CALLINAN

ROYALTIES

Est. 1927

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Canadian Dollars)

CALLINAN

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FOR THE YEAR ENDED JUNE 30, 2013
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Callinan Royalties Corporation were prepared by management in conformity with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Roland Butler
President and Chief Executive Officer

Tamara Edwards
Chief Financial Officer

September 26, 2013
Vancouver, British Columbia Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Callinan Royalties Corporation

We have audited the accompanying consolidated financial statements of Callinan Royalties Corporation, which comprise the consolidated statements of financial position as at June 30, 2013 and 2012 and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Callinan Royalties Corporation as at June 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

September 24, 2013

NEXIA INTERNATIONAL

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CALLINAN
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	June 30, 2013	June 30, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,883,295	$ 29,464,334
Accounts and other receivables (Note 13)	8,745,228	12,504,080
Prepaid expenses	110,192	132,923
Taxes receivable (Note 8)	1,573,776	-
	35,312,491	42,101,337
Non-current assets		
Royalty interests (Note 4)	2,370,730	185,359
Equipment (Note 5)	114,033	147,045
Investments (Note 6)	8,965,290	374,451
Deferred income tax asset (Note 8)	150,000	452,000
Total assets	$ 46,912,544	$ 43,260,192
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 163,828	$ 180,990
Dividend payable	1,012,248	967,002
Income tax payable and accrued	-	3,480,390
Total current liabilities	1,176,076	4,628,382
Shareholders' equity		
Capital stock (Note 7)	11,107,480	7,637,661
Treasury shares (Note 7)	-	(367,632)
Equity reserve	1,994,871	2,790,119
Accumulated other comprehensive loss	(1,248,020)	(973,329)
Retained earnings	33,882,137	29,544,991
Total shareholders' equity	45,736,468	38,631,810
Total liabilities and shareholders' equity	$ 46,912,544	$ 43,260,192

Nature of operations (Note 1)
Commitment (Note 15)
Subsequent events (Note 16)

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

Approved on September 23, 2013 on behalf of the Board:

Director

Director

CALLINAN
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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Expressed in Canadian dollars)
FOR THE YEARS ENDED JUNE 30

	2013	2012
INCOME		
Royalty	$ 15,702,490	$ 23,525,050
Interest	918,884	300,084
Gain on sale of investments	174,680	-
	16,796,054	23,825,134
EXPENDITURES		
Audit and accounting	305,220	489,693
Consulting fees	108,827	852,970
Equipment depreciation (Note 5)	40,405	25,675
Insurance expense	18,788	31,701
Legal	281,796	248,358
Listing and sustaining fees	24,945	25,200
Office and administration	266,084	327,369
Office rent	68,421	82,938
Property investigation costs	267,436	277,265
Royalty interest depreciation (Note 4)	23,015	23,170
Salaries and wages	1,061,707	1,339,621
Shareholder relations and news releases	88,240	46,050
Share-based compensation (Note 7)	1,750,951	471,071
Transfer agent	19,999	61,226
	(4,325,834)	(4,302,307)
Net income before taxes	12,470,220	19,522,827
Income tax expense (Note 8)	(3,462,000)	(5,447,000)
Income tax refunded	144,933	-
Deferred income tax recovery (expense)	(302,000)	6,032,363
Net income for the year	8,851,153	20,108,190
Fair value adjustment of investments	(274,691)	(891,618)
Comprehensive income for the year	$ 8,576,462	$ 19,216,572
Net income per common share		
Basic	$ 0.18	$ 0.41
Fully Diluted	$ 0.18	$ 0.40
Weighted average number of common shares outstanding		
Basic	48,223,146	49,013,565
Fully Diluted	49,176,148	49,805,917

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED JUNE 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	$ 8,851,153	$ 20,108,190
Items not affecting cash:		
Royalty interest depreciation (Note 4)	23,015	23,170
Equipment depreciation (Note 5)	40,405	25,675
Deferred income tax expense (recovery)	302,000	(6,032,363)
Current income tax expense	-	3,480,390
Interest income accrued	(512,130)	-
Write down of option royalty interest	202,044	-
Gain on sale of investments	(174,680)	-
Share-based compensation	1,750,951	471,071
Changes in non-cash working capital items:		
Decrease in receivables	3,758,852	198,224
(Increase)/Decrease in prepaids	(1,551,045)	138,740
(Decrease) in payables and accrued liabilities	(3,497,552)	(3,171,031)
Net cash provided by operating activities	9,193,013	15,242,066
CASH FLOWS FROM INVESTING ACTIVITIES		
Recovery of exploration and evaluation assets	-	19,097
Equipment purchases	(7,393)	(142,331)
Acquisition of investments	(8,462,491)	-
Acquisition of royalty interests	(2,410,430)	-
Proceeds from sale of investments	283,771	-
Net cash used in investing activities	(10,596,543)	(123,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued, net of issuance costs	1,207,700	1,685,122
Purchase of treasury stock	(203,625)	(6,667,772)
Dividend payment	(3,943,750)	(2,941,313)
Cash issued upon exercise of restricted share units	(237,834)	-
Cash transferred to Callinex (Note 10)	-	(8,000,000)
Net cash used in financing activities	(3,177,509)	(15,923,963)
Decrease in cash and cash equivalents	(4,581,039)	(805,131)
Cash and cash equivalents at beginning of year	29,464,334	30,269,465
Cash and cash equivalents at end of the year	$ 24,883,295	$ 29,464,334
Cash and cash equivalents is comprised of:		
Cash	$ 786,520	$ 1,232,706
Short-term deposits	$ 24,096,775	$ 28,231,628
Cash paid during the year for:		
Interest	$ -	$ -
Income taxes	$ 8,516,165	$ 4,917,734

Supplemental disclosure with respect to cash flows (Note 12)

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

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

	Capital Stock						
	Number of Shares	Amount	Treasury Shares	Equity Reserve	Accumulated Other Comprehensive Loss	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 2,502,100 treasury shares	-	-	(6,667,772)	-	-	-	(6,667,772)
Cancellation of treasury stock	(2,508,600)	(417,958)	6,837,328	-	-	(6,419,370)	-
Shares issued to Callinex in trust (Note 7)	500,000	1,745,000	-	-	-	-	1,745,000
Share-based compensation	-	-	-	471,071	-	-	471,071
Dividends declared and paid	-	-	-	-	-	(2,941,313)	(2,941,313)
Dividends declared not yet paid	-	-	-	-	-	(967,002)	(967,002)
Transfer of assets (Note 10)	-	(33,795,741)	-	-	-	-	(33,795,741)
Fair value adjustment of investments	-	-	-	-	(891,618)	-	(891,618)
Income for the year	-	-	-	-	-	20,108,190	20,108,190
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	705,000	2,187,468	-	(979,768)	-	-	1,207,700
Exercise of restricted share units into shares	277,400	1,328,597	-	(1,328,597)	-	-	-
Exercise of restricted share units into cash	-	-	-	(237,834)	-	-	(237,834)
Repurchase of 93,000 treasury shares	-	-	(203,625)	-	-	-	(203,625)
Cancellation of treasury stock	(256,100)	(46,246)	571,257	-	-	(525,011)	-
Share-based compensation	-	-	-	1,750,951	-	-	1,750,951
Dividends declared and paid	-	-	-	-	-	(2,976,748)	(2,976,748)
Dividends declared not yet paid	-	-	-	-	-	(1,012,248)	(1,012,248)
Fair value adjustment of investments	-	-	-	-	(274,691)	-	(274,691)
Income for the year	-	-	-	-	-	8,851,153	8,851,153
Balance, June 30, 2013	**49,076,421**	**$ 11,107,480**	**$ -**	**$ 1,994,871**	**$ (1,248,020)**	**$ 33,882,137**	**$ 45,736,468**

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

1. NATURE OF OPERATIONS

Callinan Royalties Corporation was incorporated under the Business Corporations Act of British Columbia on May 6, 1927. The principal activity of Callinan Royalties Corporation and its subsidiary entities (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 (Note 10) to a newly incorporated independent publicly-traded entity Callinex Mines Inc. ("Callinex").

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Callinan Royalties (Barbados) Corporation, and Callinan Royalties Corporation de Mexico S.A. de CV. Subsidiaries are fully consolidated from the date the Company obtains control, and continue to be consolidated until the date that control ceases. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

b) Key sources of estimation uncertainty and critical accounting judgements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Information about significant areas of estimation uncertainty and judgments made by management in preparing the consolidated financial statements are described below:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

b) Key sources of estimation uncertainty and critical accounting judgements (cont'd...)

Royalty interests:
The Company's royalty interests are depreciated on a units-of-production basis, with estimated recoverable reserves and resources being used to determine the depreciation rate for each of the Company's royalty interests. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves, and remaining mine life. Changes in the estimated recoverable reserves, resources or exploration potential will directly impact the depreciation rate used. Changes to depreciation rates are accounted for prospectively.

Share-based payments:
Charges for share-based payments are based on the fair value at the date of the award. Stock Options are valued using Black-Scholes, and inputs to the model include assumptions on expected volatility, discount rates and expected term, dividend yield, and expected forfeitures. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity. Expected volatility is a measure for variation of a price of a financial instrument over time. Expected volatility is derived from a time series of past market prices therefore may not be an accurate representation of future volatility.

Income taxes:
Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Critical accounting judgments:

- Royalty interest are aggregated into cash-generating units based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's cash-generating units is subject to Management's judgment.

- Royalty interest expenditures are initially capitalized as with the intent to establish royalty revenue streams. The Company is required to make judgments as to the future events and circumstances regarding whether the carrying amount of these costs exceeds its recoverable amount.

c) Foreign currency translation

The reporting and functional currency of the Company is the Canadian dollar and the functional currency of all other subsidiaries is the US dollar.

Subsidiaries with a US dollar functional currency have been translated into Canadian dollars as follows: assets and liabilities are translated at period end exchange rates, while revenues and expenses are translated using average rates over the period. Translation gains and losses relating to the foreign operations are included in translation adjustment reserves as a separate component of shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

c) Foreign currency translation (cont'd...)

In preparing the financial results of the individual entities, transactions in currencies other than the entities functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive income

d) Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short term interest bearing variable rate Guaranteed Investment Certificates and Bankers' Acceptance Papers.

e) Receivables

Receivables are reported at face value less any provision for uncollectible accounts considered necessary. Receivables relate primarily to the timing of receipts from HudBay for the 25% holdback of the net profits interest as per the agreement between the companies. The agreement states that 75% of the net profits interest is to be made quarterly and the remaining 25% is to be paid 130 business days after December 31st of each year.

f) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates

calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Machinery & Equipment	30%
Office Furniture	20%
Computer Equipment	30%
Leasehold Improvements	4 years straight line

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of operations and comprehensive income. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

g) Royalty interests

The Company initially records expenditures related to royalty interests at cost. Each of the Company's royalty interest is considered to be a cash generating unit. Once the technical feasibility and commercial viability of extracting mineral resources from a respective royalty interest has been demonstrated, the royalty interest will be depreciated on a unit-of-production method based on the estimated life of the ore reserves.

The recoverability of the amounts capitalized for the undeveloped royalty interests is dependent upon the determination of economically recoverable ore reserves, confirmation of relevant interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

h) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

i) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

j) Impairment of long-lived assets

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is charged to profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

k) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

k) Financial instruments (cont'd....)

Financial liabilities (cont'd...)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

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

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Accounts and other receivables	Loans and receivables	Amortized cost
Investments – common shares/warrants	Available-for-sale	Fair value
Investments – convertible debenture	Held to Maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Income tax payable and accrued	Other financial liabilities	Amortized cost
Dividend payable	Other financial liabilities	Amortized cost

See Note 13 for further disclosures.

l) Share-based compensation

The Company may grant stock options to buy common shares of the Company and restricted share units to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the equity instrument. A fair value measurement is made for each vesting instalment within each equity instrument grant and is determined using the Black-Scholes option-pricing model. The fair value of the equity instruments is recognized over the vesting period of the equity instruments granted as both share-based compensation expense and other equity reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The other equity reserve account is subsequently reduced if the equity instruments are exercised and the amount initially recorded is then credited to capital stock.

m) Earnings per common share

Basic earnings per share, is calculated using the weighted average number of common shares outstanding.

The Company uses the treasury stock method for the calculation of diluted earnings per share. Diluted earnings per share, is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares arising upon the assumed exercise of restricted share units, stock options and warrants, but are excluded from the computation if their effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

m) Earnings per common share (cont'd....)

The following weighted average number of shares was used for computation of earnings per share:

	June 30, 2013	June 30, 2012
Weighted average shares used in computation of basic earnings per share	48,223,146	49,013,565
Effect of diluted securities		
Stock options, warrant and restricted share units	953,002	792,352
Weighted average shares used in computation of diluted earnings per share	49,176,148	49,805,917

n) Comprehensive income

Comprehensive income consists of net income and other comprehensive income and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive income includes holding gains and losses from financial instruments classified as available-for-sale.

o) Revenue recognition

Royalty revenue is recognized when persuasive evidence of an arrangement exists, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the sale will flow to the entity. Interest income is recognized on an accrual basis and when ultimate collection is reasonably assured.

p) New standards and interpretations not yet adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements.

i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2015;
ii) IFRS 10: New standard to establish principles for the presentation and preparation of IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013;
iii) IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9/ IAS 39: effective for annual periods on or after January 1, 2013;
iv) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013;

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

p) New standards and interpretations not yet adopted (cont'd...)

v) IAS 1 (Amendment): Presentation of other comprehensive income, effective for annual periods beginning on or after January 1, 2013;
vi) IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 27 has statements;
vii) IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the after January 1, 2013;
viii) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

4. ROYALTY INTEREST

As at June 30, 2013

	Cost			Write-Down/Depreciation			
Name	Opening Balance	Additions	Ending Balance	Opening Balance	Additions	Ending Balance	Carrying Amount
a) Callinan (777 Mine)	$ 1,350,700	$ -	$ 1,350,700	$ 1,165,341	$ 23,015	$ 1,188,356	$ 162,344
b) Northern Shield	-	490,909	490,909	-	-	-	490,909
c) Golden Dory	-	571,429	571,429	-	-	-	571,429
d) Adventus	-	514,759	514,759	-	-	-	514,759
e) Wallbridge	-	333,333	333,333	-	-	-	333,333
f) Evrim	-	500,000	500,000	-	202,044	202,044	297,956
Total royalty interests	$ 1,350,700	$ 2,410,430	$ 3,761,130	$ 1,165,341	$ 225,059	$ 1,390,400	$ 2,370,730

As at June 30, 2012

	Cost			Write-Down/Depreciation			
Name	Opening Balance	Additions	Ending Balance	Opening Balance	Additions	Ending Balance	Carrying Amount
a) Callinan (777 Mine)	$ 1,350,700	$ -	$ 1,350,700	$ 1,142,171	$ 23,170	$ 1,165,341	$ 185,359

a) Callinan

The Company holds a 6-2/3% net profits interest ("NPI") in the 777 mine in Manitoba. This mine is owned and operated by Hudson Bay Mining and Smelting Co. Limited. ("HudBay"). The Company also receives a royalty of $0.25 per ton of ore. In the event of abandonment of the claims by HudBay, the rights and claims will be transferred back to the Company.

On March 5, 2007, the Company commenced action in the Manitoba Court of Queen's Bench against HudBay in relation to the 6-2/3% net profit interests in the past producing Callinan Mines and 777 Mine. The Company is seeking:

4. ROYALTY INTEREST (cont'd...)

a) Callinan (cont'd...)

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. On August 26, 2013 the Company elected recommence litigation against HudBay.

b) Northern Shield Resources Inc.

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.

4. ROYALTY INTEREST (cont'd...)

b) Northern Shield Resources Inc. (cont'd...)

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 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. At the transaction completion date $490,909 was allocated to the cost of the royalty interest.

c) Golden Dory Resources Corp.

On November 8, 2012 the Company 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. 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. At the transaction completion date $571,429 was allocated to the cost of the royalty interest.

d) Adventus Exploration Alliance

On December 11, 2012 the Company signed an agreement with Adventus Exploration Ltd. ("Adventus"), a private mineral exploration company based in Ireland. Callinan agreed to subscribe for 86,954 shares of Adventus for a total subscription price of 400,000 Euros ($515,880) representing a 19.9% equity interest in Adventus. Proceeds of the investment will be used by Adventus to undertake mineral exploration in Western Europe. Any project acquired within two years or until funds are expended, whichever is later, will become subject to a 2% NSR royalty in favour of the Company. At the transaction completion date $514,759 was allocated to the cost of the royalty interest.

4. ROYALTY INTEREST (cont'd...)

e) Wallbridge Mining Company Limited

On November 20, 2012 the Company 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 provided Wallbridge with a line of credit for up to $2.0 million to fund potential mining development.

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. At the transaction completion date $333,333 was allocated to the cost of the royalty interest.

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 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. As at June 30, 2013 $Nil had been drawn from the line of credit.

f) Evrim Resources Corp. Alliance

On December 18, 2012 the Company signed an agreement with Evrim Resources Corp. ("Evrim") for a four year, $1.5 million regional exploration alliance (the "Alliance") in Mexico. The Alliance will initially focus on generating gold and silver targets with a firm commitment of $500,000 in year one (paid). In addition, the Company participated in a non-brokered private placement whereby it acquired 1,800,000 common shares of Evrim for $594,000. 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. Of the $500,000 funded to Evrim $202,044 was deemed to be impaired and was written down accordingly.

Callinan may provide annual funding to the Alliance, and Evrim will conduct generative exploration work to acquire new projects (the "Projects") and develop the Projects for joint venture purposes. Projects acquired 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.

5. 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 (Note 10)	(158,082)	(69,406)	(105,047)	-	(332,535)
Cost at June 30, 2012	$ -	$ 26,204	$ 94,345	$ 54,288	$ 174,837
Current period additions	-	-	7,393	-	7,393
Cost at June 30, 2013	$ -	$ 26,204	$ 101,738	$ 54,288	$ 182,230
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 (Note10)	(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	-	4,332	24,197	11,876	40,405
Accumulated depreciation at June 30, 2013	$	$ 8,876	$ 40,659	$ 18,662	68,197
Net book value at June 30, 2012	$ -	$ 21,660	$ 77,883	$ 47,502	$ 147,045
Net book value at June 30, 2013	$ -	$ 17,328	$ 61,079	$ 35,626	$ 114,033

6. INVESTMENTS

	Fair value July 1, 2011	Net additions June 30, 2012	Fair value adjustment June 30, 2012	Disposition and other	Fair value June 30, 2012
(a) Common shares	1,266,069	-	(891,618)	-	374,451

	Fair value July 1, 2012	Net additions June 30, 2013	Fair value adjustment June 30, 2013	Disposition and other	Fair value June 30, 2013
(a) Common shares	374,451	2,612,265	(304,757)	(109,092)	2,572,867
(b) Warrants	-	450,226	30,066	-	480,292
(c) Convertible debenture	-	5,400,000	-	512,130	5,912,130
	374,451	8,462,491	(274,691)	403,038	8,965,289

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 June 30, 2013, interest of $512,130 was accrued on this debenture.

7. CAPITAL STOCK

Authorized

Unlimited common voting shares, no par value.

During the year ended June 30, 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 proceeds of $1,685,122. These options had a fair value of $1,794,179.

c) During the year the Company purchased 2,502,100 of its common shares at a cost of $6,667,772. As of June 30, 2012 the Company has cancelled 2,508,600 of the common shares purchased. The total cost of shares cancelled was $6,837,328. The premium paid to acquire these shares over the per share book value in the amount of $6,419,370 was recorded as a decrease to retained earnings. At June 30, 2012, 163,100 are being held as treasury shares.

d) The Company declared dividends each quarter of $0.02 per common share, resulting in $3,908,315 of dividends being declared. As at June 30, 2012 $967,002 of these dividends were still payable.

During the year ended June 30, 2013 the following common stock issues occurred:

a) 705,000 common share options were exercised for proceeds of $1,207,700. These options had a fair value of $979,768.

b) The Company purchased 93,000 of its common shares at a cost of $203,625. 256,100 shares were cancelled during the year. The total cost of the shares cancelled was $571,257. The premium paid to acquire these shares over the per share book value in the amount of $525,011 was recorded as a decrease to retained earnings. As of June 30, 2013 no shares were held in treasury.

c) The Company declared dividends each quarter of $0.02 per common share, resulting in $3,988,996 of dividends being declared. As of June 30, 2013 $1,012,248 of this amount had not yet been paid.

d) During the year 386,000 restricted share units ("RSU"s) vested. 277,400 of these were exercised into common shares with a value of $607,606. $721,091 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.

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").

7. CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

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.

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year ended:

	June 30, 2013	June 30, 2012
Risk-free interest rate	0.00%	3.18%
Expected life of options	0 years	3.62 years
Annualized volatility	0.00%	174%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

	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	(705,000)	1.71
Expired	(75,000)	1.46
Options outstanding at June 30, 2013	**330,000**	**$ 0.96**

Exercise Prices	Number Outstanding at June 30, 2013	Average Remaining Contractual Life (Years)	Number Exercisable at June 30, 2013	Expiry Date
1.04	80,000	0.00	80,000	September 11, 2013[(1)]
0.93	250,000	0.28	250,000	October 9, 2013
	330,000		330,000	

(1) Expired subsequent to year end

7. CAPITAL STOCK (cont'd...)

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. The RSUs are not transferrable. Upon exercise to common shares there are no restrictions on re-sale.

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.

	Number of RSU	Weighted Average Value
Balance at June 30, 2011	-	$ -
Granted	1,158,000	2.60
Dividend equivalents issued	10,556	2.05
Balance at June 30, 2012	**1,168,556**	**2.60**
Dividend equivalents issued	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 June 30, 2013	**768,000**	**$ 2.60**
Exercisable at June 30, 2013	**Nil**	

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

	June 30, 2013	June 30, 2012
Risk-free interest rate	1.07%	1.47%
Expected life	1.0 years	2.75 years
Annualized volatility	43.90%	58.87%
Dividend rate	3.64%	2.85%
Forfeiture rate	0.00%	0.00%
Fair value of RSUs	$2.05	$2.59

7. CAPITAL STOCK (cont'd...)

Share purchase warrants

At June 30, 2013 and 2012, there were 2,000,000 common share purchase warrants outstanding. These warrants were exercisable at $2.58 per warrant until March 4, 2016.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	Years ended June 30	
	2013	2012
Income for the year before income taxes	$ 12,470,220	$ 19,522,827
Expected income tax expense	3,149,000	5,027,000
Change in statutory tax rates and other	-	-
Permanent differences	182,000	559,000
Impact of plan of arrangement	458,000	(6,171,363)
Change in unrecognized deductible temporary differences	(25,000)	-
Total income tax expense (recovery)	$ 3,764,000	$ (585,363)
Current income tax expense	$ 3,462,000	$ 5,447,000
Deferred income tax expense (recovery)	$ 302,000	$ (6,032,363)

The significant components of the Company's deferred tax assets are as follows:

	2013	2012
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	$ 130,000	$ 399,000
Equipment	20,000	47,000
Canadian eligible capital	-	6,000
Net deferred income tax asset (liability)	$ 150,000	$ 452,000

The Company's deductible temporary differences are as follows:

	2013	2012	Expiry date range
Temporary differences			
Investments	$ 1,154,000	$1,001,000	No expiry date

As at June 30, 2013, the Company has an amount receivable of $1,573,776.

9. RELATED PARTY TRANSACTIONS

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:

	Years ended June 30	
	2013	2012
Share-based compensation	$ 1,206,614	$ 324,624
Salaries and wages	340,000	642,412
Director fees*	316,406	326,000
	$ 1,863,020	$ 1,293,036

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

10. PLAN OF ARRANGEMENT

The Company entered into a plan of arrangement to reorganize the Company's exploration and evaluation assets in an effort to maximize shareholder value. On July 13, 2011, under the terms of the plan of arrangement, the Company spun out the following properties to a new company incorporated under the name Callinex Mines Inc. ("Callinex"): 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 earn any royalties in the above properties remained with the Company, and was not transferred to Callinex. The Company also transferred its equipment, $8 million in cash, and issued 500,000 shares in trust to Callinex in order for Callinex to make option payments on certain properties. Shareholders of the Company received one new Callinan common share for each Callinan share held, and one Callinex common share for every 4.5 Callinan common shares held. As a result of this transaction, the Company changed its name to Callinan Royalties Corporation.

The Company's statement of operations and comprehensive income for the year ended June 30, 2011 is the result of a "carve-out" of an allocation of general and administrative expenses for the year to Callinex. The allocation of the Company's general and administrative expenses was calculated on the basis of each company's share of the expenditures on a line-by-line basis.

The aggregate value of the assets transferred from the Company to Callinex are as follows:

Asset	2012
Cash	$ 8,000,000
Exploration and evaluation assets	23,950,904
Equipment	99,837
Shares held in trust	1,745,000
Total	$33,795,741

From July 1, 2011 to the date of the spin out there were no material transactions that required a carve-out.

11. SEGMENTED INFORMATION

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

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended June 30, 2013 affecting cash flows from operating, investing, and financing activities were:

a) 705,000 stock options were exercised with a fair value of $979,768.

b) 277,400 RSUs were exercise into common shares with a total value of 1,328,597.

The significant non-cash transactions for the year ended June 30, 2012 were 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.

13. FINANCIAL INSTRUMENTS

Fair value estimation:

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Investments In common shares and warrants held that have direct listings on an exchange are classified as Level 1.

Level 2: Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities. Investments in common shares and warrants held that are not listed on an exchange are classified as Level 2.

Level 3: Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by IFRS 7, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

13. FINANCIAL INSTRUMENTS (cont'd...)

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Investments - common shares	2,572,867	-	-
Investments - warrants	-	480,292	
	2,572,867	480,292	-

The fair value of the Company's other financial instruments which include cash and cash equivalents, investment in convertible debenture, accounts payable and accrued liabilities, and accounts and other receivables approximate their carrying value at June 30, 2013.

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.

The aging of the receivable from HudBay is shown below:

	June 30, 2013	June 30, 2012
Due from Hudbay Minerals Inc.		
Less than 31 days	$ 3,021,403	$ 4,809,502
Between 31 and 60 days	-	-
Between 61 and 90 days	729,132	1,298,979
Over 90 days	4,794,794	6,296,109
	8,545,329	12,404,590
HST/GST receivables	13,682	90,785
VAT receivable – Mexico	80,000	-
Other receivables	106,217	8,705
	$ 8,745,228	$ 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 (Note 16).

The Company's investment in debentures are secured by the assets of GRC however, GRC currently does not have the ability to repay the amount in cash. There can be no assurance that GRC will generate income from operations such that it will be able to make timely repayment of the debenture.

13. FINANCIAL INSTRUMENTS (cont'd...)

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 June 30, 2013, the Company had cash and cash equivalents of $24,883,295 (2012 - $29,464,334) to settle current liabilities of $1,176,077 (2012 - $4,628,382). All of the Company's financial 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 non 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.

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.

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.

14. 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.

14. CAPITAL MANAGEMENT (cont'd...)

The Company considers its capital to be the sum of the constituent parts of equity, namely capital stock, equity reserves, treasury sharesand 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, given the relative size of the Company, is reasonable. There has been no change to the Company's approach to capital management during the year ended June 30, 2013.

15. COMMITMENT

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

2014:	$46,400
2015:	$47,200
2016:	$20,000

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2013 the Company received $7,117,691 from HudBay representing the quarterly payment for the quarter ended June 30, 2013 and the 25% holdback for the calendar year 2012. This amount is included in accounts receivable at June 30, 2013.

Subsequent to June 30, 2013 the Company repurchased 17,000 of its outstanding common shares, 11,400 of which have been cancelled, the remaining are held in treasury and will be subsequently cancelled.

On July 23, 2013 the Company entered into an agreement whereby it will invest $1 million by way of a non-brokered private placement in Excelsior and $2 million to purchase a 0.5% Gross Revenue Royalty on the Gunnison Copper Project in Arizona, USA. The funding agreement is based on a series of royalty acquisitions following the completion of a key feasibility study and permitting milestones whereby Callinan will have the right to acquire up to a 3% Gross Revenue Royalty by providing additional funding..

Subsequent to June 30, 2013, 315,000 common share options were exercised for net proceeds of $300,100. The remaining 15,000 common share options were forfeited.

Subsequent to June 30, 2013 Wallbridge drew $750,000 from the line of credit discussed in Note 4e.