

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE PERIOD ENDED MARCH 31, 2013
(Expressed in Canadian Dollars)

CALLINAN

ROYALTIES

Est. 1927

FOR THE PERIOD ENDED MARCH 31, 2013
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CALLINAN
ROYALTIES
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	March 31, 2013	June 30, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,584,446	$ 29,464,334
Accounts and other receivables (Note 14)	7,875,504	12,504,080
Prepaid expenses	67,909	132,923
Prepaid income tax	1,422,066	-
Total current assets	33,949,925	42,101,337
Royalty Interest (Note 5)		
Net of accumulated depreciation of $1,183,047 (June 30, 2012 - $1,165,341)	167,653	185,359
Equipment (Note 6)	123,513	147,045
Investments (Note 7)	2,443,415	374,451
Options on royalty interests (Note 8)	2,410,430	-
Debentures (Note 9)	5,760,000	-
Deferred income tax asset	344,000	452,000
Total assets	$ 45,198,936	$ 43,260,192
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 36,191	$ 180,990
Dividends payable	993,588	967,002
Income tax payable and accrued	-	3,480,390
Total current liabilities	1,029,779	4,628,382
Equity		
Capital stock (Note 10)	10,182,758	7,637,661
Treasury shares (Note 10)	-	(367,632)
Equity reserve	2,165,079	2,790,119
Accumulated other comprehensive loss	(1,603,815)	(973,329)
Retained earnings	33,425,135	29,544,991
Total equity	44,169,157	38,631,810
Total liabilities and equity	$ 45,198,936	$ 43,260,192

Nature and continuance of operations (Note 1)
Commitment (Note 16)
Subsequent events (Note 17)

Approved on behalf of the Board on May 27, 2013:

"David Korbin"
Director

"Anna Stylianides"
Director

The accompanying notes are an integral part of these consolidated financial statements.

CALLINAN
ROYALTIES
Est. 1927

CALLINAN ROYALTIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED MARCH 31

	Three Months		Nine Months	
	2013	2012	2013	2012
INCOME				
Interest	$ 193,852	$ 78,555	$ 607,741	$ 221,598
Royalty – Callinan Mines	3,027,266	5,300,274	12,681,087	18,446,392
	3,221,118	5,378,829	13,288,828	18,667,990
EXPENDITURES				
Audit and accounting	24,308	39,336	215,330	311,391
Consulting fees	12,599	31,828	40,884	853,160
Equipment depreciation (Note 6)	10,165	8,120	30,391	10,218
Insurance expense	4,643	7,550	14,054	24,409
Legal	55,155	20,391	274,305	217,142
Listing and sustaining fees	19,105	22,385	24,995	29,576
Royalty interest depreciation (Note 5)	5,464	3,210	17,706	9,857
Property investigation costs	34,203	65,362	137,108	214,716
Office and administration	30,508	76,228	104,959	263,894
Office rent	16,205	20,659	52,065	47,279
Salaries and wages	207,625	450,484	682,085	863,149
Shareholder and relations and news releases	12,895	12,202	66,324	50,867
Share-based compensation	200,065	-	1,560,006	-
Transfer agent	1,838	10,429	14,590	56,726
	(634,778)	(768,184)	(3,234,802)	(2,952,384)
Net income before taxes	2,586,340	4,610,645	10,054,026	15,715,606
Income tax expense	(682,293)	(1,207,000)	(2,716,152)	(4,380,000)
Deferred income tax recovery (expense)	(23,000)	38,504	(108,000)	6,076,504
Net income for the period	1,881,047	3,442,149	7,229,874	17,412,110
Fair value adjustment of investments	(1,039,633)	(200,094)	(630,486)	(630,621)
Comprehensive income for the period	$ 841,414	$ 3,242,055	$ 6,599,388	$ 16,781,489
Net income per common share				
Basic	$ 0.04	$ 0.07	$ 0.15	$ 0.35
Fully Diluted	$ 0.04	$ 0.07	$ 0.15	$ 0.35
Weighted average number of common shares outstanding				
Basic	48,878,341	48,697,924	48,434,418	49,095,969
Fully Diluted	49,838,979	49,443,052	49,200,504	49,783,001

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

CALLINAN
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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE PERIODS ENDED MARCH 31
(Unaudited)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ 7,229,874	$ 17,412,110
Items not affecting cash:		
Royalty interest depreciation	17,706	9,857
Equipment depreciation	30,391	10,218
Deferred income tax expense (recovery)	108,000	(6,076,504)
Current income tax expense	2,716,152	-
Interest income accrued	(360,000)	-
Share-based compensation	1,560,006	-
Changes in non-cash working capital items:		
Decrease in receivables	4,628,576	789,925
Decrease/(Increase) in prepaid expenses and income tax	(1,357,052)	136,347
Decrease in payables and accrued liabilities	(6,341,341)	(403,414)
Net cash provided by operating activities	8,232,312	11,878,539
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	-	(42,131)
Equipment purchases	(6,859)	(97,723)
Acquisition of debentures	(5,400,000)	-
Acquisition of investments	(2,699,450)	-
Acquisition of options on royalty interests	(2,410,430)	-
Net cash used in investing activities	(10,516,739)	(139,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued, net of issuance costs	625,200	1,685,122
Purchase of Treasury stock	(17,305)	(5,883,091)
Dividend payment	(2,965,522)	(1,969,172)
Cash issued upon exercise of RSUs	(237,834)	-
Cash transferred to Callinex	-	(8,000,000)
Net cash used in financing activities	(2,595,461)	(14,167,141)
Decrease in cash and cash equivalents	(4,879,888)	(2,428,456)
Cash and cash equivalents at beginning of period	29,464,334	30,269,465
Cash and cash equivalents at end of the period	$ 24,584,446	$ 27,841,009
Cash and cash equivalents is comprised of:		
Cash	$ 1,998,526	$ 1,869,098
Short-term deposits	$ 22,585,920	$ 25,971,911
Cash paid during the period for:		
Interest	-	-
Income taxes	$ 7,618,607	$ 4,944,989

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these consolidated financial statements.

CALLINAN
ROYALTIES
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(Expressed in Canadian dollars)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Capital Stock						
	Number of Shares	Amount	Treasury Shares	Equity Reserve	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, June 30, 2011	**49,147,121**	**$ 36,627,059**	**$ (537,188)**	**$ 4,113,227**	**$ (81,711)**	**$ 19,764,486**	**$ 59,885,873**
Exercise of stock options	1,211,600	3,479,301	-	(1,794,179)	-	-	1,685,122
Repurchase of 2,177,400 treasury shares	-	-	(5,883,091)	-	-	-	(5,883,091)
Cancellation of treasury stock	(2,251,700)	(356,650)	6,152,803	-	-	(5,796,153)	-
Shares issued to Callinex in trust	500,000	1,745,000	-	-	-	-	1,745,000
Income for the period	-	-	-	-	-	17,412,110	17,412,110
Dividends declared and paid	-	-	-	-	-	(1,969,172)	(1,969,172)
Transfer of assets	-	(33,795,741)	-	-	-	-	(33,795,741)
Fair value adjustment of securities	-	-	-	-	(630,621)	-	(630,621)
Balance, March 31, 2012	**48,607,021**	**$ 7,698,969**	**$ (267,476)**	**$ 2,319,048**	**$ (712,332)**	**$ 29,411,271**	**$ 38,449,480**
Balance, June 30, 2012	**48,350,121**	**$ 7,637,661**	**$ (367,632)**	**$ 2,790,119**	**$ (973,329)**	**$ 29,544,991**	**$ 38,631,810**
Exercise of stock options	455,000	1,243,816	-	(618,616)	-	-	625,200
Exercise of restricted share units into shares	277,400	1,328,596	-	(1,328,596)	-	-	-
Exercise of restricted share units into cash	-	-	-	(237,834)	-	-	(237,834)
Repurchase of 8,000 treasury shares	-	-	(17,305)	-	-	-	(17,305)
Cancellation of treasury stock	(171,100)	(27,315)	384,937	-	-	(357,622)	-
Share-based compensation for the period	-	-	-	1,560,006	-	-	1,560,006
Income for the period	-	-	-	-	-	7,229,874	7,229,874
Dividends declared and paid	-	-	-	-	-	(1,998,520)	(1,998,520)
Dividends declared not yet paid	-	-	-	-	-	(993,588)	(993,588)
Fair value adjustment of securities	-	-	-	-	(630,486)	-	(630,486)
Balance, March 31, 2013	**48,911,421**	**$ 10,182,758**	**$ -**	**$ 2,165,079**	**$ (1,603,815)**	**$ 33,425,135**	**$ 44,169,157**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

The principal activity of Callinan Royalties Corporation (the "Company") is the management of its royalty interests in Canada and acquisition, and creation of mineral royalties globally. The Company's head office and registered and records office address is Suite 1110 – 555 West Hastings Street, Vancouver, BC V6B 4N4. The Company holds a $0.25 per ton royalty interest and a 6.6667% net profits interest in the 777 Mine owned and operated by Hudson Bay Mining and Smelting Co. Limited ("HudBay"). During the prior fiscal year the Company spun out its exploration properties to a newly incorporated, independent publicly-traded entity, Callinex Mines Inc. ("Callinex"), and the Company became a royalty company.

2. BASIS OF PREPARATION AND CONSOLIDATION

The condensed interim consolidated 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 condensed interim consolidated financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies and methods of computation as the Company's most recent annual consolidated financial statements. The condensed consolidated financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended June 30, 2012.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and available-for-sale, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

During the period the Company incorporated a wholly-owned Mexican subsidiary, Callinan Royalties Corporation de Mexico S.A de C.V ("Callinan Mexico"). The Company also incorporated a wholly-owned subsidiary, Callinan Royalties Corporation (Barbados) Corporation. Both subsidiaries were inactive from the period of incorporation to the period ended March 31, 2013.

The condensed consolidated financial statements are presented in Canadian dollars, unless otherwise stated, which is also the Company's functional currency.

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended June 30, 2012, and have been consistently followed in the preparation of these condensed financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These condensed interim consolidated financial statements include estimates that, by nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

In preparing these condensed interim consolidated 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd…)

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.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

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.

4 NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (cont'd…)

IFRS 13 – Fair Value Measurement

IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid for, 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.

5. ROYALTY INTEREST

Activity for the period ended March 31, 2013

	Callinan
Opening balance at June 30, 2012	$185,359
Depreciation	(17,706)
Balance at March 31, 2013	$167,653

On July 13, 2011, the Company spun out its exploration properties to a newly incorporated, independent publicly-traded entity, Callinex Mines Inc. ("Callinex") pursuant to the plan of arrangement approved by shareholders on June 7, 2011. Properties transferred to Callinex were: Coles Creek, Gurney Gold, Sneath Lake, CAL, Herblet Lake, Dion Lake, Moak and Norris Lake, Elliot Lake, Tramping Lake, Cook Lake, Lobar Lake, Pulver Lake, Berry Creek, Fox River, Troitsa, Hamell Lake, Rug, Stag, Pine Bay, Island Lake, Keputch, Assean Lake, and Pine Lake. The right to exercise any royalty purchase options in the above properties remained with the Company, and were not transferred to Callinex. The Company has investigated title to its remaining royalty interests and to the best of its knowledge, expects title to its interests to be in good standing for the foreseeable future.

5. ROYALTY INTEREST (cont'd…)

(a) Callinan

The Company holds a 6⅔% net profits interest ("NPI") in the 77 Mine and the Callinan Mine in Manitoba. The 777 Mine is operated by HudBay Minerals Inc. ("HudBay"). The Company also receives a royalty of $0.25 per ton of ore. 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. As of March 31, 2013 the Company has received revenues of $102,018,461 for its net profit interest in the 777 Mines. In March of 2011 and 2012, the Company received a payment of $6,264,000 and $269,168 respectively, (included in the above number) 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% net profit interests in the Callinan Mines. 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 Net Profit Interest 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 Interests

vi) general damages for breach of contract and breach of fiduciary duty; and

vii) aggravated and punitive damages, interest and costs.

HudBay initially refused to produce any financial documentation. The Company successfully applied to the Manitoba Court of Queen's Bench for an order directing HudBay to produce all relevant documents. HudBay then produced certain financial records but did not produce any documents exchanged with its auditors, Deloitte & Touche ("Deloitte"), concerning the calculation of the NPI. There have been several court appearances in respect of the motion. On July 3, 2011 the Company was granted access to Deloitte's working papers. On September 9, 2011 the Company announced that it had executed an agreed standstill with HudBay while the Company conducts its independent audit. It has since been determined that the audit by Grant Thornton cannot be completed as planned as much of the source material evidencing entries from the selected years is not available from HudBay. The Board of Directors will undertake a review to determine the next course of action. For more details please refer to the Company's MD&A.

6. EQUIPMENT

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at June 30, 2011	$ 158,082	$ 82,234	$ 124,725	$ -	$ 365,041
Current period additions	-	13,376	74,667	54,288	142,331
Transfer to Callinex	(158,082)	(69,406)	(105,047)	-	(332,535)
Cost at June 30, 2012	-	26,204	94,345	54,288	174,837
Current period additions	-	1,623	5,236	-	6,859
Cost at March 31, 2013	$ -	$ 27,827	$ 99,581	$ 54,288	$ 181,696
Accumulated depreciation at June 30, 2011	$ 117,052	$ 51,288	$ 66,475	$ -	$ 234,815
Current period depreciation	-	3,903	14,986	6,786	25,675
Transfer to Callinex	(117,052)	(50,647)	(64,999)	-	(232,698)
Accumulated depreciation at June 30, 2012	-	4,544	16,462	6,786	27,792
Current period depreciation	-	2,730	18,755	8,906	30.391
Accumulated depreciation at March 31, 2013	$ -	$ 7,274	$ 35,217	$ 15,692	$ 58,183
Net book value at June 30, 2012	$ -	$ 21,660	$ 77,883	$ 47,502	$ 147,045
Net book value at March 31, 2013	$ -	$ 20,553	$ 64,364	$ 38,596	$ 123,513

7. INVESTMENTS

The Company has equity investments in various junior mining companies.

Cost, June 30, 2012	$	1,375,018
Additions		2,699,450
Cost March 31, 2013	$	4,074,468
Adjustment to fair value, June 30, 2012	$	(1,000,567)
Unrealized gain for the period ended December 31, 2012		(630,486)
Adjustment to fair value, March 31, 2013	$	(1,631,053)
Fair market value at June 30, 2012	$	374,451
Fair market value at March 31, 2013	$	2,443,415

8. OPTIONS ON ROYALTY INTERESTS

During the nine month period ended March 31, 2013, the Company purchased shares and royalty interests in various junior mining companies. The difference between the amount paid for these investments ($5,109,880), and the fair value of the shares of these junior mining companies on the date of purchase ($2,699,450 (Note 7)), of $2,410,430 was capitalized and recorded as an option on the royalty interests .

8. OPTIONS ON ROYALTY INTERESTS (cont'd…)

During the period ended March 31, 2013 the Company entered into an agreement with Evrim Resources Corp. ("Evrim") whereby the Company is obligated to fund Evrim with $500,000 within 30 days of the execution of the agreement (paid) and an additional $1 million over 4 years at the Company's discretion. Funding provided to Evrim will be used for exploration and development of projects for joint venture purposes. In return for the funding provided to Evrim, the Company will receive a Right of First Offer on the sale of any royalties owned by Evrim on the developed projects.

9. DEBENTURES

On July 30, 2012, the Company purchased a secured convertible debenture from a public company, Gold Royalties Corporation ("GRC") in the amount of $5,400,000 (the "Principal"). The Principal is due and payable on July 30, 2016. Interest will accrue at a rate of 10% per annum, compounded quarterly, and shall be payable on the earlier of July 30, 2016, or the conversion date. 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 (the Eagle Zone GSR and the Lynx Zone NSR as detailed in the Company's MD&A) 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 debenture is secured against the assets of the public company.

As at March 31, 2013, interest of $360,000 was accrued on this debenture.

10. CAPITAL STOCK

Authorized

Unlimited common voting shares, no par value.

During the period ended March 31, 2013 the following common stock issues occurred:

a) 455,000 common share options were exercised for proceeds of $625,200. These options had a fair value of $618,616.

b) During the period the Company purchased 8,000 of its common shares at a cost of $17,305. 171,100 shares were cancelled during the period. The total cost of the shares cancelled was $384,937. The premium paid to acquire these shares over the per share book value in the amount of $357,622 was recorded as a decrease to retained earnings. As of March 31, 2013 no shares were held in treasury.

c) The Company declared dividends each quarter of $0.02 per common share, resulting in $2,992,108 of dividends being declared. As of March 31, 2013 $993,588 of this amount had not yet been paid.

d) During the period 386,000 RSUs vested. 277,400 of these were exercised into common shares with a value of $607,606. $721,090 was reclassified from equity reserve to capital stock upon the exercise, representing the fair value of the RSUs. The remaining 108,600 RSUs were exercised into cash for a total of $237,834.

10. CAPITAL STOCK (cont'd…)

During the period ended March 31, 2012 the following common stock issues occurred:

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 option obligations and 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. These options had a fair value of $1,794,179.

c) During the period the Company purchased 2,177,400 of its common shares at a cost of $5,883,091. As of March 31, 2012 the Company had cancelled 2,251,700 of the common shares purchased. The total cost of the shares cancelled was $6,152,803. The premium paid to acquire these shares over the per share book value in the amount of $5,796,153 was recorded as a decrease in retained earnings. As of March 31, 2012, 95,300 shares were being held as treasury shares. All shares were subsequently cancelled.

d) The Company declared dividends each quarter of $0.02 per common share, resulting in $1,969,172 of dividends being declared and paid.

Stock Options

The Company has a stock option program under which stock options to purchase securities from the Company can be granted to directors, officers, employees and consultants of the Company on terms and conditions acceptable to the TSX Venture Exchange ("TSX-V").

Under the stock option program, stock options for up to 10% of the number of issued and outstanding common shares may be granted from time to time, provided that stock options in favor of any one individual may not exceed 5% of the issued and outstanding common shares. No stock option granted under the stock option program is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of all stock options granted under the stock option program must be at least equal to the fair market value (subject to regulated discounts) of such common shares on the date of grant. Options can be granted for a maximum term of 10 years, and vest at the discretion of the board of directors. Proceeds received by the Company from exercise of stock options are credited to capital stock.

No stock options were granted during the period ended March 31, 2013. The Company has no intention of issuing additional stock options.

	Shares	Exercise Price Weighted Average
Options outstanding at June 30, 2011	**2,616,500**	**$ 1.48**
Exercised	(1,211,600)	1.38
Cancelled/Expired	(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**

10. CAPITAL STOCK (cont'd…)

Exercise Prices	Number Outstanding at March 31, 2013	Average Remaining Contractual Life (Years)	Number Exercisable at March 31, 2013	Expiry Date
1.04	80,000	0.16	80,000	May 29, 2013
0.93	250,000	0.45	250,000	October 9, 2013
2.33	250,000	2.56	250,000	October 22, 2015
	580,000		580,000	

Restricted Share Units

The Company has a restricted share unit ("RSU") plan which allows for RSUs to be issued to directors, officers, employees and consultants of the Company.

The aggregate number of common shares which may be issuable upon the redemption of all RSUs under the plan, in combination with the aggregate number of common shares which may be issuable under any and all of the Company's equity incentive plans, including the Company's stock option incentive plan, shall not exceed 10% of the issued and outstanding common shares of the Company. 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.

RSUs are valued based on the closing stock price at the date of grant and are recognized as share-based compensation expense on the statement of operations and comprehensive income over the vesting period. The RSUs are converted into common shares of the Company or cash on the exercise date.

On each dividend payment date in respect of which ordinary course cash dividends are paid on common shares, dividends will accrue and be paid out in cash to the holders of the RSUs on the RSUs vesting dates.

The RSUs currently outstanding vest one-third annually starting on January 3, 2013.

10. CAPITAL STOCK (cont'd…)

Restricted Share Units (cont'd…)

	Number of RSUs	Weighted Average Value
Balance at June 30, 2011	-	$ -
Granted	1,158,000	2.60
Dividend equivalents issued[(1)]	10,556	2.05
Balance at June 30, 2012	**1,168,556**	**2.60**
Dividend equivalents issued[(1)]	19,837	2.16
Exercised for shares	(277,400)	2.60
Exercised for cash	(108,600)	2.60
Dividend equivalents cancelled	(30,393)	2.12
Forfeited	(4,000)	2.60
Balance at March 31, 2013	**768,000**	**$ 2.60**
Exercisable at March 31, 2013	**Nil**	

(1) Prior to the quarter ending March 31, 2013, the Company's RSU plan provided for dividend equivalents in the form of additional RSUs to be issued to holders of RSUs on each dividend payment date. During the quarter ended March 31, 2013, the Company amended its RSU plan such that on each dividend payment date in respect of which ordinary course cash dividends are paid on common shares, dividends will accrue and be paid out in cash to holders of the RSUs on the RSU vesting dates. As a result, 30,393 dividend equivalent RSUs that were previously issued were cancelled during the quarter ended March 31, 2013

The following weighted average assumptions were used in calculating the fair value of RSUs granted during the periods ended:

	March 31, 2013	March 31, 2012
Risk-free interest rate	1.08%	N/A
Expected life	1.0 year	N/A
Annualized volatility	43.60%	N/A
Dividend rate	3.62%	N/A
Forfeiture rate	0.00%	N/A

Share purchase warrants

At March 31, 2013 there were 2,000,000 common share purchase warrants outstanding. These warrants are exercisable at $2.58 per warrant until March 4, 2016.

10. CAPITAL STOCK (cont'd…)

Share purchase warrants (cont'd….)

The following table summarizes warrants outstanding at the end of the period:

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

11. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Nine months ended March 31, 2013	2012
Share-based compensation	$ 1,075,030	$ -
Salaries and wages*	255,000	260,788
Director fees*	122,500	69,500
	$ 1,452,530	$ 330,288

* Included in salaries and wages in the statement of operations and comprehensive income

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and creation of royalties from exploration and evaluation assets. All of the Company's assets are currently located in Canada and all revenues are earned in Canada.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended March 31, 2013 affecting cash flows from operating, investing, and financing activities were:

a) 455,000 stock options were exercised with a fair value of $618,616.

b) 277,400 shares were issued upon the exercise of 277,400 RSUs with a value of $607,606. $721,090 was reclassified from equity reserve to capital stock upon exercise, representing the fair value of the RSUs.

The significant non-cash transactions for the period ended March 31, 2012 affecting cash flows from operating, investing, and financing activities were:

a) 1,211,600 stock options were exercised with a fair value of $1,794,179.

14. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	Fair value through profit and loss	Fair value
Accounts and other receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Debentures	Held-to-maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost

Financial instruments are those assets and liabilities that will be settled in cash either by payment by the Company or on the receipt of cash from another party. Financial instruments held by the Company include accounts and other receivables, accounts payable and accrued liabilities and dividends payable. The Company has reviewed the estimated fair market value of these instruments and concluded that the fair value of these financial instruments approximate their carrying value due to their short term nature.

The Company's cash and cash equivalents and investments, under the fair value hierarchy are recorded at fair value based on level one quoted prices in active markets for identical assets and liabilities.

The Company's other financial instrument, debentures, is recorded at amortized cost.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to the amount receivable from HudBay and its debentures.

14. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk (cont'd....)

The aging of the receivable from HudBay is shown below:

	March 31, 2013	June 30, 2012
Due from HudBay Minerals Inc.		
Less than 31 days	$ 3,027,277	$ 4,809,502
Between 31 and 60 days	-	-
Between 61 and 90 days	1,275,195	1,298,979
Over 90 days	3,519,597	6,296,109
	7,822,069	12,404,590
HST/GST receivables	19,425	90,785
Other receivables	34,010	8,705
	$ 7,875,504	$ 12,504,080

The aging of the receivable due from HudBay indicates that payment is made in a timely manner, 25% of the quarterly payment from HudBay is due 130 business days after December 31st of each year.

The Company's debentures are secured by the assets of a public company, therefore it does not believe it has significant credit risk regarding its debentures.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet liabilities as they come due. As at March 31, 2013, the Company had a cash balance of $1,998,526 and cash equivalents of $22,585,920 to settle accounts payable and accrued liabilities of $36,191 and dividends payable of $993,588. All of the Company's current liabilities except for income tax payable and accrued, have contractual maturities 30 days or less and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt liabilities. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions. The period to maturity of these short-term deposit certificates rarely exceeds ninety days; deposits within these parameters are considered equivalent to cash equivalents.

14. FINANCIAL INSTRUMENTS (cont'd…)

a) Interest rate risk (cont'd…)

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. The Company has no investments in asset backed commercial paper or similar investments.

The interest rate on the Company's debenture is fixed, therefore it is not subject to significant interest rate risk on its debentures.

b) Foreign currency risk

The Company conducts the majority of its business in Canada, and is therefore not exposed to significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions as required, resulting in proceeds approximating carrying value of the securities.

15. CAPITAL MANAGEMENT

In order to support the operation of the Company, the Company collects royalty revenue and manages its capital structure and makes adjustments to it, based on the funds available. The Board of Directors' does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be the sum of the constituent parts of equity, namely capital stock, equity reserves, treasury shares and retained earnings. There are no capital requirements imposed on the Company by statute or contractual agreements.

Management and the Board of Directors review capital management on an ongoing basis and believe that this approach is reasonable, given the relative size of the Company. There has been no change to the Company's approach to capital management during the period ended March 31, 2013.

16. COMMITMENT

The Company entered into a lease agreement for its office premises. Annual lease commitments are as follows:

2013:	$33,000
2014:	$33,600
2015:	$34.800
2016:	$15,000

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2013 the Company received $2,298,145 from HudBay. This amount is included in accounts and other receivables 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.