

# **CALLINEX MINES INC.**

**Financial Statements**  
***Three months ended December 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 December 31, 2017 and September 30, 2017

(Unaudited - Expressed in Canadian dollars)

	Note	December 31, 2017	September 30, 2017
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		3,953,310	5,711,751
Receivables	6	338,696	507,692
Marketable securities	7	400,000	-
Prepaid expenses and other assets		430,075	187,077
		5,122,081	6,406,520
Non-current			
Deposits		27,992	27,992
Equipment	8	211,645	123,855
Exploration and evaluation assets	9	16,481,602	16,202,365
		21,843,320	22,760,732
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	10	517,828	509,718
<b>Shareholders' Equity</b>			
Capital stock	11	58,878,194	58,878,194
Equity reserve	11(d)	6,064,772	5,777,658
Accumulated other comprehensive loss ("AOCL")		(500,000)	-
Deficit		(43,117,474)	(42,404,838)
		21,325,492	22,251,014
		21,843,320	22,760,732

Commitments – Note 14

Subsequent events – Notes 15

### APPROVED BY THE BOARD OF DIRECTORS

<u>Michael Louie ("signed")</u>	Director	<u>Nico Civelli ("signed")</u>	Director
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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 months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	Note	2017	2016
		\$	\$
Corporate development		184,448	371,490
Depreciation	8	6,278	2,368
Listing and filing fees		26,011	18,565
Management and consulting fees	12	115,570	96,019
Office and administration		85,290	77,310
Professional fees	12	36,963	36,937
Share-based compensation	11c, 12	266,260	177,657
		(720,820)	(780,346)
Finance income		8,184	44
<b>Loss for the period</b>		<b>(712,636)</b>	<b>(780,302)</b>
<b>Items that maybe reclassified subsequently to loss:</b>			
Unrealized loss on available for sale financial assets	7	(500,000)	-
<b>Comprehensive loss for the period</b>		<b>(1,212,636)</b>	<b>(780,302)</b>
<b>Loss per share</b>			
- Basic and diluted		(0.01)	(0.01)
<b>Weighted average number of shares outstanding</b>			
- Basic and diluted		78,898,708	67,244,634

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

# CALLINEX MINES INC.

Condensed Interim Statements of Cash Flows  
Three months ended December 31, 2017 and 2016  
(Unaudited - Expressed in Canadian dollars)

	2017	2016
	\$	\$
<b>Cash flows (used in) provided by</b>		
<b>Operating activities</b>		
Loss for the period	(712,636)	(780,302)
Items not affecting cash		
Depreciation	6,278	2,368
Share-based compensation	266,260	177,657
Net change in non-cash working capital items		
Receivables	209,462	(22,054)
Prepaid expenses	(242,998)	12,440
Accounts payable and accrued liabilities	22,647	(24,243)
	(450,987)	(634,134)
<b>Investing activities</b>		
Exploration and evaluation assets expenditures	(1,572,920)	(699,113)
Receipt of mineral exploration assistance	159,534	-
Proceeds from sale of Exploration and evaluation assets	200,000	-
Equipment purchases	(94,068)	(62,044)
	(1,307,454)	(761,157)
<b>Financing activities</b>		
Proceeds on shares issued	-	7,435,001
Share issuance costs	-	(372,569)
	-	7,062,432
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,758,441)</b>	<b>5,667,141</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,711,751</b>	<b>4,259,785</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,953,310</b>	<b>9,926,926</b>
Cash and cash equivalents consist of:		
Cash	1,170,310	7,143,926
Cash equivalents	2,783,000	2,783,000
Cash paid for interest	-	-
Cash received for interest	53	44
Cash paid for taxes	-	-

Supplemental Cash Flow Information – Note 13

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

## CALLINEX MINES INC.

### Condensed Interim Statements of Changes in Equity

Three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

	Common shares	Capital Stock	Equity reserve	AOCL	Deficit	Total
	#	\$	\$	\$	\$	\$
<b>Balance, September 30, 2016</b>	<b>62,194,472</b>	<b>51,453,256</b>	<b>5,596,776</b>	<b>-</b>	<b>(40,383,696)</b>	<b>16,666,336</b>
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placement	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	-	-	190,874	-	-	190,874
Comprehensive loss for the period	-	-	-	-	(780,302)	(780,302)
<b>Balance, December 31, 2016</b>	<b>77,465,808</b>	<b>58,551,194</b>	<b>5,752,144</b>	<b>-</b>	<b>(41,163,998)</b>	<b>23,139,340</b>
Shares issued in consideration for:						
Exploration and evaluation asset acquisition	832,900	327,000	(200,000)	-	-	127,000
Share-based compensation	-	-	225,514	-	-	225,514
Comprehensive loss for the period	-	-	-	-	(1,240,840)	(1,240,840)
<b>Balance, September 30, 2017</b>	<b>78,298,708</b>	<b>58,878,194</b>	<b>5,777,658</b>	<b>-</b>	<b>(42,404,838)</b>	<b>22,251,014</b>
Share-based compensation – stock options	-	-	29,623	-	-	29,623
Share-based compensation – RSUs	-	-	257,491	-	-	257,491
Comprehensive loss for the period	-	-	-	(500,000)	(712,636)	(1,212,636)
<b>Balance, December 31, 2017</b>	<b>78,298,708</b>	<b>58,878,194</b>	<b>6,064,772</b>	<b>(500,000)</b>	<b>(43,152,062)</b>	<b>21,325,492</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 months ended December 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 1555 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

## **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 consolidated financial statements for the year ended September 30, 2017 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, 2017 except as outlined in Note 3.

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, 2018.

## **3. Changes in accounting policies including initial adoption**

The following new accounting policy has been adopted by the Company:

### **a) Restricted Share Units**

The fair value of restricted share units ("RSUs") granted are recorded as a charge to operations or deferred exploration costs and a credit to contributed surplus. The fair value of RSUs which vest immediately are recorded at the date of grant; the fair value of RSUs which vest in the future are recognized over the vesting period.

On vesting of the RSUs, the book value of the RSUs is transferred from contributed surplus to share capital.

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

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.

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

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### 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. IFRS 9 will be effective for the Company for the fiscal year beginning October 1, 2018. Adoption of this standard is expected to have minimal impact on the Company's financial statements.

### IFRS 16 - Leases

This standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be effective for the Company for the fiscal year beginning October 1, 2019. The adoption of IFRS 16 is expected to increase the leased assets and liabilities of the Company.

## 5. 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, 2017 annual financial statements.

## 6. Receivables

	December 31, 2017	September 30, 2017
	\$	\$
Mineral exploration assistance program receivable	200,000	360,000
GST receivable	120,471	137,598
Interest receivable	15,225	7,094
Other (Note 12)	3,000	3,000
	338,696	507,692

## 7. Marketable securities

Marketable securities are classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive loss.

During the three months ended December 31, 2017, 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). As at December 31, 2017, the LION shares were recorded at a fair value of \$400,000, and an unrealized loss of \$500,000 resulting from the revaluation was included in other comprehensive loss for the three months ended December 31, 2017.



# CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

## 8. Equipment

	Equipment	Office Furniture	Computer Equipment	Building	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, September 30, 2017	106,680	8,868	91,150	51,244	257,942
Additions	-	-	-	94,068	94,068
<b>Balance, December 31, 2017</b>	<b>106,680</b>	<b>8,868</b>	<b>91,150</b>	<b>145,312</b>	<b>352,010</b>
<b>Accumulated depreciation</b>					
Balance, September 30, 2017	88,812	4,732	39,687	856	134,087
Depreciation	1,340	207	3,860	871	6,278
<b>Balance, December 31, 2017</b>	<b>90,152</b>	<b>4,939</b>	<b>43,547</b>	<b>1,727</b>	<b>140,365</b>
<b>Net book value</b>					
September 30, 2017	17,868	4,136	51,463	50,388	123,855
<b>December 31, 2017</b>	<b>16,528</b>	<b>3,929</b>	<b>47,603</b>	<b>143,585</b>	<b>211,645</b>

## 9. Exploration and evaluation assets

	Flin Flon	Point Leamington	Nash Creek	Superjack	Other	Total
	\$	\$	\$	\$	\$	\$
<b>September 30, 2017</b>	<b>12,609,402</b>	<b>598,729</b>	<b>910,909</b>	<b>725,609</b>	<b>1,357,716</b>	<b>16,202,365</b>
Assaying	8,347	-	29,230	12,881	-	50,458
Camp costs	11,733	-	13,893	12,363	-	37,989
Consulting	8,400	-	37,540	-	-	45,940
Drilling	474,622	-	438,744	15,000	-	928,366
Geologists	49,175	-	72,150	14,859	-	136,184
Geophysical	29,026	-	2,869	83,024	-	114,919
Other	6,519	-	16,317	15,277	-	38,113
Permitting	2,997	-	5,550	1,400	-	9,947
Recovery	466	-	(4,000)	-	-	(3,534)
Share-based compensation	10,427	-	8,133	2,295	-	20,855
	601,712	-	620,426	157,099	-	1,379,237
Option payment received - cash	-	-	-	-	(200,000)	(200,000)
Option payment received - shares	-	-	-	-	(900,000)	(900,000)
<b>December 31, 2017</b>	<b>13,211,114</b>	<b>598,729</b>	<b>1,531,335</b>	<b>882,708</b>	<b>257,716</b>	<b>16,481,602</b>

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three months ended December 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 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.

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; issued 100,000 common shares at the fair value of \$29,500)
- (ii) \$50,000 cash and 100,000 common shares on the first anniversary of the agreement
- (iii) \$50,000 cash and 100,000 common shares on the second anniversary of the agreement
- (iv) \$50,000 cash and 150,000 common shares on the third anniversary
- (v) \$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.

#### Government assistance

The Company participates in the Government of Manitoba Mineral Exploration Assistance Program ("MEAP"). During the year ended September 30, 2017, the Company recorded MEAP recovery of \$360,000 representing \$200,000 of MEAP for the summer of 2017 exploration program and \$160,000 of MEAP for the summer of 2016 exploration program. During the three months ended December 31, 2017, the Company received \$159,534 from the Government of Manitoba for the 2016 MEAP. As at December 31, 2017, \$200,000 of MEAP was included in accounts receivable.

### **Superjack and Nash Creek 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 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 project

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)

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

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(iii) \$50,000 cash on or before the first anniversary (paid)

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 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 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 216,450 common shares at the fair value of \$63,853)
- (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 (issued 216,450 common shares at the fair value of \$63,853)

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 December 31, 2017, the remaining \$200,000 payable in cash or the fixed number of common shares at the Company's option had been recorded to the equity reserve as the Company does not have a present obligation to settle the transaction in cash.

### **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.

#### *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. Callinex has received the initial considerations of \$200,000 cash and 1,000,000 common shares of LION (recorded at the fair value of \$900,000).

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. 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.

# CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

## 10. Accounts payable and accrued liabilities

	December 31 2017	September 30, 2017
	\$	\$
Accounts payable	425,894	367,674
Accrued liabilities	82,934	133,044
Related party payables (Note 12)	9,000	9,000
	517,828	509,718

## 11. Share capital

### a) Authorized:

Unlimited common shares with no par value

### b) 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 15,659,741.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% 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.

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

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance September 30, 2017	7,380,000	\$0.34	3.28
Granted	400,000	\$0.36	
Forfeited	(1,300,000)	\$0.33	
Balance December 31, 2017	6,480,000	\$0.34	2.81
Unvested	(925,000)	\$0.36	4.62
<b>Exercisable, December 31, 2017</b>	<b>5,555,000</b>	<b>\$0.34</b>	<b>2.51</b>

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

The weighted average fair value of the options granted during the three months ended December 31, 2017 was \$0.34 (2016 - \$0.43).

For the three months ended December 31, 2017, the Company recorded share-based compensation expense of \$29,623 (2016 - \$190,874) of which \$20,854 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	1.55%	1.00%
Expected life	5 years	5 years
Expected volatility	100%	100%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

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

Expiry date	Average Exercise price	Remaining life (years)	Options Outstanding	Unvested	Vested
August 6, 2018	\$0.30	0.60	550,000	-	550,000
October 28, 2018	\$0.37	0.82	150,000	-	150,000
May 7, 2019	\$0.42	1.35	100,000	-	100,000
September 5, 2019	\$0.29	1.68	1,060,000	-	1,060,000
September 12, 2019	\$0.29	1.70	250,000	-	250,000
October 15, 2019	\$0.29	1.79	75,000	-	75,000
January 20, 2020	\$0.29	2.05	50,000	-	50,000
May 14, 2020	\$0.29	2.37	150,000	-	150,000
December 18, 2020	\$0.33	2.97	1,395,000	-	1,395,000
August 8, 2021	\$0.38	3.61	1,725,000	-	1,725,000
December 12, 2021	\$0.60	3.95	100,000	50,000	50,000
June 28, 2022	\$0.32	4.49	125,000	125,000	-
August 21, 2022	\$0.32	4.64	100,000	100,000	-
August 23, 2022	\$0.33	4.65	100,000	100,000	-
September 6, 2022	\$0.33	4.68	100,000	100,000	-
September 13, 2022	\$0.38	4.70	150,000	150,000	-
November 10, 2022	\$0.37	4.86	300,000	300,000	-
			6,480,000	925,000	5,555,000

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

The balance of RSUs outstanding and related information for the three months ended December 31, 2017 are as follows:

	Number of RSUs
Balance September 30, 2017	-
Granted	7,285,000
Exercised	-
Forfeited	(585,000)
Balance December 31, 2017	6,700,000
Unvested	(6,588,334)
<b>Exercisable, December 31, 2017</b>	<b>111,666</b>

On October 26, 2017, the Company granted a total of 7,285,000 restricted share units ("RSUs") to the CEO, the VP of Corporate Development and the VP of Exploration. During the three months ended December 31, 2017, 585,000 RSUs granted to the VP of Exploration were forfeited. The 6,700,000 RSUs vest as to 55,833 RSUs per month for the first three years with the remaining 4,745,845 RSUs vesting at the option of the holder on October 1, 2020. If the holder does not elect to early vest the RSUs, the RSUs will continue to vest as to 55,833 RSUs per month until October 1, 2027.

The weighted average fair value of the RSUs granted during the three months ended December 31, 2017 was \$0.335 based on the closing stock price on the date of grant.

For the three months ended December 31, 2017, the Company recorded share-based compensation expense of \$257,491 (2016 - \$nil) in respect of RSUs.

### c) Share purchase warrants

As at December 31, 2017 and September 30, 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. The weighted average remaining life of the share purchase warrants as at December 31, 2017 was 1.89 years (September 30, 2017 – 2.15 years).

### d) Equity reserve

	Funding by Callinan	Options, RSUs and warrants	Other	Total
	\$	\$	\$	\$
Balance, September 30, 2017	2,660,523	2,917,135	200,000	5,777,658
Share-based compensation - options	-	29,623	-	29,623
Share-based compensation - RSUs	-	257,491	-	257,491
Balance, December 31, 2017	2,660,523	3,204,249	200,000	6,064,772

## CALLINEX MINES INC.

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

### 12. 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, 2017 and 2016 was as follows:

	2017	2016
	\$	\$
Professional fees	9,280	10,200
Management and consulting	113,716	69,000
Geological consulting	37,500	-
Share-based compensation	263,127	97,060
	423,623	176,260

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

### 13. 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 three months ended December 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	20,854	13,217
Shares received for mineral property option agreements	900,000	-
Exploration and evaluation recovery included in accounts receivable	200,000	160,000
Exploration and evaluation assets included in accounts payable and accrued liabilities	(14,537)	286,179

### 14. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 9), the Company had entered into a lease agreement for its office premises. During the three months ended December 31, 2017, the Company entered into a lease renewal agreement. The lease will expire on October 31, 2023. The annual lease commitment is as follows:

Fiscal year ended September 30, 2018	\$47,700
Fiscal year ended September 30, 2019	\$64,700
Fiscal year ended September 30, 2020	\$64,800
Fiscal year ended September 30, 2021	\$64,800
Fiscal year ended September 30, 2022	\$64,800

## **CALLINEX MINES INC.**

Notes to the condensed interim financial statements

For the three months ended December 31, 2017 and 2016

*(Unaudited - Expressed in Canadian dollars)*

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### **15. Subsequent events**

#### *Flow-Through Financing*

On February 26, 2018, the Company issued 5,709,170 flow-through shares at a price of \$0.40 per share for gross proceeds of \$2,283,668.