

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
(Expressed in Canadian Dollars)

CALLINAN

ROYALTIES

Est. 1927

FOR THE SIX MONTHS ENDED DECEMBER 31, 2014
TABLE OF CONTENTS

Page

FINANCIAL STATEMENTS

Condensed interim Consolidated Statements of Financial Position	1
Condensed interim Consolidated Statements of Operations and Comprehensive Income	2
Condensed interim Consolidated Statements of Cash Flows	3
Condensed interim Consolidated Statements of Changes in Equity	4
Notes to the Condensed interim Consolidated Financial Statements	5

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

	December 31, 2014 (Unaudited)	June 30, 2014 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 27,889,926	$ 24,057,672
Accounts and other receivables (Note 15)	3,482,568	6,454,987
Prepaid expenses	42,221	50,614
	31,414,715	30,563,273
Non-current assets		
Long-term receivable (Note 5e)	1,000,000	2,000,000
Royalty interests (Note 5)	7,261,803	4,272,003
Equity investment (Note 6)	281,119	-
Equipment (Note 7)	113,655	126,081
Investments (Note 8)	12,111,041	12,206,654
Total assets	$ 52,182,333	$ 49,168,011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 72,202	$ 210,935
Dividend payable	994,891	990,892
Income tax accrued	1,403,000	13,054
Total current liabilities	2,470,093	1,214,881
Deferred income tax liability	241,000	108,000
Shareholders' equity		
Capital stock (Note 11)	12,516,335	12,260,135
Equity reserve	973,074	1,073,064
Accumulated other comprehensive loss	(1,674,569)	(980,365)
Retained earnings	37,656,400	35,492,296
Total shareholders' equity	49,471,240	47,845,130
Total liabilities and shareholders' equity	$ 52,182,333	$ 49,168,011

Nature of operations (Note 1)
Commitment (Note 17)
Subsequent events (Note 18)

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

Approved on February 23, 2015 on behalf of the Board:

Director "G. Ross McDonald" Director "David Caulfield"

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Expressed in Canadian dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED DECEMBER 31

	Three Months		Six Months	
	2014	2013	2014	2013
INCOME				
Interest	$ 239,453	$ 265,631	$ 492,810	$ 435,550
Royalty	1,453,953	3,062,529	4,259,387	5,934,143
Gain on sale of investments	29,278	-	29,278	-
Gain on settlement of litigation (Note 5a)	3,500,000	-	3,500,000	-
	5,222,684	3,328,160	8,281,475	6,369,693
EXPENSES				
General and administrative (Note 9)	1,008,918	404,996	1,483,418	803,278
Business development (Note 10)	115,800	755,274	716,191	864,545
Equipment depreciation (Note 7)	8,116	7,823	16,150	15,481
Royalty interest depreciation (Note 5)	6,081	5,040	10,200	10,287
Loss from equity investment (Note 6)	27,981	-	27,981	-
Share-based compensation (Note 11)	78,105	178,284	156,210	356,568
	(1,245,001)	(1,351,417)	(2,410,150)	(2,050,159)
Net income before taxes	3,977,683	1,976,743	5,871,325	4,319,534
Income tax expense	(1,085,047)	(499,000)	(1,599,047)	(1,044,000)
Deferred income tax expense	(44,000)	(27,000)	(133,000)	(118,000)
Net income for the period	2,848,636	1,450,743	4,139,278	3,157,534
Fair value adjustment of investments	(88,187)	(360,256)	(694,204)	(1,265,101)
Comprehensive income for the period	$ 2,760,449	$ 1,090,487	$ 3,445,074	$ 1,892,433
Net income per common share				
Basic	$ 0.06	$ 0.03	$ 0.08	$ 0.07
Fully Diluted	$ 0.06	$ 0.03	$ 0.08	$ 0.06
Weighted average number of common shares outstanding				
Basic	49,164,588	47,872,641	49,224,588	47,842,642
Fully Diluted	49,294,588	48,786,646	49,354,588	49,184,813

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED DECEMBER 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ 4,139,278	$ 3,157,534
Items not affecting cash:		
Royalty interest depreciation (Note 5)	10,200	10,287
Depreciation (Note 7)	16,150	15,481
Write down of royalty option interest	-	136,262
Deferred income tax expense	133,000	118,000
Gain on sale of investments	(29,278)	-
Interest income accrued (Note 8)	(330,351)	(298,881)
Share-based compensation	156,210	356,568
Loss from equity investment	27,981	-
Changes in non-cash working capital items:		
Decrease in receivables	2,972,419	3,322,296
Decrease in prepaids	8,393	81,091
Decrease in payables and accrued liabilities	(138,733)	(96,921)
Increase in income tax accrued	1,389,946	1,044,000
Net cash provided by operating activities	8,355,215	7,845,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases (Note7)	(3,724)	(6,609)
Acquisition of investments (Note 8)	(376,000)	(1,131,250)
Acquisition of royalty interests (Note 5(f))	(3,000,000)	(2,218,750)
Receipt (Drawdown) on line of credit (Note 5e)	1,000,000	(750,000)
Purchase of equity investment	(309,100)	-
Sale of investment	137,038	-
Net cash used in investing activities	(2,551,786)	(4,106,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	-	300,100
Purchase of treasury stock	-	(604,786)
Dividend payment	(1,971,175)	(1,969,568)
Cash paid upon exercise of restricted share units	-	(255,172)
Net cash used in financing activities	(1,971,175)	(2,529,426)
Increase in cash and cash equivalents	3,823,254	1,209,682
Cash and cash equivalents at beginning of period	24,057,672	24,883,295
Cash and cash equivalents at end of the period	$ 27,889,926	$ 26,092,977
Cash and cash equivalents is comprised of:		
Cash	$ 724,155	$ 1,798,619
Short-term deposits	$ 27,165,771	$ 24,294,358
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ 209,100	$ 96,549

Supplemental disclosure with respect to cash flows (Note 14)

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

(Expressed in Canadian dollars)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Capital Stock						
	Number of Shares	Amount	Treasury Shares	Equity Reserve	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, June 30, 2013	**49,076,421**	**$ 11,107,480**	**$ -**	**$ 1,994,871**	**$ (1,248,020)**	**$ 33,882,137**	**$ 45,736,468**
Exercise of stock options	315,000	596,370	-	(296,270)	-	-	300,100
Exercise of restricted share units into shares	6,000	25,620	-	(25,620)	-	-	-
Exercise of restricted share units into cash	-	-	-	(255,172)	-	-	(255,172)
Repurchase of 374,300 treasury shares	-	-	(604,786)	-	-	-	(604,786)
Cancellation of treasury stock	(374,300)	(84,716)	604,786	-	-	(520,070)	-
Share-based compensation	-	-	-	356,568	-	-	356,568
Dividends declared and paid	-	-	-	-	-	(987,720)	(987,720)
Dividends declared not yet paid	-	-	-	-	-	(999,810)	(999,810)
Fair value adjustment of investments	-	-	-	-	(1,265,101)	-	(1,265,101)
Income for the period	-	-	-	-	-	3,157,534	3,157,534
Balance, December 31, 2013	**49,023,121**	**$ 11,644,754**	**$ -**	**$ 1,774,377**	**$ (2,513,121)**	**$ 34,532,071**	**$ 45,438,081**
Balance, June 30, 2014	**49,164,588**	**$ 12,260,135**	**$ -**	**$ 1,073,064**	**$ (980,365)**	**$ 35,492,296**	**$ 47,845,130**
Exercise of restricted share units into shares	60,000	256,200	-	(256,200)	-	-	-
Share-based compensation	-	-	-	156,210	-	-	156,210
Dividend declared and paid	-	-	-	-	-	(980,283)	(980,283)
Dividends declared not yet paid	-	-	-	-	-	(994,891)	(994,891)
Fair value adjustment of investments	-	-	-	-	(694,204)	-	(694,204)
Income for the period	-	-	-	-	-	4,139,278	4,139,278
Balance, December 31, 2014	**49,224,588**	**$ 12,516,335**	**$ -**	**$ 973,074**	**$ (1,674,569)**	**$ 37,656,400**	**$ 49,471,240**

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" or "Callinan") 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 770 – 475 West Georgia Street, Vancouver, BC V6B 4M9.

2. BASIS OF PRESENTATION

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, 2014.

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.

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

Certain prior year accounts in the condensed interim consolidated statement of operations and comprehensive income have been reclassified for consistency with the current period presentation. These reclassification had no effect on the reported results of operations.

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended June 30, 2014, and have been consistently followed in the preparation of these condensed financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

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

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:

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, 2014.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

As of July 1, 2014, the Company adopted the following accounting policies:

i) 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.
ii) IAS 36 (Amendment): Standard amended to address the disclosures required regarding the recaptured amount of impaired assets or cash generating unit (CGUs) for periods in which an impairment loss has been recognized or reversed.

There was no effect on the Company's financial statement as a result of adopting these updated standards.

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, 2018;
ii) IFRS7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
iii) IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations. The standard is effective on or after January 1, 2016 and has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured)

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

iv) IFRS 15: New standard that provides a single, principles based five-step model to be applied to all contracts with customers, effective for periods beginning on or after January 1, 2017.

v) IFRS 14: New standard to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or service to customers at a price or rate that is subject to rate regulation. This is effective for annual periods beginning on or after January 1, 2017.

vi) IFRS 16: Amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. This amendment is effective for periods beginning on or after January 1, 2016.

vii) IFRS 38: Amended to clarify the acceptable methods of depreciation and amortization for intangible assets, effective for periods beginning on or after January 1, 2016.

5. ROYALTY INTERESTS

As at December 31, 2014

	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	$ 1,207,877	$ 10,200	$ 1,218,077	$ 132,623
b) Northern	490,909	-	490,909	-	-	-	490,909
c) Sokoman	571,429	-	571,429	-	-	-	571,429
d) Adventus	514,759	-	514,759	-	-	-	514,759
e) Wallbridge	333,333	-	333,333	-	-	-	333,333
f) Excelsior	2,218,750	3,000,000	5,218,750	-	-	-	5,218,750
Total royalty interests	$ 5,479,880	$ 3,000,000	$ 8,479,880	$ 1,207,877	$ 10,200	$ 1,218,077	$ 7,261,803

As at June 30, 2014

	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	$ 1,188,356	$ 19,521	$ 1,207,877	$ 142,823
b) Northern	490,909	-	490,909	-	-	-	490,909
c) Sokoman	571,429	-	571,429	-	-	-	571,429
d) Adventus	514,759	-	514,759	-	-	-	514,759
e) Wallbridge	333,333	-	333,333	-	-	-	333,333
f) Excelsior	-	2,218,750	2,218,750	-	-	-	2,218,750
g) Evrim	500,000	-	500,000	202,044	297,956	500,000	-
Total royalty interests	$ 3,761,130	$ 2,218,750	$ 5,979,880	$ 1,390,400	$ 317,477	$ 1,707,877	$ 4,272,003

5. ROYALTY INTEREST (cont'd…)

a) Callinan (777 Mine)

The Company currently 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 milled. 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% NPI in the past producing Callinan Mines and 777 Mine. On November 26, 2014, the Company announced that it had entered into a definitive agreement (the "Settlement Agreement") with Hudbay which marks an end to protracted litigation. The terms of the Settlement Agreement become effective at different dates in order to accommodate the lag times associated with the current royalty payments and adjustments. The release of Hudbay from any further litigation action, start of the exploration expenditure period for Hudbay's option to earn up to 100% of War Baby and payment of the initial $3,500,000 received from Hudbay to Callinan are all effective as of the agreement date. Finally, the conversion of the existing NPI royalty to a new 4% NSR royalty and establishment of the new 3% NSR on the expanded land package take effect January 1, 2015. Also effective January 1, 2015, the production royalty of $0.25 per ton of ore milled is converted to $0.2756 per metric tonne of ore milled.

b) Northern Shield Resources Inc.

In November 2012, the Company entered into 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 which had entitled Callinan to purchase one additional common share of Northern at an exercise price of $0.22 for a period of two years, has now expired.

In addition, Callinan paid Northern $300,000 to acquire a royalty option on one of six properties in Northern Storm's property group located in northern Ontario. The royalty option allows Callinan to acquire a 1% Net Smelter Returns ("NSR") royalty by paying Northern $2,000,000 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) Sokoman Iron Corp (formerly Golden Dory Resources Corp.)

In November 2012, the Company entered into an agreement with Sokoman Iron Corp ("Sokoman", formerly Golden Dory) whereby Callinan agreed to invest $1,000,000 by way of private placement into Sokoman and, concurrent with closing the financing, Callinan acquired two royalty options from Sokoman on the Iron Horse Property owned by the Sokoman-Metals Creek Joint Venture. Sokoman is the project operator and can earn up to 70% interest in the Iron Horse Property located in western Labrador, Canada. Sokoman had agreed to spend $1,000,000 in exploration on the Iron Horse Property before the end of 2013. Sokoman failed to spend the agreed amount, and during September 2014, the agreement was amended to grant Callinan the first option of a 1% Gross Sales Royalty ("GSR") for $10.

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

c) Sokoman Iron Corp (formerly Golden Dory Resources Corp) (cont'd…)

A second option will allow Callinan to purchase up to an additional 1.1% GSR 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 Sokoman's private placement, Callinan acquired 14,285,714 units of Sokoman 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 Sokoman at an exercise price of $0.10 for a period of two years following the closing of the private placement. However, Sokoman 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 Sokoman. At the transaction completion date, $571,429 was allocated to the cost of the royalty interest. In October 2013, Sokoman announced and completed a share consolidation of one share for every ten shares held resulting in Callinan owning 1,428,571 shares and an equal number of warrants of Sokoman. The warrants have now expired.

In August 2013, Sokoman announced that it acquired 100% of the Iron Horse Property and published a technical report available on SEDAR.

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.

e) Wallbridge Mining Company Limited

In December 2012, the Company entered into an agreement with Wallbridge Mining Company Limited ("Wallbridge") whereby Callinan invested $1,500,000 in Wallbridge by way of a non-brokered private placement and provided Wallbridge with a line of credit for up to $2,000,000 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 $1,500,000. 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

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

e) Wallbridge Mining Company Limited…(cont'd)

a 2% 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 $2,000,000 with an 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. In addition, Callinan was granted the right to buy an additional 1% NSR royalty on the Broken Hammer property for $2,000,000 with an inflation adjustment.

The line of credit with interest calculated as the greater of 10% per annum or a 1.5% NSR royalty prorated on the funds drawn. A commitment fee of 3% per annum of the undrawn amount is also charged and included in interest income. The term will be 3 years or until completion of the extraction and processing of mineral produced from the Broken Hammer project, whichever occurs first.

On November 20, 2014 the Company announced that Wallbridge had agreed to early prepayment of the full principal and interest owing on the previously drawdown on the $2,000,000 line of credit. All other terms of the agreements including the right to acquire future NSR royalties, remain intact

Under an amendment signed by both parties, Wallbridge agreed to prepay the full $2,000,000 principal plus 10% annual interest owing in two proposed prepayments as follows:

- The first prepayment of $1,000,000 due on the announcement date, (received);
- The second prepayment of $1,000,000 plus accrued interest of $7,123 was received subsequent to December 31, 2015, upon completion of the sale of Duluth Metals Limited ("Duluth") shares held by Wallbridge (Note 18).

f) Excelsior Mining

On July 19, 2013, Callinan entered into an agreement with Excelsior Mining ("Excelsior") whereby Callinan invested $1,000,000 by way of a private placement in Excelsior and $2,000,000 to purchase a 0.5% Gross Revenue Royalty ("Initial GRR") on the Gunnison Copper Project in Arizona, USA. The funding agreement is based on a series of royalty acquisitions following the completion of key feasibility study and permitting milestones whereby Callinan will have the right to acquire up to a 3% GRR by providing additional funding.

Under the agreement, Callinan purchased 6,250,000 common shares of Excelsior at a price of $0.16 per share for a total purchase price of $1,000,000 and purchased a 0.5% GRR on the Gunnison Copper Project from Excelsior. In addition, Callinan was granted three funding options to be exercised following the completion of key milestones. With each option, Callinan has the right to purchase an additional 0.5% GRR for $3,000,000 each for a total of $9,000,000 for a 1.5% GRR. On July 29, Callinan exercised its right on the first funding option, and purchased an additional 0.5% GRR for $3,000,000 and now holds a 1% GRR.

Callinan was also granted a construction option that has vested, being on the basis that one quarter of the construction funding GRR option will vest with each $3,000,000 paid by Callinan to Excelsior pursuant to the initial investment or upon the exercise of any of the feasibility and permitting royalty options.

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

g) Evrim Resources Corp. Alliance

On December 18, 2012, the Company entered into an agreement with Evrim Resources Corp. ("Evrim") for a four year, $1,500,000 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. The $500,000 funded to Evrim has been deemed to be impaired and written down accordingly during the 2014 fiscal year.

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% 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.

6. EQUITY INVESTMENT

In September 2014, the Company entered into a joint venture operating agreement with Kinetic Gold Corp ("Kinetic"), a private company focusing on prospect generation in the state of Nevada. The joint venture agreement which will be co-funded by Callinan and Kinetic, will be operated by Kinetic and will identify and stake claims within a defined area of Nevada and Utah. During the quarter ended December 31, 2014, the Company acquired 49.9% interest in the joint venture by contributing $309,100. The Company's portion of the loss during the period ended December 31, 2014 was $27,981.

		Equity investment
Balance at June 30, 2014	**$**	**-**
Acquisition		309,100
Loss attributed to investment		(27,981)
Balance at December 31 2014	**$**	**281,119**

In addition to the joint venture operating agreement, the Company also purchased 1,350,000 shares of Kinetic for $216,000. The shares are included in the Company's investments, (Note 8).

7. EQUIPMENT

	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at June 30, 2013	$ 26,204	$ 101,738	$ 54,288	$ 182,230
Additions for the year	28,073	6,191	14,082	48,346
Cost at June 30, 2014	$ 54,277	$ 107,929	$ 68,370	$ 230,576
Additions for the period	-	3,724	-	3,724
Cost at December 31, 2014	$ 54,277	$ 111,653	$ 68,370	$ 234,300
Accumulated depreciation at June 30, 2013	$ 8,235	$ 41,300	$ 18,662	$ 68,197
Depreciation for the year	6,401	19,230	10,667	36,298
Accumulated depreciation at June 30, 2014	$ 14,636	$ 60,530	$ 29,329	$ 104,495
Depreciation for the period	3,964	7,306	4,880	16,150
Accumulated depreciation at December 31, 2014	$ 18,600	$ 67,836	$ 34,209	$ 120,645
Net book value at June 30, 2014	$ 39,641	$ 47,399	$ 39,041	$ 126,081
Net book value at December 31, 2014	**$ 35,677**	**$ 43,817**	**$ 34,161**	**$ 113,655**

8. INVESTMENTS

	Fair value June 30, 2014	Net additions	Fair value adjustment	Disposition and other	Fair value December 31, 2014
(a) Common shares	$ 5,056,949	$ 372,380	$ (684,156)	$ (107,760)	$ 4,637,413
(b) Warrants	624,262	3,620	(10,048)	-	617,834
(c) Convertible debenture	6,525,443	-	-	330,351	6,855,794
	$ 12,206,654	$ 376,000	$ (694,204)	$ 222,591	$ 12,111,041

	Fair value June 30, 2013	Net additions	Fair value adjustment	Disposition and other	Fair value June 30, 2014
(a) Common shares	$ 2,572,868	$ 1,895,651	$ 742,749	$ (154,319)	$ 5,056,949
(b) Warrants	480,292	619,064	(475,094)	-	624,262
(c) Convertible debenture	5,912,130	-	-	613,313	6,525,443
	$ 8,965,290	$ 2,514,715	$ 267,655	$ 458,994	$ 12,206,654

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 agreement), 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 GRC. On December 23, 2014, the Company announced that GRC had agreed to early repayment of the debenture and its accrued interest plus a 9.9% share equity in GRC. This was repaid subsequent to December 31, 2014, (Note 18). As at December 31, 2014, interest of $1,455,794 was accrued on this debenture, (2013 - $1,125,443).

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Salaries and benefits	$ 688,566	$ 215,481	$ 1,016,297	$ 450,774
Consulting fees	110,817	744	120,066	21,126
Legal fees	89,709	37,298	113,525	67,203
Audit and accounting	9,888	28,083	17,899	34,383
Office and administrative	68,726	40,702	133,974	111,764
Shareholder relations, news release and travel	41,212	82,688	81,657	118,028
	$ 1,008,918	**$ 404,996**	**$ 1,483,418**	**$ 803,278**

10. BUSINESS DEVELOPMENT EXPENSES

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Legal fees	$ 45,398	$ 14,370	$ 111,154	$ 57,262
Consulting fees	20,155	2,360	20,156	55,239
Alliances	-	736,262	-	736,262
Property investigations	3,533	2,044	22,130	11,124
Property acquisition	373	-	386,060	-
Property expenses	46,341	238	176,691	4,658
	$ 115,800	**$ 755,274**	**$ 716,191**	**$ 864,545**

11. CAPITAL STOCK

Authorized

Unlimited common voting shares, no par value.

During the period ended December 31, 2014:

a) The Company declared dividends of $0.02 per common share per quarter, resulting in $1,975,174 of dividends being declared. This amount includes an accrual of $5,200 for dividends on RSUs not yet vested. As of December 31, 2014, dividends of $994,891 had not yet been paid.

b) During the period, 60,000 RSUs remaining for the outgoing President and CEO were deemed to be vested. All 60,000 were exercised into common shares with a value of $100,200. $156,000 was reclassified from equity reserve to capital stock upon the exercise, representing the fair value of the RSUs.

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

During the period ended December 31, 2013:

a) 315,000 common share options were exercised for proceeds of $300,100. These options had a fair value of $296,270.

b) The Company purchased 374,400 of its common shares at a cost of $604,786. All shares purchased were cancelled during the period. The total cost of the shares cancelled was $604,786. The premium paid to acquire these shares over the per share book value in the amount of $520,070 was recorded as a decrease to retained earnings. As of December 31, 2013, 5,600 shares were being held in treasury.

c) The Company declared dividends of $0.02 per common share, resulting in $1,968,182 of dividends being declared. As of December 31, 2013, dividends of $1,030,209 had not yet been paid. This amount includes an accrual of $49,747 for dividends on RSUs not yet vested.

d) During the period 8,000 RSUs granted to the Company's Advisory Board and 157,395 RSUs granted to outgoing directors were deemed to be vested. 6,000 of these were exercised into common shares with a value of $10,020. $15,600 was reclassified from equity reserve to capital stock upon the exercise, representing the fair value of the RSUs. The remaining 159,395 RSUs were exercised into cash of $255,172.

Stock options

The Company has a fixed 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 at December 3, 2013 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 of the Company. 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.

There were no stock options granted during the periods ended December 31, 2014 and 2013:

There were no stock options outstanding as at December 31, 2014 and June 30, 2014.

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

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

Restricted share units (cont'd…)

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 at December 3, 2013. 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.

	Number of RSU	Weighted Average Value
Balance at June 30, 2013	**768,000**	**2.60**
Exercised for shares	(6,000)	2.60
Exercised for cash	(159,395)	2.60
Forfeited	(45,000)	2.60
25% reduction on directors RSUs	(107,605)	2.60
Balance at December 31, 2013	**450,000**	**$ 2.60**
Balance at June 30, 2014	**190,000**	**$ 2.60**
Exercised for shares	(60,000)	2.60
Balance at December 31 2014	**130,000**	**$ 2.60**
Exercisable at December 31, 2014	**Nil**	

During the period ended December 31, 2014, $156,210 (2013 - $356,568) of share-based compensation was recorded for RSUs outstanding.

Share purchase warrants

At December 31, 2014 and 2013, there were 2,000,000 common share purchase warrants outstanding. These warrants are exercisable at $2.58 per warrant until March 4, 2016.

12. 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:

	Six months ended December 31	
	2014	2013
Share-based compensation	$ 110,351	$ 245,718
Salaries and wages*	545,712	170,000
Directors fees*	261,917	103,500
	$ 917,980	$ 519,218

* Included in salaries and wages in general and administration expenses, in the statements of operations and comprehensive income

13. SEGMENTED INFORMATION

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

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transaction for the period ended December 31, 2014 affecting cash flows from investing and financing activities was:

a) 60,000 RSUs were exercised into common shares with a total value of $256,200.

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

a) 315,000 stock options were exercised with a fair value of $296,270.

b) 6,000 RSUs were exercised into common shares with a total value of $25,620.

15. 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:

15. FINANCIAL INSTRUMENTS (cont'd…)

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.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Cash and cash equivalents	$ 27,889,926	$ -	$ -
Investments - common shares	4,637,413	-	-
Investments - warrants	-	617,834	
	$ 32,527,339	$ 617,834	$ -

Refer to the Company's annual financial statements for the year ended June 30, 2014, for the assumptions used in calculating the fair value of the investments and warrants.

The fair value of the Company's other financial instruments which include, investment in convertible debenture, accounts payable and accrued liabilities, dividend payable, accounts and other receivables and long-term receivable approximate their carrying value at December 31, 2014.

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.

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

Credit risk (cont't…)

The aging of the receivable from HudBay is shown below:

	December 31, 2014	June 30, 2014
Due from Hudbay Minerals Inc.		
Less than 31 days	$ 1,453,952	$ 3,026,031
Between 31 and 60 days	-	-
Between 61 and 90 days	676,057	429,638
Over 90 days	1,141,540	2,854,675
	3,271,549	6,310,344
HST/GST receivables	19,765	8,141
VAT receivable – Mexico	80,000	80,000
Other receivables	111,254	56,502
	$ 3,482,568	$ 6,454,987

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 investment in debentures was repaid by GRC subsequent to the period end, (Note 18). Additionally, the line of credit extended to Wallbridge was partially repaid during the period, with the remaining amount repaid subsequent to December 31, 2014, (Note 18). As a result, the Company does not have credit risk associated with these amounts.

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. At December 31, 2014, the Company had cash and cash equivalents of $27,889,926 to settle current liabilities of $2,470,093. All of the Company's financial liabilities have contractual maturities of 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 to be cash equivalents.

15. 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.

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.

16. 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, given the relative size of the Company, is reasonable. There has been no change to the Company's approach to capital management during the period ended December 31, 2014.

17. COMMITMENT

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

Fiscal 2015:	$95,874
Fiscal 2016:	$70,436
Fiscal 2017:	$52,266
Fiscal 2018:	$52,266
Fiscal 2019:	$26,133

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Company received $1,371,779 from HudBay representing the quarterly payment for the previous quarter. This amount is included in accounts receivable at December 31, 2014.

On January 27, 2015, the Company announced that the previously disclosed transactions with Wallbridge Mining Company Limited (Note 5e), and Gold Royalties Corporation, (Note 8), have both closed, resulting in cash payments to Callinan of $7,889,607 and the receipt of 2,836,603 shares of Gold Royalties Corporation.

On February 2, 2015, the Company announced that Brian Irwin, Chairman of the Board retired and Jay Sujir who was elected to the Board in December 2014 was appointed to the position of Chairman of the Board. Mr. Irwin was awarded 100,000 shares of the Company in consideration of his lengthy service with the Company. Additionally, Anna Stylianides, a former director of Callinan returned to the Board effective on the date of the announcement.