

# **CALLINEX MINES INC.**

**Condensed Interim Financial Statements  
Three and six months ended March 31, 2017 and 2016**

***(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, 2017 and September 30, 2016

(Unaudited - Expressed in Canadian dollars)

	Note	March 31, 2017	September 30, 2016
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		8,304,480	4,259,785
Receivables	5	250,084	37,217
Prepaid expenses		111,939	119,030
		8,666,503	4,416,032
Non-current			
Deposits		27,992	27,992
Equipment		131,188	28,559
Exploration and evaluation assets	6	14,481,474	12,438,978
		23,307,157	16,911,561
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	8	413,493	245,225
<b>Shareholders' Equity</b>			
Capital stock	7	58,551,194	51,453,256
Equity reserve	7	5,845,499	5,596,776
Deficit		(41,503,029)	(40,383,696)
		22,893,664	16,666,336
		23,307,157	16,911,561

Commitments – Note 10

Subsequent events – Notes 6 and 11

### APPROVED BY THE BOARD OF DIRECTORS

\_\_\_\_\_  
Michael Louie ("signed") Director      \_\_\_\_\_  
Nico Civelli ("signed") Director

The accompanying notes are an integral part of these condensed interim financial statements

# CALLINEX MINES INC.

## Condensed Interim Statements of Loss and Comprehensive Loss

Three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

		Three months ended March 31,		Six months ended March 31,	
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Corporate development		51,769	91,123	423,259	171,757
Depreciation		4,887	2,333	7,255	4,667
Listing and filing fees		19,671	11,075	38,236	20,752
Management and consulting fees	8	79,920	81,801	175,939	173,848
Office and administration		77,615	52,827	154,925	151,105
Professional fees	8	20,898	23,933	57,835	37,728
Property investigation expenses		3,547	5,514	3,547	8,213
Share-based compensation	7c,8	91,736	156,956	269,393	267,743
		(350,043)	(425,562)	(1,130,389)	(835,813)
Finance income		11,012	-	11,056	-
<b>Loss and comprehensive loss</b>		<b>(339,031)</b>	<b>(425,562)</b>	<b>(1,119,333)</b>	<b>(835,813)</b>
<b>Loss per share</b>					
- Basic and diluted		(0.00)	(0.01)	(0.02)	(0.02)
<b>Weighted average number of shares outstanding</b>					
- Basic and diluted		77,465,808	47,654,472	72,382,969	47,654,472

The accompanying notes are an integral part of these condensed interim financial statements

# CALLINEX MINES INC.

## Condensed Interim Statements of Cash Flows

Six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	2017	2016
	\$	\$
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Loss	(1,119,333)	(835,813)
Items not affecting cash		
Depreciation	7,255	4,667
Share-based compensation	269,393	267,743
Net change in non-cash working capital items		
Receivables	(52,867)	(28,902)
Prepaid expenses	7,091	11,749
Deposits	-	(210)
Accounts payable and accrued liabilities	(24,326)	(34,923)
	(912,787)	(615,689)
<b>Investing activities</b>		
Exploration and evaluation assets expenditures	(1,995,066)	(884,728)
Equipment purchases	(109,884)	-
	(2,104,950)	(884,728)
<b>Financing activities</b>		
Proceeds on shares issued	7,435,001	-
Share issuance costs	(372,569)	-
	7,062,432	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>4,044,695</b>	<b>(1,500,417)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,259,785</b>	<b>3,663,503</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,304,480</b>	<b>2,163,086</b>
Cash and cash equivalents consist of:		
Cash	5,554,480	2,163,086
Cash equivalents	2,750,000	-
Cash paid for interest	-	-
Cash received for interest	84	43
Cash paid for taxes	-	-

Supplemental Cash Flow Information – Note 9

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

# CALLINEX MINES INC.

## Condensed Interim Statements of Changes in Equity Three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	Common shares	Capital Stock	Equity reserve	Deficit	Total
	#	\$	\$	\$	\$
<b>Balance, September 30, 2015</b>	<b>47,654,472</b>	<b>47,115,364</b>	<b>4,586,672</b>	<b>(38,400,058)</b>	<b>13,301,978</b>
Share-based compensation	-	-	267,743	-	267,743
Loss	-	-	-	(835,813)	(835,813)
<b>Balance, March 31, 2016</b>	<b>47,654,472</b>	<b>47,115,364</b>	<b>4,854,415</b>	<b>(39,235,871)</b>	<b>12,733,908</b>
Shares issued in consideration for:					
Cash, pursuant to:					
- Private placement	14,000,000	4,200,000	-	-	4,200,000
- Exercise of warrants	240,000	108,000	-	-	108,000
Exploration and evaluation assets	300,000	129,000	-	-	129,000
Share issuance costs	-	(99,108)	-	-	(99,108)
Exploration and evaluation asset acquisition	-	-	400,000	-	400,000
Share-based compensation	-	-	342,361	-	342,361
Loss	-	-	-	(1,147,825)	(1,147,825)
<b>Balance, September 30, 2016</b>	<b>62,194,472</b>	<b>51,453,256</b>	<b>5,596,776</b>	<b>(40,383,696)</b>	<b>16,666,336</b>
Shares issued in consideration for:					
Cash, pursuant to:					
- Private placements	9,870,000	5,026,000	-	-	5,026,000
- Exercise of warrants	5,246,336	2,360,851	-	-	2,360,851
- Exercise of options	155,000	83,656	(35,506)	-	48,150
Share issuance costs	-	(372,569)	-	-	(372,569)
Share-based compensation	-	-	284,229	-	284,229
Loss	-	-	-	(1,119,333)	(1,119,333)
<b>Balance, March 31, 2017</b>	<b>77,465,808</b>	<b>58,551,194</b>	<b>5,845,499</b>	<b>(41,503,029)</b>	<b>22,893,664</b>

The accompanying notes are an integral part of these condensed interim financial statements

# **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

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## **1. Nature of operations**

Callinex Mines Ltd. ("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 1500 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

## **2. Basis of presentation**

These condensed interim financial statements for the three and six months ended March 31, 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's September 30, 2016 annual financial statements which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These condensed interim financial statements have been prepared under the historical cost convention.

These financial statements were approved by the board of directors for use on May 25, 2017.

## **3. Future Accounting standards and pronouncements**

At the date of approval of the condensed interim financial statements the following standards, which are applicable to the Company, were issued but not yet effective. The Company is currently evaluating the impact of the standards on its financial statements.

### **IFRS 9 - Financial instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted.

### **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 applies to annual reporting periods beginning on or after January 1, 2019.

# CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

## 4. Critical accounting estimates and judgments

There have been no material revisions to the nature of judgments and amount of changes in estimates reported in the Company's September 30, 2016 annual financial statements.

## 5. Receivables

	March 31, 2017	September 30, 2016
	\$	\$
Mineral exploration assistance program receivable	160,000	-
GST receivable	70,061	28,166
Interest receivable	17,023	6,051
Other	3,000	3,000
	250,084	37,217

## 6. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
<b>September 30, 2015</b>	<b>8,438,986</b>	-	-	-	<b>1,366,183</b>	<b>9,805,169</b>
Acquisition	-	525,000	114,800	114,800	-	754,600
Assaying	25,237	-	-	-	-	25,237
Camp costs	60,643	-	-	-	-	60,643
Consulting	36,682	4,898	5,617	4,898	-	52,095
Drilling	1,145,213	-	-	-	-	1,145,213
Geologists	99,200	2,700	-	-	-	101,900
Geochemical	24,687	-	-	-	-	24,687
Geophysical	255,862	6,692	1,243	18,117	-	281,914
Other	22,068	4,865	-	-	-	26,933
Permitting	13,672	6,673	1,980	1,916	1,781	26,022
Recovery	-	-	-	(14,000)	-	(14,000)
Share-based compensation	64,997	27,856	27,856	27,856	-	148,565
	1,748,261	578,684	151,496	153,587	1,781	2,633,809
<b>September 30, 2016</b>	<b>10,187,247</b>	<b>578,684</b>	<b>151,496</b>	<b>153,587</b>	<b>1,367,964</b>	<b>12,438,978</b>
Acquisition	53,544	-	-	-	-	53,544
Assaying	2,411	18,745	-	-	-	21,156
Camp costs	114,937	-	-	-	-	114,937
Consulting	9,902	-	10,602	-	-	20,504
Drilling	1,591,008	-	-	-	-	1,591,008
Geologists	100,917	300	-	-	-	101,217
Geochemical	40,963	-	-	-	-	40,963
Geophysical	208,987	1,000	13,253	3,130	-	226,370
Other	13,899	-	25	-	-	13,924
Permitting	10,046	-	4,915	-	-	14,961
Recovery	(160,000)	-	-	438	(11,362)	(170,924)
Share-based compensation	14,836	-	-	-	-	14,836
	2,001,450	20,045	28,795	3,568	(11,362)	2,042,496
<b>March 31, 2017</b>	<b>12,188,697</b>	<b>598,729</b>	<b>180,291</b>	<b>157,155</b>	<b>1,356,602</b>	<b>14,481,474</b>



## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

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### **Flin Flon Area**

#### Pine Bay project

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

#### Flin Flon project

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

#### Gossan/Rug Claims

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 area.

Consideration for the Big Island Project is to be as follows:

- (i) \$50,000 cash and 100,000 common shares within five days following the effective date of the agreement (Paid; shares issued subsequent to March 31, 2017 at the fair value of \$29,500)
- (ii) \$50,000 cash and 100,000 common shares on the first and second anniversaries of the agreement
- (iii) \$50,000 cash and 150,000 common shares on the third anniversary
- (iv) \$65,000 cash and 300,000 common shares on the fourth anniversary

The Big Island Project is subject to a 1% NSR Royalty which can be repurchased for \$1,000,000.

### **Superjack and Nash Creek properties**

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 (subsequent to March 31, 2017, the Company issued 300,000 common shares at the fair value of \$97,500)
- (ii) \$25,000 cash and \$125,000 in cash or common shares on or before the second anniversary
- (iii) \$25,000 in cash on or before the third anniversary
- (iv) \$125,000 due in cash or common shares within 10 days of the Company completing a preliminary economic assessment on the Nash Creek property

Consideration for the exploration data is to be as follows:

- (i) \$100,000 cash (paid)
- (ii) \$150,000 in cash or common shares (issued 300,000 common shares at fair value of \$129,000)
- (iii) \$50,000 cash on or before the first anniversary (paid subsequent to March 31, 2017)

In the event that common shares are issued to settle any of the above payments, the number of common shares to be issued is fixed, as per the contract, by dividing the amount of cash to be paid by \$0.50. In the event that the Company fails to make any of the payments noted above, ownership of

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

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the properties will revert back to the vendor provided the vendor delivers written notice of the default and the Company does not remedy the default within 30 days of the notice.

### **Pt. Leamington property**

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
- (iii) \$200,000 in cash or common shares on the second anniversary

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

In the event that common shares are issued to settle any of the above payments, the number of common shares to be issued is fixed, as per the contract, by dividing the amount of cash to be paid by \$0.462. At September 30, 2016, the remaining \$400,000 payable in cash or the fixed number of common shares at the Company's option had been recorded to the equity reserve. There has been no change during the six months ended March 31, 2017.

### **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, Norris Lake property, the Herblet Lake property and the Island Lake properties.

## **7. Share capital**

### **a) Authorized:**

Unlimited common shares with no par value

### **b) Financings**

On November 22, 2016 the Company closed a private placement consisting of 8,050,000 non-flow through units at \$0.50 per unit and 1,820,000 flow through shares at \$0.55 per share for aggregate gross proceeds of \$5,026,000. Each non-flow through unit consists of one non-flow through common share and one-half of one share purchase warrant. Each Warrant entitles the holder to acquire one non-flow through common share at a price of \$0.75 for a period of three years.

Pursuant to the terms of the warrants issued under the Company's private placement financings completed on July 30, 2015 and May 11, 2016, if the average volume weighted average trading price of the Company's shares on the TSX Venture Exchange is above \$0.60 per share for a period of any fifteen trading days, the Company is entitled to accelerate the expiry date of the warrants. On December 5, 2016 the Company elected to provide such notice and a total of 5,246,336 warrants were exercised for gross proceeds of \$2,360,851.

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

### c) Stock options

The balance of options outstanding and related information for the six months ended March 31, 2017 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2016	6,110,000	\$0.34	3.72
Granted	250,000	\$0.60	
Exercised	(155,000)	\$0.31	
Expired	(350,000)	\$0.38	
Balance March 31, 2017	5,855,000	\$0.35	3.33
Unvested	(970,000)	\$0.44	4.45
<b>Exercisable, March 31, 2017</b>	<b>4,885,000</b>	<b>\$0.33</b>	<b>3.11</b>

The fair value of the options granted during the six months March 31, 2017 was \$0.43 (2016 - \$0.25).

For the six months ended March 31, 2017, the Company recorded share-based compensation expense of \$284,229 (2016 - \$267,743) of which \$14,836 was allocated to exploration and evaluation assets. The fair value of these options on the date of grant was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2017	2016
Risk free interest rate	1.00%	1.00%
Expected life	5 years	5 years
Expected volatility	100%	102%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The balance of options outstanding as at March 31, 2017 was as follows:

Expiry date	Average Exercise price	Remaining life (years)	Options Outstanding	Unvested	Vested
August 6, 2018	\$0.30	1.35	550,000	-	550,000
October 28, 2018	\$0.37	1.58	150,000	-	150,000
May 7, 2019	\$0.42	2.10	100,000	-	100,000
September 5, 2019	\$0.29	2.43	1,060,000	-	1,060,000
September 12, 2019	\$0.29	2.45	250,000	-	250,000
October 15, 2019	\$0.29	2.54	75,000	-	75,000
January 20, 2020	\$0.29	2.81	50,000	-	50,000
May 14, 2020	\$0.29	3.12	150,000	-	150,000
December 18, 2020	\$0.33	3.72	1,420,000	-	1,420,000
August 8, 2021	\$0.38	4.36	1,800,000	720,000	1,080,000
December 12, 2021	\$0.60	4.70	250,000	250,000	-
			5,855,000	970,000	4,885,000

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

### d) Share purchase warrants

The balance of warrants outstanding and related information for the six months ended March 31, 2017 is as follows

	Number of warrants	Weighted average exercise price (per share)	Weighted average Remaining life (years)
Balance September 30, 2016	6,072,918	\$0.45	1.28
Issued	4,025,000	\$0.75	
Exercised	(5,246,336)	\$0.45	
Expired	(826,582)	\$0.45	
<b>Balance March 31, 2017</b>	<b>4,025,000</b>	<b>\$0.75</b>	<b>2.65</b>

As at March 31, 2017 there were a total of 4,025,000 warrants outstanding with an exercise price of \$0.75 and expiry date of November 22, 2019.

### e) Flow-through shares

The Company is committed to incur on or before December 31, 2017 qualifying Canadian exploration expenses as defined under the *Income Tax Act, Canada* ("Qualifying CEE") in the amount of \$3,101,000 with respect to the flow-through share financings completed on May 11, 2016 and November 22, 2016. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at March 31, 2017 the Company had incurred \$2,925,438 of the required Qualifying CEE, with \$175,562 remaining to be incurred.

## 8. 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, 2017 and 2016 was as follows:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Professional fees	4,920	8,360	15,120	12,731
Management and consulting	54,000	57,000	123,000	122,000
Share-based compensation	45,461	86,409	142,521	144,345
	<b>104,381</b>	151,769	<b>280,641</b>	279,076

As at March 31, 2017, a total of \$3,000 (September 30, 2016 - \$3,000) from related parties is included in accounts receivables and \$9,000 (September 30, 2016 - \$9,000) was owed to related parties and is included in accounts payable and accrued liabilities.

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three and six months ended March 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

### 9. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flow. As at, and during the six months ended March 31, 2017 and 2016, the following transactions were excluded from the statements of cash flows:

	2017	2016
	\$	\$
<b>Non-cash investing and financing transactions</b>		
Share-based compensation included in exploration and evaluation assets	14,836	-
Exploration and evaluation recovery included in accounts receivable	160,000	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	348,494	131,900

### 10. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 6), qualifying Canadian exploration expenses (Note 7e) as at March 31, 2017, the Company had entered into a lease agreement for its office premises. The lease will expire on October 31, 2018. The annual lease commitment is as follows:

Fiscal year ended September 30, 2017	\$31,800
Fiscal year ended September 30, 2018	\$63,600
Fiscal year ended September 30, 2019	\$5,300

### 11. Subsequent events

#### Big Island Project

Subsequent to March 31, 2017, the Company issued 100,000 common shares at the fair value of \$29,500 as consideration for the acquisition of the Big Island Project.

#### Superjack and Nash Creek properties

Subsequent to March 31, 2017, the Company paid \$50,000 cash and issued 300,000 common shares at the fair value of \$75,000 as consideration for the acquisition of the Superjack and Nash Creek VMS deposits and exploration data.