MANAGEMENT DISCUSSION & ANALYSIS

Supplementary Information and MD&A
For the period ended March 31, 2013

Filed: May 28, 2013

A copy of this report will be provided to any shareholder who requests it.

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's condensed interim consolidated financial statements for the nine months ended March 31, 2013 and related notes. This MD&A has been prepared as of May 27, 2013. Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management is responsible for the preparation and integrity of the consolidated financial statements and this MD&A.

Additional information regarding the Company, including copies of the Company's continuous disclosure material is available on the Company's website at www.callinan.com or through the Sedar website at www.sedar.com.

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1. DESCRIPTION OF BUSINESS AND REPORT DATE

Callinan Royalties Corporation (formerly Callinan Mines Limited) ("Callinan", the "Company", or the "Corporation") is principally engaged in the creation and acquisition of mineral royalties. The Company currently holds a $0.25 per ton production royalty interest and a 6⅔% Net Profits Interest ("NPI") royalty in the 777 Mine operated by Hudson Bay Mining and Smelting Co., Limited, a wholly-owned subsidiary of HudBay Minerals Inc., ("HudBay") in Flin Flon, Manitoba, the past producing Callinan Mine and the 777 North Mine, which is under development and reported by HudBay to be scheduled for production in the first quarter of 2013.

Apart from its royalty interests in the 777 Mine, the 777 North Mine and the former Callinan Mine, and certain surrounding lands subject to Callinan's royalty interests, the Company has not yet determined whether its sole mineral property, the 777 Deeps adjacent to the 777 Mine, (previously known as the War Baby property) contains ore reserves that are economically recoverable.

The following management discussion is for the period ended March 31, 2013 and includes relevant information up to May 27, 2013 (the "Report Date"). It should be read in conjunction with the annual financial statements and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. CORPORATE STRATEGY

Business Strategy

The Corporation's principal business activities are centered on developing a portfolio of mineral royalties while diligently managing its current royalty interests. To expand its royalty portfolio over time, Callinan will use its cash flow from producing royalties to acquire mineral royalties and options by direct purchase. It will also generate royalties through investment agreements with companies that hold mineral exploration and evaluation and development projects of merit. In addition, royalties will be created through its own prospect generation activities.

The Corporation's strategy is to seek royalty creation and acquisition opportunities that are generally smaller and at an earlier stage which normally would not be the target of larger royalty companies. It will pursue these objectives with a small and focused team of technical and commercial professionals and consultants as required. Preferred commodities will include precious metals, base metals and bulk commodities such as iron ore and energy commodities such as coal and uranium.

The Corporation will create royalties by investing in mineral exploration both indirectly and directly. It will invest in prospect generation companies or groups worldwide that are experts in their chosen region by providing funding toward agreed programs that will result in a royalty interest being created on projects in favour of Callinan.

Callinan will also conduct early stage mineral exploration and prospect generation in a small number of selected jurisdictions that exhibit low sovereign risk and where it can develop a competitive advantage. Its technical and commercial team will conduct data reviews, field research, prospecting and exploration to identify drill targets. Third party agreements will be sought at this stage that will result in Callinan retaining a royalty interest or a passive, minority interest that can be converted to a royalty at a later date.

Callinan will also acquire royalties by providing royalty-backed financing or loans for mineral development and mining projects of merit at any stage of development, including production. The Corporation currently has a modest portfolio of investments in mining and mineral exploration companies that are primarily active in parts

of Canada and United States of America and it will continue to seek and evaluate attractive investment opportunities. Callinan may also make equity investments in both publicly-traded and private companies that hold or generate significant royalty interests with the objective of capital appreciation over time.

Please refer to the Company's website www.callinan.com for more information and updates.

Royalties and Investments

On October 25, 2010 Callinan announced its intention to become a royalty company by reorganizing its exploration and evaluation assets into a separate corporation (the "Spin-Out Proposal"), with a view to enhancing shareholders' value. The spin out was completed on July 13, 2011 and the Company changed its name to Callinan Royalties Corporation following shareholders' approval on June 7, 2011.

777 Mine

The Corporation currently has two producing royalties. It holds a 6⅔% NPI interest royalty and a $0.25 per ton production royalty in the 777 Mine located in Flin Flon, Manitoba, which produces copper, zinc, gold and silver. The adjacent 777 North Mine, part of the past producing Callinan Mine, which also occurs on lands subject to Callinan's royalty interests, is currently being developed and scheduled for production in Q1 2013 as reported by HudBay.

777 Deeps

Callinan Royalties owns the 777 Deeps property, ("previously known as the War Baby property"), which is recorded by the Government of Manitoba as Mineral Claim P1048F (the "Property"), that is located in Flin Flon, Manitoba in proximity to the 777 Mine.

Callinan originally acquired an option on the property from W.B. Dunlop Ltd. in July of 1995. The property is now 100% owned by Callinan Royalties subject only to a conditional back-in right and a royalty.

At the time of the property option agreement, Callinan granted a conditional option ("Mid-North Option") to Mid-North (now part of Bison Gold Resources, "Bison") exercisable within 45 days upon delivery of an independent feasibility study, prepared at the instigation of Callinan and accompanied by a statement of expenditures on the property, to acquire 10% of the Property by paying 10% of the stated total expenditures to Callinan. Should the Mid-North Option be exercised, Callinan and Mid-North (now Bison) shall form a Joint Venture with Callinan holding 90% interest in the Joint Venture and with Callinan as operator.

The Property is subject to an underlying 2.5% Net Smelter Returns ("NSR") royalty in favour of the original vendor of the mineral claim, W.B. Dunlop Ltd., from whom Callinan acquired the Property through a property option agreement in July, 1995. Callinan has the option to purchase, up to five years following commercial production, a 1.5% NSR royalty by paying $500,000 for each 0.5%, or a total 1.5% NSR royalty by paying $1.5 million to the original property vendor.

The location of the corners of this ground staked claim (P1048F) is based on historical survey data not yet verified by a ground survey and is determined by the boundaries of existing claims at the time of staking.
The 777 Deeps property is currently in good standing with the Manitoba Government until at least April 21, 2021. There are available credits from previous work that can be applied to extend this period.

Gold Royalties Financing

On July 31, 2012, the Company entered into an agreement with Gold Royalties Corporation ("GRC") whereby, the Company provided $5.4 million through a convertible debenture.

The convertible debenture which carries an interest rate of 10% per annum will mature on July 30, 2016. Interest payments will accrue quarterly and are deferred until the maturity date. The principal and interest are secured by the royalties and corporate assets of GRC.

At Callinan's option and at any time before or on the maturity date, Callinan has the right to convert the principal and accrued interest to 60% of the royalty interests or into share units of GRC comprised of one common share of GRC at $0.80 and one warrant priced at $1.20. The accrued interest will be converted into shares issued at market price.

The royalty interests referred to above are comprised of two royalties and are described as follows:

The Eagle Zone gross smelter royalty (the "Eagle Zone GSR"), known otherwise as the Mar Gold Zone, is a 2% gross smelter royalty on the Eagle Zone gold deposit being advanced by Victoria Gold Corp. The project is located approximately 85 km NE of Mayo, Yukon, Canada. The 2% gross smelter royalty, which comes with advance royalty payments, reverts to a 1% gross smelter royalty after payment of $1,000,000 by GRC, of which approximately $420,000 has been received by the third-party vendor to-date. There is no royalty buy-back provision afforded to the operator with the Eagle Zone GSR.

The Lynx Zone net smelter royalty (the "Lynx Zone NSR"), known otherwise as the Len Property, is a 1% net smelter royalty, which comes with advance royalty payments, on claims being advanced by Victoria Gold Corp. The project is located NE of Mayo, Yukon, Canada. The Lynx Zone NSR may be repurchased by the operator at a rate of $100,000 per 0.15%, either pro-rata or in whole, for a total of $1,500,000, less advance royalty payments made to-date to the royalty vendor.

If neither conversion option is exercised by Callinan, the full principal and interest will be repaid in cash. In addition, GRC will hold an early repayment option for $8,600,000 after offering Callinan the right to convert the loan to shares.

Information on GRC can be found at www.vitgoldcorp.com. GRC trades under the symbol IVY-P.V

Golden Dory Resources

On November 8, 2012 the Company announced that it signed an agreement with Golden Dory Resources Corp. ("Golden Dory") whereby Callinan agreed to invest $1 million by way of private placement into Golden Dory and, concurrent with closing the financing, Callinan acquired two royalty options from Golden Dory on the Iron Horse Property owned by the Golden Dory-Metals Creek Joint Venture. Golden Dory is the project operator and can earn up to 70% interest in the Iron Horse Property located in western Labrador, Canada where intersections of iron formation have been reported by Golden Dory from recent drilling programs. Golden Dory has agreed to spend $1 million in exploration on the Iron Horse Property before the end of 2013.

The first option will allow Callinan to purchase a 1% royalty for $1 million. A second option will allow Callinan to purchase up to an additional 1.1% royalty at a price to be calculated by an independent third party based on information from the final bankable feasibility study used for mine construction. The royalty options will be exercisable at any time up to 180 days following 180 days of continuous commercial production.

Under Golden Dory's private placement, Callinan acquired 14,285,714 units of Golden Dory at a price of $0.07 per unit. Each unit under the private placement consists of one common share and one common share purchase warrant. Each warrant entitles Callinan to purchase one additional common share of Golden Dory at an exercise price of $0.10 for a period of two years following the closing of the private placement. However, Golden Dory will not issue, during the term of the warrants, shares upon exercise of the warrants held by Callinan that will result in Callinan holding more than 19% of the issued and outstanding shares of Golden Dory.

Golden Dory trades under the symbol GDR.V and information on its activities can be found at www.goldendoryresources.com

Northern Shield

On November 15, 2012 the Company announced that it signed an agreement with Northern Shield Resources Inc. ("Northern") to invest $700,000 in Northern by way of a non-brokered private placement.

Under the agreement, Callinan acquired 6,363,636 units of Northern at a price of $0.11 per unit. Each unit under the private placement consists of one common share and one half common share purchase warrant. Each whole warrant entitles Callinan to purchase one additional common share of Northern at an exercise price of $0.22 for a period of two years.

In addition, Callinan paid Northern $300,000 to acquire a royalty option on one of six properties in Northern's Storm property group located in northern Ontario. The properties have in recent years demonstrated the potential for volcanic-hosted massive sulfide base metal deposits over a large area and are also considered prospective for magmatic platinum group element deposits and other mineral deposit types.

The royalty option allows Callinan to acquire a 1% Net Smelter Returns royalty by paying Northern $2 million at any time up to the later of five years or the mine development stage. Northern also granted to Callinan a Right of First Refusal on the sale of any royalties on the Storm property group owned by Northern.

Northern trades under the symbol NRN.V and information on its activities can be found at www.northern-shield.com .

Wallbridge Financing

On November 20, 2012 the Company announced it signed a binding Heads of Agreement with Wallbridge Mining Company Limited ("Wallbridge") whereby Callinan invested $1.5 million in Wallbridge by way of a non-brokered private placement and to provide Wallbridge with a line of credit for $2.0 million to fund potential mining development of the Broken Hammer copper, nickel and platinum group metals project, subject to Toronto Stock Exchange approval and execution of a formal agreement, which were expected to occur within 30 days.

Under the agreement, Callinan purchased 8,333,333 units ("Units") of Wallbridge at a price of $0.18 per Unit for gross proceeds of $1.5 million. Each Unit under the private placement consists of one common share and one half common share purchase warrant. Each whole warrant entitles Callinan to purchase one additional common share of Wallbridge at an exercise price of $0.27 for a period of three years.

In addition, Callinan was granted two royalty options to be exercised on any of the 12 projects currently 100% owned by Wallbridge other than the Broken Hammer project. Each option gives Callinan the right to buy up to a 2% Net Smelter Return ("NSR") royalty on a single property at any time up to the completion of certain mine development milestones. The first 1% NSR royalty can be acquired for $2 million with inflation adjustment, while the second 1% NSR royalty can be acquired at a price to be calculated by an independent third party based on information from the final bankable feasibility study used for mine construction and an agreed upon discount rate.

The line of credit has an interest calculated as the greater of 10% per annum or a 1.5% NSR royalty prorated on the funds drawn. The term will be 3 years or until completion of the extraction and processing of mineral produced from the Broken Hammer project, whichever occurs first. In addition, Callinan is granted the right to buy an additional 1% NSR royalty on the Broken Hammer property for $2 million with inflation adjustment.

The line of credit is expected to generate short term cash flow for Callinan as noted above. In addition, the agreement provides Callinan with a royalty option on the Broken Hammer project while mitigating the repayment risk of invested capital. Callinan is a shareholder in Wallbridge while holding additional royalty options on properties that exhibit potential for copper, nickel and platinum group element deposits located in one of the most productive mining districts in Canada.

Wallbridge trades under the symbol WM.TO and information relating to its activities can be found at www.wallbridgemining.com

Evrim Resources Corporation Alliance

The Company also announced that it signed an agreement with Evrim Resources Corp. ("Evrim") for a four year, C$1.5 million regional exploration alliance (the "Alliance") in Mexico. The Alliance will initially focus on generating gold and silver targets within a 40,000 square kilometer Area of Interest (AOI) in prospective mineral belts with a firm commitment of C$500,000 in year one. In addition, Callinan has participated in a non-brokered private placement whereby it acquired 1,800,000 common shares of Evrim for $594,000.

Callinan may provide annual funding to the Alliance and Evrim will conduct generative exploration within the AOI to stake and acquire new projects (the "Projects") and develop the Projects for joint venture purposes. Projects acquired within the AOI during the term of the Alliance will be 100% owned by Evrim and subject to a 1.5% Net Smelter Return (NSR) royalty in the case of precious metals and a 1.0% NSR royalty in the case of base metals to Callinan. Evrim will grant to Callinan a Right of First Offer on the sale of any royalties owned by Evrim on Alliance Properties. In January 2013 Evrim received the first year commitment of $500,000 funding for the first year of exploration.

During the period the Company incorporated a wholly-owned Mexican subsidiary, Callinan Royalties Corporation de Mexico S.A de C.V ("Callinan Mexico"). This subsidiary which was inactive from the period of incorporation to March 31, 2013 will be used to facilitate the alliance with Evrim. A wholly-owned subsidiary was also incorporated in Barbados – Callinan Royalties (Barbados) Corporation which has also been inactive from the period of incorporation to present.

For information on the activities of Evrim which trades under the symbol of EVM.V please refer to www.evrimresources.com

Adventus Exploration Alliance

In December, Callinan signed an agreement with Adventus Exploration Ltd., a private mineral exploration company based in Ireland. Callinan agreed to subscribe for shares of Adventus for a total subscription price of 400,000 Euros representing a 19.9% equity interest in Adventus. Proceeds of the investment will be used by Adventus to undertake mineral exploration targeting and project acquisition for base metals and precious metals within selected areas of interest in Western Europe. Any project acquired in the AOI within two years or until funds are expended, whichever is later, will become subject to a 2% NSR royalty in favour of Callinan.

Work is moving forward on this alliance and material progress will be reported as available.

3. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS

a) Results of Operations

During the nine months ended March 31, 2013, the Company received and accrued $ 12,681,087 (2012 - $18,446,392) for its $0.25 per ton production royalty and its 6⅔% NPI royalty in the Callinan Mine located in Flin Flon, Manitoba. Of that amount, $346,441 represents the production royalty payment (2012 - $315,280) for the 1,385,764 tons mined during the period, and $12,334,646 (2012 - $18,131,112) for the 6⅔% NPI for the period. Additionally, $247,741 was received for interest revenue (2012 - $221,598), and $360,000 was accrued for interest on the Company's debentures, for total revenues of $13,288,828 (2012 – $18,667,990). Net income for the nine months ended March 31, 2013 net of income tax expense is $7,229,874 compared to $17,412,110 for the same period last year. Income per share for basic and fully diluted is $0.15 compared to $0.35 for both basic and fully diluted in fiscal 2012.

Revenue for the three month period ended March 31, 2013 was $3,221,118 made up of $3,027,266 for net profit interest and royalty payment, $58,852 in interest revenue and $135,000 interest accrued on the

Company's debentures. Net income for the three month period net of income tax expense and deferred income tax expense is $1,881,047 resulting in net income per share of $0.04 for both basic and fully diluted compared to $0.07 for the same period last year.

Cash on hand at March 31, 2013 was $24,584,446, which is $3,256,563 lower than last year. As per the Company's cash management policy, excess cash is invested in short-term term deposits and bankers acceptance not exceeding ninety days, so as to secure capital and earn a reasonable return.

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

The following financing transaction took place during the period ended March 31, 2013.

- 455,000 incentive stock options were exercised for net proceeds of $625,200.

The following transactions took place during the period ended March 31, 2012.

- 1,211,600 incentive stock options were exercised for net proceeds of $1,685,122.

The following table sets forth selected financial data from the Company's June 30, 2012 annual audited financial statements and the unaudited financial statements at March 31, 2013. Financial statement information presented has been prepared in accordance with International Financial Reporting Standards.

The following table should be read in conjunction with such statements.

Statement of operations	March 31, 2013($)	March 31, 2012 ($)	June 30, 2012 ($)
Revenues (Interest & Other income)	13,288,828	18,667,990	23,825,134
Income (loss) before discontinued operations taxes and extraordinary items	10,054,026	15,715,606	19,522,827
Income tax expense	(2,716,152)	(4,380,000)	(5,447,000)
Deferred income tax recovery/(expense)	(108,000)	6,076,504	6,032,363
Net income net of taxes for the period	**7,229,874**	**17,412,110**	**20,108,190**
Income per common share outstanding			
Basic	0.15	0.35	0.41
Diluted	0.15	0.35	0.40
Statement of financial position			
Total assets	45,198,936	41,339,718	43,260,192
Total long-term liabilities	-	-	-
Dividends declared	2,992,108	1,969,172	3,908,315

Factors That Affect the Comparability of the Financial Data Disclosed Above

To date Callinan has received $96,494,535 and accrued $5,523,925 for a total of $102,018,461 from HudBay for its NPI in the 777 Mine.

Net income for the period is lower than same time last year by $10,182,236 as March 2012 includes $6,076,504 as recovery of deferred income tax realized from the spin out of the mineral properties to Callinex Mines Inc. and the NPI for the same period in fiscal 2012 was higher by $5,765,305. Additionally, expenses are higher by $282,418 due to a non-cash expense of $1,560,006 for share-based compensation related to the RSUs granted in fiscal 2012. This negative variance is offset by a reduction of $1,663,848 in corporate income taxes for the period Income per share is $0.15 for both basic and fully diluted compared to $0.35 per share for the same period last fiscal year.

During the nine months ended March 31, 2013 the Company declared dividends of two cents per share per quarter, on its outstanding common shares for a total of $2,992,108. During the nine months ended March 31, 2013, dividends of $1,998,520 have been paid and the remaining $993,588 was paid on April 15, 2013. Included in the unpaid dividend is $15,360 accrued for dividends on the Company's RSUs not yet vested.

The following table sets forth selected quarterly financial information at the end of the periods shown below. The financial information is derived from the financial statements of the Company, which are prepared in accordance to International Financial Reporting Standards. All amounts are in Canadian dollars.

	For the Three Months Ending							
	Fiscal 2013			Fiscal 2012				Fiscal 2011
	Mar 31 ($)	Dec 31 ($)	Sep 30 ($)	Jun 30 ($)	Mar 31 ($)	Dec 31 ($)	Sep 30 ($)	Jun 30 ($)
Income Statement Data								
Total revenues	$ 3,221,118	$ 5,481,312	$ 4,586,398	$ 5,157,144	$ 5,378,829	$ 6,812,224	$ 6,476,937	$ 6,173,749
Income (loss) before discontinued operations, taxes and extraordinary items	2,586,340	3,972,563	3,495,123	3,807,221	4,610,645	5,145,062	5,959,899	3,786,486
Income tax expense	(682,293)	(1,024,859)	(1,009,000)	(1,067,000)	(1,207,000)	(1,815,281)	(1,357,719)	(774,666)
Deferred Income tax(expense)/recovery	(23,000)	(55,000)	(30,000)	(44,141)	38,504	1,005,831	5,032,168	(280,886)
Net income (loss)	$ 1,881,047	$ 2,892,704	$ 2,456,123	$ 2,696,080	$ 3,442,149	$ 4,335,612	$ 9,634,348	$ 2,730,934
Income (loss) per common share outstanding								
Basic	$ 0.04	$ 0.06	$ 0.05	$ 0.06	$ 0.07	$ 0.09	$ 0.19	$ 0.05
Diluted	$ 0.04	$ 0.06	$ 0.05	$ 0.05	$ 0.07	$ 0.08	$ 0.19	$ 0.06

September 30, 2011 and December 31, 2011 included $5,032,168 and $1,005,831, respectively, as deferred income tax recovery on transfer of the Company's evaluation and exploration asset to Callinex Mines Inc.

b) Trend Information

Other than the financial obligations as set out in item 8 below, there are no identifiable trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The Company will require sufficient capital in the future to meet its royalty acquisition and creation payments. It will also require capital to acquire and explore properties it considers to be of merit. As the Company is now receiving net profit interest payments from HudBay it is likely that the Company will generate sufficient operating cash flow to be able to acquire and create royalties within the parameters outlined in the business strategy section. Understandably, even though the 777 Mine is expected to be operational until 2020, the continuance of the net profit interest payments is directly dependent on such factors as, the continued mining of the 777 Mine,

metal prices and global consumption patterns. At this time the Company has no plan or intention to issue any debt in order to raise capital for future requirements.

It is the opinion of the Company that its liquidity will be most affected by the results of its own acquisitions and the profitability of the 777 Mine operated by HudBay in which Callinan has a 6⅔% NPI royalty. The acquisition of an economic mineral royalty or discovery of a deposit on its mineral property may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect.

c) Risk Factors

The Company, and thus the securities of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this report prior to making an investment in the Company. In addition to the other information presented in this report, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

General

Callinan's strategy is to acquire and/or create royalties in the resource exploration and development sector preferably in the early stage. Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding and developing mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production.

In addition, the Company is currently reliant upon revenues from the 777 Mine which is operated by HudBay. The Company has no influence over such operations and is at the risk of suffering loss of revenues if the operation is shut down or discontinues operating on the Company's royalty lands, additional capital expenses are incurred or if supplies of ore are exhausted.

The Company plans to focus its efforts on the acquisition of further royalty interests in other mineral resources properties, accordingly the price of the Callinan Royalties Shares and the Company's financial results may be significantly adversely affected by a decline in the price of commodities in which the Company has a royalty interest.

No control over mining operations

Where the Company's interest in a mineral property is a royalty or net profit interest, the Company is not directly involved in the ownership or operation of the mines located on such mineral properties and has no contractual rights relating to the operation of such mines. As a result, the cash flows of the Company are dependent upon the activities of third parties which create the risk that at any time, those third parties may be unable or unwilling to fulfill their obligations under their agreements with the Company, or experience financial, operation or other difficulties including insolvency, which could limit a third party's ability to perform its obligations under the royalty or net profits interest. Except in limited circumstances, the Company will not be entitled to any material compensation if the operations shut down or the third party operators discontinue their operations on a temporary or permanent basis. At any time, any operator of a mine in which the Company has a royalty or net profit interest may decide to suspend or discontinue operations.

Acquisition strategy

As part of the Company's business strategy, it has sought and will continue to seek new opportunities to acquire royalty interests in mineral projects. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements for the acquisition of an acceptable percentage royalty. The Company cannot assure that it can complete any

acquisition or business arrangement that it pursues on favorable terms, or that any acquisitions or business arrangements that are completed will ultimately benefit the Company.

Risks related to the company's royalty, net profit interests and some extent, future acquisition

To the extent that risks relate to the mining properties in which the Company has a royalty interest, the Company will be subject to the risks applicable to the operators of such mines, including but not limited to:

Changes in the share price of commodities

Changes in the market price of commodities will significantly impact the Company's revenue from producing royalties. Many factors beyond the Company's control influence the market price of commodities including, but not limited to: global supply and demand, availability and costs of metal substitutes, speculative activities, and production levels and costs in other producing countries.

The Company's financial results are sensitive to external economic factors related to the commodity prices and a substantial risk will arise if there is prolonged period of lower prices.

Sustaining and increasing production levels

Subject to expansion and development, production from operations will typically decline over the life of a mine. As a result, the operator's ability to maintain its current production or increase its annual production and generate revenues therefrom will depend significantly upon the ability to discover and successfully expand mineral reserves at the 777 Mine. As the Company's royalty revenues are directly linked to production at the 777 Mine, to the extent that production decreases, royalty revenues may decrease commensurately.

Disruption of transportation

The 777 Mine is dependent upon a single railway and certain short-line networks to transport purchased concentrate to and from HudBay's Flin Flon metallurgical complex. Inability to secure reliable and cost-effective transportation, or disruption of these transportation services due to weather-related problems, strikes, lock-outs or other events could have a material adverse effect on the operation of HudBay which would in turn materially affect our revenue.

Impact of completion

The mining industry is intensely competitive and HudBay competes with many companies possessing greater financial and technical resources. HudBay competes for the labour required to operate the 777 Mine, and the capital for the purpose of funding such a mine. Many competitors not only explore for and mine base metals, but conduct refining and marketing operations on a global basis. Such competition may result in HudBay being unable to recruit or retain qualified employees or to acquire the capital necessary to fund operations at the 777 Mine and develop the 777 Mine. The impact of competition could ultimately affect our royalty revenues.

Human resources

The success of operations at the 777 Mine depends in part on geologists, engineers, metallurgists and other personnel with specialized skill and knowledge about the mining industry. HudBay competes with other mining companies to attract and retain key executives and skilled and experienced employees. The mining industry is labour intensive and HudBay's success and ability to pursue its strategic objectives depends to a significant extent on its ability to attract, hire, train and retain qualified executives and employees, including its ability to attract employees with needed skills in the Flin Flon area.

Suspension of operations

From time to time, HudBay may have to temporarily suspend operations at the 777 Mine if they are no longer considered commercially viable. There are a number of factors that may cause the operations to be no longer commercially viable, many of which are beyond HudBay's control. These factors include decreases in the price of and demand for zinc or copper or the market rates for treatment and refining charges, adverse changes in interest rates or currency exchange rates, increases in concentrate transportation costs, and increases in labour costs. If operations are suspended, we will not receive royalty revenue.

Government regulation

The mining, processing, development and mineral exploration activities at the 777 Mine are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, protection of the environment and other matters. Although HudBay believes that its activities are currently carried out in accordance with applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the 777 Mine. Amendments to current laws and regulations governing HudBay's operations and activities in Manitoba, or more stringent implementation thereof, could have a material adverse effect on the results of operations, including increases in exploration expenses, remedial and reclamation obligations, capital expenditures and production costs, or reduction in levels of production at the 777 Mine, which could affect the Company's royalty revenues.

Environmental compliance obligations

The 777 Mine is subject to environmental regulations. Any failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which would have an adverse impact on our royalty revenues.

Requirement to obtain government permits to conduct mining operations

Government approvals and permits are currently required in connection with operations at the 777 Mine, and further approvals and permits will be required in the future. HudBay must obtain and maintain a variety of licenses and permits including air quality control, water, electrical and municipal licenses. The duration and success of its efforts to obtain permits are contingent upon many variables outside of its control. Obtaining governmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that HudBay will be able to maintain such permits. In the event that such approvals are required and not obtained or maintained, HudBay's operations may be curtailed or they may be prohibited from proceeding with planned development, or operation of the 777 Mine, which would have an adverse impact on our royalty revenue.

Title to mineral properties

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although we believe we have taken reasonable measures to ensure HudBay has proper title to the 777 Mine, there is no guarantee that title to the 777 Mine will not be challenged or impaired. Third parties may have valid claims underlying portions of our interests, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects or unforeseen changes to the boundaries of our properties by governmental authorities. As a result, HudBay may be constrained in its ability to operate the 777 Mine or may be unable to enforce its rights with respect to the 777 Mine. An impairment to or defect in HudBay's title to the 777 Mine could have an adverse effect on our royalty interest.

The Company's other business is subject to exploration and development risks

The Company's sole property, 777 Deeps (previously known as the War Baby Claim), is in the exploration stage of development. No mineral resources or reserves have been discovered and calculated on this property. The mineral exploration license is in good standing until June 20, 2021 and no expenditures are required in the interim. There is no certainty that the expenditures to be made by the Company or any future joint venture partners in the exploration of its property described herein will result in discoveries of metals in commercial quantities or that the Company's property will be developed. Most exploration projects do not result in the discovery of economic deposits of metals and no assurance can be given that any particular level of recovery of metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable (or viable) resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Financing Risks

Global financial conditions may adversely impact operations and the value and price of the Callinan Royalties Shares

Global financial conditions have been subject to increased volatility. This may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the Callinan Royalties Shares could be adversely affected.

The Company may require additional equity financings, which will cause dilution to existing shareholders

The activities of the Company may require additional capital. If the Company is unable to obtain sufficient financing in the future, it might have to dramatically slow activities and could lose control of its projects. If equity financing is required, such financings could result in significant dilution to existing shareholders.

d) Royalties and Exploration and Evaluation Asset

On July 31, 2011 the Company, pursuant to a spinout agreement approved by its shareholders on June 7, 2011 transferred all its exploration and evaluation properties except for the Callinan claims to the newly incorporated company, Callinex Mines Inc.

(i) Callinan

The Company holds a 6⅔% NPI royalty in the Callinan Mine and 777 Mine, operated by Hudson Bay Mining and Smelting Co., Limited, ("HudBay") as well as a production royalty of $0.25 per ton of ore milled, effective January 1, 1988. During fiscal 2008 the Company received its first NPI royalty payments from HudBay. In the event of abandonment of the Callinan claims by HudBay, the rights and claims will be transferred back to the Company.

In November 2007, the Company received its first payment from HudBay. To date the Company has received total revenues of $102,018,461 for its NPI in the 777 Mine, and receives approximately $400,000 per year pursuant to the $0.25 per ton royalty. In March of 2011 and 2012, the Company received a payment of $6,264,000 and $269,168 respectively, from HudBay for a total of $6,533,168 for an error, discovered by HudBay, in the calculation of zinc revenues.

On March 5, 2007 the Company commenced action in the Manitoba Court of Queen's Bench against HudBay in relation to the 6⅔% NPI royalty in the Callinan Mine.

The Company's review of the audited financial statements from HudBay, audited by Deloitte & Touche LLP revealed that the audit reports beginning in 2003 had changed from previous years and included the following statement:

"These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of Hudson Bay Mining and Smelting Co., Limited for complying with the Net Profits Interest and Royalty Agreement between Hudson Bay Mining and Smelting Co., Limited, Consolidated Callinan Flin Flon Mines Limited, and Hudson Bay Exploration and Development Company Limited, dated January 1, 1988. The financial statement is not intended to be and should not be used by anyone other than the specified users or for any other purpose."

This was a departure from the financial statements received from 1989 to 2002, which stated:

"In our opinion, this financial statement presents fairly, in all material respects, the net profits interest and royalty for the year ended June 30, (2003 to present) **in accordance with Canadian generally accepted accounting principles and the Net Profits Interest and Royalty Agreement dated January 1, 1988."**

The Company is seeking:

(i) the right to conduct an audit of the books and records of the operations of HudBay in relation to the Callinan Mine and the recently developed 777 mine

(ii) a declaration that HudBay must keep and maintain separate records and accounts for each of the Callinan Mine and the 777 Mine,

(iii) a declaration that the Cumulative Cash Flow defined in the NPI Agreement and accumulated for the Callinan Mine should not be used in calculating the Net Profits interest from the 777 Mine,

(iv) an order compelling HudBay to make available to Callinan the books and records of both the Callinan Mine and the 777 Mine,

(v) an order for an accounting of all sums improperly included or excluded in calculating the Net Profits Interest,

(vi) general damages for breach of contract and breach of fiduciary duty, and

(vii) aggravated and punitive damages, interest and costs.

On September 09, 2011, Callinan reported that it had executed a standstill agreement with Hudson Bay Mining & Smelting Co., Limited ("HudBay"), a wholly-owned subsidiary of HudBay Minerals Inc., which placed in abeyance Callinan's law suit in respect of its Net Profits Interest and Royalty agreement with HudBay dated January 1, 1988 while Callinan conducted an independent audit.

In the law suit, which was commenced in 2007 in the Manitoba Court of Queen's Bench, Callinan alleged that HudBay had not properly accounted to Callinan for the Net Profits Interest ("NPI"). The law suit was prolonged while Callinan pursued an application against Deloitte & Touche, LLP ("Deloitte"), HudBay's auditor for production of Deloitte's working papers prepared in connection with Deloitte's annual audit of the NPI and opinion to the effect that the NPI had been properly calculated. Although the application did not initially succeed, Callinan prevailed on appeal and production of the working papers was ordered by the Manitoba court.

Under the standstill agreement, Callinan initially planned to audit the NPI calculations for four selected years, namely 1993, 2003, 2004 and 2007. Callinan retained Grant Thornton LLP to conduct the independent audit. HudBay agreed to cooperate with the auditors and to supply all available documents reasonably requested for the audit. In return, Callinan agreed to hold the law suit in abeyance during the conduct of the audit while retaining the right at its sole discretion to terminate the audit and proceed with the law suit on reasonable notice in writing to HudBay of not less than 30 days.

The independent audit by Grant Thornton of the NPI calculations cannot be completed as planned. Audit work for the four initially selected years as well as a partial audit of 2011 was protracted as much of the source material evidencing entries from the originally selected early years is not available from HudBay. Therefore, the audit work conducted was incomplete and inconclusive in nature.

The Board of Directors of Callinan has undertaken and completed a review to determine the next course of action with respect to outstanding issues with HudBay. Alternatives include, but may not be limited to, providing notice in writing to HudBay and proceeding with litigation or engaging in discussions with a view to a resolution of outstanding issues.

As litigation remains an option to be considered by the Board of Directors, the Company does not intend to disclose information from the incomplete audit work conducted or report any developments with respect to the review unless and until its Board of Directors has approved a course of action that requires disclosure or otherwise deems that disclosure of developments is appropriate.

For more information on this please see the Company's website, www.callinan.com.

e) Administration Expenses

General and Administration expenses for the period at $3,234,802 is $282,418 higher than the same period in fiscal 2012. Included in general and administration expenses is a non-cash expense of $1,560,006 for stock-based compensation related to the RSUs granted in fiscal 2012. There was no stock-based compensation expense in fiscal 2012. Additionally salaries and wages are lower by $181,064. In fiscal 2012, directors' fees of $81,500 was paid out in the third quarter, whereas, these fees were paid out in the second quarter this fiscal year. Fiscal 2012 also included a one-time expense of $800,000 for termination of a contract.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Corporation's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended June 30, 2012.

Estimates and assumptions are continually evaluated and are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. ACCOUNTING POLICIES AND NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended June 30, 2012. The following new accounting standards have been issued, but are not yet effective and have not yet been adopted by the Company. The Company is currently evaluating the effects of adopting these standards:

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended to introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This IFRS shall apply for annual periods beginning after January 1, 2015.

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31, Interest in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 was amended to introduce significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid or transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13. These amendments are effective for annual periods beginning on or after January 1, 2013.

In December 2011, the IASB issued amendments to IAS 32 and IFRS 7. The amendments clarify certain items regarding offsetting financial assets and financial liabilities and also address common disclosure requirements. The amendments will be effective for annual periods commencing on or after January 1, 2013 for IFRS 7 and January 1, 2014 for IAS 32, with earlier application permitted. If IAS 32 is early adopted, the disclosures required by the amendments to IFRS 7 must be provided.

6. LIQUIDITY AND CAPITAL RESOURCES

During the period ended March 31, 2013 the following shares were issued for cash proceeds:

(a) 455,000 common share options were exercised for net proceed of $625,200.

(b) During the period the Company purchased 8,000 of its common shares at a cost of $17,305. These shares were subsequently cancelled.

(c) The Company declared dividends of $0.02 per common share, per quarter, resulting in $2,992,108 of dividends being declared. $1,998,520 was paid during the period ending March 31, 2013 and the $978,228 was paid on April 15, 2013. The remaining amount of $15,360 is accrued for dividends on the Company's RSUs not yet vested.

(d) On January 3, 2013 one-third of the RSUs granted in fiscal 2012 vested. Pursuant to this the Company issued 277,400 shares with a deemed cost of $607,606, to employees and directors of the Company. The remaining 108,600 RSUs were exercised into cash for a total of $237,834.

During the period ended March 31, 2012 the following shares were issued for properties and cash proceeds:

(a) On July 13, 2011 the Company issued 500,000 common shares to Callinex in trust, pursuant to a plan of arrangement whereby, the Company's properties were spun out into a new Company, Callinex. Callinex will use the common shares to satisfy options obligations and any shares not used will be returned to the Company.

(b) 1,211,600 common share options were exercised for net proceeds of $1,685,122.

(c) During the period the Company purchased 2,177,400 of its common shares at a cost of $5,883,091. To date the Company had cancelled 2,251,700 of the common shares purchased. At March 31, 2012 there were 95,300 shares held as treasury shares and which were subsequently cancelled.

7. SECURITIES AS AT THE END OF THE REPORTING PERIOD

At March 31, 2013 there were 48,911,421 common shares of the Company issued and outstanding. On the report date, there were 48,821,421 common shares of the Company issued and outstanding. Other securities outstanding are:

(a) Warrants

At March 31, 2013 there were 2,000,000 share purchase warrants outstanding.

The following table summarizes warrants activities during the period:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at June 30, 2011	2,000,000	2.58
Warrants outstanding at June 30, 2012 and March 31, 2013	2,000,000	$ 2.58

(b) Incentive Stock Options

During the fiscal 2012 pursuant to a plan of arrangement, the exercise price of each of Callinan's outstanding options tranche changed. Changes to the options prices are as follows:

Original option price	0.88	1.00	1.42	1.45	1.82	2.32	2.38
Re-priced options	0.93	1.04	1.43	1.46	1.80	2.27	2.33

There was no incentive stock options granted during the period ended March 31, 2013. The following tables summarize the Company's outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at June 30, 2011	2,616,500	$ 1.48
Exercised	(1,211,600)	1.38
Cancelled	(294,900)	1.94
Options outstanding at June 30, 2012	1,110,000	$ 1.47
Exercised	(455,000)	1.37
Expired	(75,000)	1.46
Options outstanding at March 31, 2013	580,000	$ 1.55

(c) Restricted Share Units (RSU)

During the fiscal 2012, the Company's Restricted Share Unit ("RSU") Plan was approved by shareholders at the Company's annual general meeting on December 9, 2011. Under this program, RSUs which can convert to common shares of the Company upon vesting can be granted to directors, officers, employees and consultants of the Company.

The plan which is intended to replace the Company's Stock option plan in time, allows for a number of RSUs not to exceed 10% of the number of issued and outstanding common shares to be granted from time to time. The maximum number of RSUs which may be issued within a one-year period shall be 2% of the common shares issued and outstanding at the time of the issuance, and the number of RSUs which may be issued to any individual within a one year period shall not exceed 1% of the common shares issued and outstanding. The RSUs shall vest one year following the grant date, or at the discretion of the Board of Directors.

During the year ended June 30, 2012 the Company granted 1,158,000 RSUs. One-third of these RSUs vest annually commencing on January 3, 2013. The fair value of these RSUs for the period ending March 31, 2013 has been calculated as $1,560,006 using the Black-Scholes Model, and has been recorded as share-based compensation.

8. DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Jointly with Callinex Mines Inc. the Company occupies leased office space at Suite 1110 – 555 West Hastings Street in Vancouver, British Columbia and at 508 Main Street in Lewisporte, Newfoundland and Labrador. The office lease in Vancouver will expire January 31, 2016, while the lease in Newfoundland expires on March 31, 2017. For the period ended March 31, 2013 rental expenses, including taxes and operating expenses were $52,065 compared to $47,279 for the same period last year.

9. CORPORATE GOVERNANCE

The Company has evaluated its internal controls over financial reporting and believes that as of the report date, its systems of internal controls over financial reporting as defined under MI 52-109 are sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Certain weaknesses in its systems are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in smaller companies. As a consequence of this situation:

a) It is not feasible to achieve the complete segregation of duties; and
b) The Company does not have full competency in house in complex areas of financial accounting, such as taxation.

The Company believes these weaknesses are mitigated by:

a) the nature and present levels of activities and transactions within the Company being readily transparent;
b) the thorough review of the Company's financial statements by senior management and the audit committee of the board of directors;
c) the assistance and advice rendered by the Company's auditors; and,

d) the active participation of senior management in monitoring financial reporting.

Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2013 the Company received $2,298,145 from HudBay representing the quarterly payment for the quarter ended March 31, 2013. This amount is included in accounts receivable at March 31, 2013.

Subsequent to March the Company repurchased 90,000 of its outstanding common shares of which 35,000 were cancelled. The remaining shares are being held as treasury shares.

11. RELATED PARTY TRANSACTIONS

During the nine months ended March 31, 2013 the President of the Company has been paid $135,000 in remuneration (2012 - $135,000). The CFO of the Company has been paid $120,000 in remuneration (2012 - $125,788) recorded in salaries and wages. Director fees of $122,500, (2012 – $69,500) are also included in salaries and wages. Additionally, share-based compensation of $1,075,030 relates to the RSUs granted to the CEO, CFO and directors of the Company.

There were no other related party transactions except for the exercise of incentive stock options.

12. LIST OF DIRECTORS AND OFFICERS

Roland Butler	Director	President & CEO
Brian Irwin	Director	Chairman
Frank Dembinsky	Director	--
David Korbin	Director	--
Anna Stylianides	Director	--
Tamara Edwards	--	Chief Financial Officer
Cheri Pedersen	--	Corporate Secretary