,000 |

Supplemental Cash Flow Information – Note 14

The accompanying notes are an integral part of these financial statements

CALLINEX MINES INC.

Condensed Interim Statements of Changes in Equity
 Three and six months ended March 31, 2020 and 2019
 (Unaudited - Expressed in Canadian dollars)

| | Common shares ¹ | Capital Stock | Equity reserve | AOCI(L) ² | Deficit | Total |
|--|-------------------------------|-------------------|-------------------|----------------------|---------------------|-------------------|
| | # | \$ | \$ | \$ | \$ | \$ |
| Balance, September 30, 2018 | 8,498,078 | 61,180,901 | 6,711,200 | (400,920) | (45,691,991) | 21,799,190 |
| 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 | - | - | 35,279 | - | - | 35,279 |
| Share-based compensation - RSU's | - | - | 371,466 | - | - | 371,466 |
| Comprehensive loss for the period | - | - | - | 46,925 | (891,117) | (844,192) |
| Balance, March 31, 2019 | 8,582,578 | 61,400,226 | 6,918,620 | (353,995) | (46,583,108) | 21,381,743 |
| 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 | - | - | 6,719 | - | - | 6,719 |
| Share-based compensation – RSUs | - | - | 467,519 | - | - | 467,519 |
| Comprehensive loss for the period | - | - | - | - | (1,105,636) | (1,105,636) |
| Balance, September 30, 2019 | 10,661,160 | 62,571,726 | 7,236,806 | (353,995) | (47,688,744) | 21,765,793 |
| Share-based compensation – stock options | - | - | 131,589 | - | - | 131,589 |
| Comprehensive loss for the period | - | - | - | - | (638,923) | (638,923) |
| Balance, March 31, 2020 | 10,661,160 | 62,571,726 | 7,368,395 | (353,995) | (48,327,667) | 21,258,459 |

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 condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(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, 2019 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 (Note 3a)).

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 May 28, 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 was effective for the Company for the fiscal year beginning October 1, 2019. The adoption of IFRS 16 increased the leased assets and liabilities of the Company.

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

The primary impact of IFRS-16 was with respect to the Company's lease of its 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 recognize 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) recognize 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) recognize 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 recognized 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. Accordingly, there were no retrospective adjustments impacting opening equity. 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 condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(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 plus a credit risk premium, each for a period commensurate with the term of the lease.

5. Receivables

| | March 31, 2020 | September 30, 2019 |
|---------------------|-------------------|-----------------------|
| | \$ | \$ |
| GST receivable | 71,482 | 12,872 |
| Interest receivable | 8,031 | 5,214 |
| | 79,513 | 18,086 |

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

6. Marketable securities

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, 2019, the Company sold its then 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 for each of the three and six months ended March 31, 2019. The changes in fair value, to the date of sale, of the marketable securities for the three and six months ended March 31, 2019 was a gain of \$77,765 and a gain of \$46,925, respectively.

7. Property and equipment

| | Equipment | Office Furniture | Computer Equipment | Building | Office rental asset | Total |
|---------------------------------|----------------|------------------|--------------------|----------------|---------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| Balance, September 30, 2019 | 123,230 | 8,868 | 91,150 | 163,592 | - | 386,840 |
| Additions | - | - | - | - | 179,212 | 179,212 |
| Balance, March 31, 2020 | 123,230 | 8,868 | 91,150 | 163,592 | 179,212 | 566,052 |
| Accumulated depreciation | | | | | | |
| Balance, September 30, 2019 | 101,607 | 6,221 | 65,934 | 12,392 | - | 186,154 |
| Depreciation | 3,122 | 258 | 3,641 | 3,009 | 21,942 | 31,972 |
| Balance, March 31, 2020 | 104,729 | 6,479 | 69,575 | 15,401 | 21,942 | 218,126 |
| Net book value | | | | | | |
| September 30, 2019 | 21,623 | 2,647 | 25,216 | 151,200 | - | 200,686 |
| March 31, 2020 | 18,501 | 2,389 | 21,575 | 148,191 | 157,270 | 347,926 |

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

8. Exploration and evaluation assets

| | Flin Flon | Point Leamington | Nash Creek | Superjack | Other | Total |
|-----------------------------|-------------------|-----------------------------|-----------------------|------------------|----------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| September 30, 2019 | 13,389,025 | 694,763 | 3,383,427 | 1,044,297 | 223,613 | 18,735,125 |
| Acquisition | - | - | - | - | - | - |
| Assaying | 37,346 | - | 11,472 | - | - | 48,818 |
| Camp costs | 24,323 | - | 74,013 | 1,560 | - | 99,896 |
| Consulting | 16,947 | - | 17,425 | 2,178 | - | 36,550 |
| Drilling | 568,992 | - | 402,404 | 82,231 | - | 1,053,627 |
| Geologists | 67,423 | - | 65,229 | - | - | 132,652 |
| Geophysical | 59,369 | 11,058 | 16,225 | - | - | 86,652 |
| Other | 10,139 | - | 20,296 | - | - | 30,435 |
| Permitting | - | - | 11,750 | - | - | 11,750 |
| Recovery | - | - | (6,900) | - | - | (6,900) |
| Share-based compensation | 3,943 | 39 | 3,496 | 111 | - | 7,589 |
| | 788,482 | 11,097 | 615,410 | 86,080 | - | 1,501,069 |
| March 31, 2020 | 14,177,507 | 705,860 | 3,998,837 | 1,130,377 | 223,613 | 20,236,194 |

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 condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(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, subject to a 1% NSR royalty granted to the vendor which may be purchased by the Company for \$1,000,000.

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 condensed interim financial statements

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(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

| | March 31, 2020 | March 31, 2019 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Accounts payable | 252,459 | 128,455 |
| Accrued liabilities | 30,436 | 42,933 |
| | 282,895 | 171,388 |

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(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 March 31, 2020, calculated using an implied rate of 20% p.a., are as follows:

| | March 31, 2020 | September 30, 2019 |
|---------------------|-------------------|-----------------------|
| | \$ | \$ |
| Office lease asset | 161,659 | - |
| Current portion | (34,249) | - |
| Non-current portion | 127,410 | - |

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

| | March 31, 2020 |
|---|-------------------|
| | \$ |
| 2020 | 63,554 |
| 2021 | 63,554 |
| 2022 | 63,554 |
| 2023 | 37,073 |
| Total minimum lease payments | 227,735 |
| Less: imputed interest | (66,076) |
| Total present value of minimum lease payments | 161,659 |
| Less: Current portion | (34,249) |
| Non-current portion | 127,410 |

11. Flow-through premium liability

The flow-through premium liability balance as at March 31, 2020 is \$nil (September 31, 2019 - \$11,653).

The Company was committed to incurring on or before March 31, 2020 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of \$2,283,668 (incurred) 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 March 31, 2020, the Company had incurred approximately \$2,283,668 of Qualifying CEE and accordingly, recognized flow-through premium recoveries of \$nil and \$11,653 during the three and six months ended March 31, 2020 (2019 - \$19,887 and \$38,818, respectively).

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Notes to the condensed interim financial statements

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(Unaudited - Expressed in Canadian dollars)

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 six-months ended March 31, 2020 and 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 condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

The balance of options outstanding and related information for the six months ended March 31, 2020 are as follows:

| | Number of options ¹ | 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 March 31, 2020 | 972,000 | \$1.67 | 3.26 |
| Unvested | (400,000) | \$0.50 | 4.45 |
| Exercisable, March 31, 2020 | 572,000 | \$2.49 | 2.42 |

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

The balance of options outstanding as at March 31, 2020 was as follows:

| Expiry date | Exercise price | Remaining life (years) | Options Outstanding ¹ | Unvested ¹ | Exercisable ¹ |
|-------------------|----------------|------------------------|----------------------------------|-----------------------|--------------------------|
| May 14, 2020 | \$2.90 | 0.12 | 15,000 | - | 15,000 |
| December 18, 2020 | \$3.30 | 0.72 | 104,500 | - | 104,500 |
| August 8, 2021 | \$3.80 | 1.36 | 147,500 | - | 147,500 |
| December 12, 2021 | \$6.00 | 1.70 | 10,000 | - | 10,000 |
| September 6, 2022 | \$3.30 | 4.87 | 10,000 | - | 10,000 |
| November 10, 2022 | \$3.70 | 2.61 | 30,000 | - | 30,000 |
| June 29, 2021 | \$2.50 | 1.25 | 35,000 | - | 35,000 |
| July 9, 2023 | \$2.90 | 3.27 | 30,000 | - | 30,000 |
| September 9, 2024 | \$0.50 | 4.45 | 570,000 | 380,000 | 190,000 |
| October 14, 2024 | \$0.50 | 4.54 | 20,000 | 20,000 | - |
| | | | 972,000 | 400,000 | 572,000 |

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

Subsequent to the period end, 15,000 options with an exercise price of \$2.90 per common share expired.

The weighted average fair value of the options granted during the six months ended March 31, 2019 was \$0.50 (2019-\$nil).

For the three and six months ended March 31, 2020, the company had recorded share-based compensation expense, arising from options, of \$61,270 and \$131,589, respectively, (2019 – \$12,457 and \$35,279, respectively,) of which \$3,705 and \$7,589 (2019 -\$5,330 and \$15,031) was allocated to exploration and evaluation assets. For the three and six months ended March 31, 2019, in addition to share-based compensation expense arising from options, the Company recorded share-based compensation expense of \$177,727 and \$371,466 in respect of RSUs.

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

The fair value of the options on the date of grant was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

| | 2020 | 2019 |
|-------------------------|---------|------|
| Risk free interest rate | 1.58% | Nil |
| Expected life | 5 years | Nil |
| Expected volatility | 101% | Nil |
| Expected forfeiture | Nil | Nil |
| Expected dividends | Nil | Nil |

e) Share purchase warrants

The balance of warrants outstanding and related information for the six months ended March 31, 2020 are as follows:

| | Number of warrants ¹ | 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 March 31, 2020 | 1,010,000 | \$1.00 | 1.49 |
| Exercisable, March 31, 2020 | 1,010,000 | \$1.00 | 1.49 |

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

| Expiry date | Exercise price | Remaining life (years) | Warrants Outstanding ¹ | Exercisable ¹ |
|--------------------|-------------------|------------------------------|--------------------------------------|--------------------------|
| September 26, 2021 | \$1.00 | 1.49 | 1,010,000 | 1,010,000 |
| | | | 1,010,000 | 1,010,000 |

¹ 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 | - | 131,589 | 131,589 |
| Share-based compensation – RSUs | - | - | - |
| Balance, March 31, 2020 | 2,660,523 | 4,707,872 | 7,368,395 |

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(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 and six months ended March 31, 2020 and 2019 was as follows:

| | 2020 | 2019 | 2020 | 2019 |
|---------------------------|--------|---------|---------|---------|
| | \$ | \$ | \$ | \$ |
| Professional fees | 6,050 | 10,486 | 13,150 | 18,178 |
| Management and consulting | 45,000 | 67,500 | 99,308 | 142,875 |
| Share-based compensation | 34,181 | 181,746 | 73,657 | 380,374 |
| | 85,231 | 259,732 | 186,115 | 541,427 |

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

During the three and six months ended March 31, 2020, the Company incurred professional fees of \$13,538 and \$30,642, respectively, (2019 - \$8,429 and \$15,308, respectively) for the provision of non-CFO accounting support services charged by a company controlled by the Chief Financial Officer of the Company.

Included in accounts payable and accrued liabilities at March 31, 2020 are amounts due to related parties of \$10,617 (September 30, 2019 - \$9,223) owing to the Chief Executive Officer and to a company controlled by the Chief Financial Officer for the provision of CFO services. 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 six months ended March 31, 2020 and 2019, the following transactions were excluded from the statements of cash flows:

| | 2020 | 2019 |
|--|---------|-----------|
| | \$ | \$ |
| Non-cash investing and financing transactions | | |
| Share-based compensation included in exploration and evaluation assets | 7,589 | 15,031 |
| 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 | 221,902 | (251,935) |

15. Commitments

Commitments are disclosed as follows: pursuant to mineral property interest obligations (Note 8) and leasing of office premises (Note 10).

CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian dollars)

16. Subsequent Events

Subsequent to the period end, 15,000 options with an exercise price of \$2.90 per common share expired.

Subsequent to the period end significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic and other conditions effecting worldwide metal prices. The impacts to the Company are not determinable at this date, however these could be material to the Company's forecasted exploration work and the Company's financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.