

MANAGEMENT DISCUSSION & ANALYSIS

CALLINAN

ROYALTIES

 Est. 1927

**SUPPLEMENTARY INFORMATION AND MD&A
FOR THE SIX MONTHS ENDED DECEMBER 31, 2014**

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

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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's interim consolidated financial statements for the period ended December 31, 2014 and related notes. This MD&A has been prepared as of February 23, 2015. Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

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

DESCRIPTION OF BUSINESS AND REPORT DATE

Callinan Royalties Corporation (formerly Callinan Mines Limited) (“Callinan”, the “Company”, or the “Corporation”) is principally engaged in the creation and acquisition of mineral royalties.

As of the reporting date, the Company revenues are derived primarily from a 6⅔% Net Profits Interest (“NPI”) royalty and a production royalty of \$0.2756 per metric tonne of ore milled at the 777 Mine and the 777 North mine located at Flin Flon, Manitoba, Canada, which are owned and operated by Hudson Bay Mining and Smelting Co. Limited, a wholly-owned subsidiary of Hudbay Minerals Inc., (“Hudbay”). Callinan’s royalty lands also include the past producing Callinan mine. In addition to these royalty interests, Callinan also holds royalty interests or has the option to purchase royalty interests in certain properties of several junior mineral exploration companies that are primarily active in parts of Canada, United States of America, Mexico and Europe. Callinan also funds project generation activities with the objective of creating mineral royalties.

Apart from its royalty interests mentioned above, the Company has not yet conducted sufficient exploration to determine whether its mineral exploration properties, the War Baby property located adjacent to the 777 Mine and the recently acquired claims group in Labrador and Quebec, contain ore reserves that are economically recoverable.

The following management discussion is for the period ended December 31, 2014, and includes relevant information up to February 23, 2015, (the “Report Date”). It should be read in conjunction with the interim consolidated financial statements and related notes which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

1. CORPORATE STRATEGY

Business Strategy

Callinan’s principal business activities are focused on developing a portfolio of mineral royalties while diligently managing its current royalty interests. To expand its royalty portfolio over time, Callinan uses the cash flow from producing royalties to create and acquire royalties on mineral exploration and development projects of merit.

The Company seeks royalty creation and acquisition opportunities. It pursues these objectives with a small focused team and consultants as required. Preferred commodities include precious metals, base metals, bulk commodities such as iron ore and energy commodities such as coal and uranium.

Callinan creates royalty interests by providing alternative financing to companies holding mineral projects of merit at the exploration, development and production stage. Royalty creation is also being pursued by investing in or creating alliances with prospect generation companies worldwide that are experts in their chosen region. Callinan provides funding toward agreed programs that will result in a royalty interest being created on projects in favour of Callinan. Callinan also seeks to acquire existing mineral royalties by purchasing them from royalty holders.

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

Callinan will continue to seek and evaluate attractive investment opportunities and may make equity investments in publicly-traded and private companies that hold or generate significant royalty interests.

2. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS**a) Royalties, Alliances and Exploration and Evaluation Asset**

As at the reporting date, the Company received \$12,389,607 on the closing of the following transactions

Gold Royalties Corporation

On December 23, 2014, Callinan announced that Gold Royalties Corporation ("Gold Royalties") and the Company had agreed to the early repayment by Gold Royalties of the C\$5.4 million principal of the convertible debenture plus accrued interest since July 2012. The convertible debenture was originally scheduled to mature in July 2016. On January 14, the transaction closed, and \$6.882,484 million and 2,536,603 shares representing 9.9% equity interest in Gold Royalties was received by the Company. The retention of a 9.9% equity interest makes Callinan a significant shareholder of Gold Royalties, standing to benefit from this equity stake.

Hudson Bay Mining and Smelting Co. Limited

On November 26, 2014, Callinan entered into a definitive agreement (the "Settlement Agreement") with Hudbay. This Settlement Agreement marks an end to protracted litigation which Callinan initiated in early 2007, and commencement of a new relationship with Hudbay.

The Settlement Agreement was structured to achieve the following objectives:

- Evolution of a 1988 6 $\frac{2}{3}$ % NPI to a more attractive 4% Net Smelter Return royalty ("NSR") which reduces the areas of possible disagreement between the two parties over permitted deductions, without significantly impacting estimated yearly royalty income;
- Establishment of a new 3% NSR on 31.10 square kilometres of surrounding Hudbay exploration ground, ("expanded royalty ground") which broadens Callinan's area of exposure to prospective exploration that Hudbay may pursue in the future;
- Allows for Hudbay to explore Callinan's War Baby claim by way of option agreement, which requires access from the existing 777 mine and significant funding to properly explore; and,
- Recognition of the need to settle ongoing litigation and for a co-operative and enduring working relationship with Hudbay, benefiting Callinan, Hudbay and the Flin Flon community.

The value of the settlement, in cash payable to Callinan for general corporate purposes, includes Hudbay committed exploration expenditures to earn into War Baby and the additional advance royalty payment if the War Baby option is exercised, and ranges from a minimum of \$6.5 million to a maximum of \$19 million. In addition an Option Agreement was entered into for the War Baby property. Under the Option Agreement, Hudbay may earn a 100% interest in the War Baby over 4 years by completing the following milestones:

- Incurring \$7 million in exploration and development expenditures of which \$3 million is a firm commitment.
- Providing \$7 million in cash payments, by the end of the option term.

- If, after spending the initial expenditures and providing cash payments to Callinan, Hudbay elects to complete the Option Agreement, then Callinan will also be granted a 3% NSR royalty on the War Baby including an advance royalty payment of \$3 million.
- If Hudbay fails to complete the Option Agreement by the fourth anniversary, the property will be returned to Callinan in good standing and with no interest retained by Hudbay.
- If, during the option period, Hudbay uses the War Baby ground to access the 777 mine operations, Hudbay will pay Callinan an access fee of \$1,500,000. If Hudbay terminates the option agreement and subsequently uses the War Baby ground to access the 777 mine operations, Hudbay will pay an access fee of \$125,000 per quarter for each quarter the access is used.

These changes 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 \$3.5 million from Hudbay to Callinan were all effective on November 26, 2014, 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 took effect January 1, 2015. In addition, the production royalty of \$0.25 per ton of ore milled is converted to \$0.2756 per metric tonne of ore milled.

Wallbridge Mining Company Limited

On November 20, 2014 the Company announced that Wallbridge Mining Company Limited ("Wallbridge") had agreed to early prepayment of the full principal and interest owing on the \$2,000,000 Line of Credit ("LOC") extended by Callinan to Wallbridge as announced November 20, 2012. The LOC was granted to Wallbridge pursuant to a more comprehensive royalty and equity placement transaction that gave Callinan an equity ownership stake in Wallbridge, provided an LOC to fund development of Wallbridge's Broken Hammer mine, and established terms for Callinan's future rights to acquire NSR royalties in multiple exploration projects within Wallbridge, including an NSR in Broken Hammer. 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 announcement;
- The second prepayment of \$1,000,000 plus accrued interest was due upon completion of the sale of Duluth Metals Limited ("Duluth") shares held by Wallbridge to either Antofagasta Investment Company Limited ("Antofagasta") or to a competing bidder, and was received on January 26, 2015.

As of the date of the report, the full amount of \$2,000,000 plus accrued interest of \$7,123 has been received from Wallbridge.

In addition, during the six months ended December 31, 2014, the following agreements were entered into by the Company:

Excelsior Mining – First Milestone Option

On July 29, 2014, the Company announced that on the completion of the first key milestone by Excelsior Mining Corp ("Excelsior"), it exercised its right and purchased an additional 0.5% Gross Revenue Royalty ("GRR") for

\$3 million. The Company now holds a 1% GRR on the Gunnison Copper Project and has vested one-half percentage (0.50%) of the construction option.

Callinan still holds additional funding options linked to the following milestones:

- Completion of hydrology and metallurgy models to feasibility study level
- Successful administrative review of the key permits (Aquifer Protection Permit and the Underground Injection Control and Aquifer Exemption Permit)

With each option, Callinan has the right to purchase an additional 0.5% GRR for C\$3 million each.

Callinan also holds a construction option, which gives it the right to buy a 1% GRR for C\$10 million following completion of the feasibility study, receipt of all required permits and Excelsior securing a firm commitment for 50% of the capital required for mine construction. The exercise price of the construction option may be adjusted based on an agreed upon schedule if the capacity of the processing plant is lower than 80 million pounds of copper per year. To date, half of this construction option has been vested.

Further information about the Gunnison Copper Project can be found in the technical report filed on SEDAR at www.sedar.com entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Prefeasibility Study" dated February 14, 2014. Excelsior trades under the symbol MIN.V and information regarding its activities can be found at www.excelsiormining.com.

Kinetic Gold Corp

In September 2014, Callinan entered into an equity placement agreement and a joint venture operating agreement with Kinetic Gold Corp ("Kinetic"), a private company focusing on prospect generation in the state of Nevada. Under the equity placement agreement, Callinan acquired 1,350,000 shares of Kinetic for \$216,000, which represents 12% of the outstanding shares of Kinetic.

The intent of the joint venture operating agreement is to identify and stake claims believed to have significant mineral potential located within a defined area of the states of Nevada and Utah. The joint venture ("JV") company will be co-funded by Callinan and Kinetic and is operated by Kinetic. For the first year, Callinan invested US\$275,000 and holds a 49.9% interest in the JV company. Callinan will also be granted a minimum 1% NSR royalty on projects generated by the JV company.

The primary objective of this alliance is to generate new projects and seek earn-in agreements with third parties while retaining a project interest and a royalty.

Sokoman Iron

In September 2014, Callinan and Sokoman Iron Corp ("Sokoman") agreed to amend the original agreement as Sokoman did not meet the agreed projected expenditure requirement by December 31, 2013. Callinan agreed to release the expenditures requirement in exchange for the granting of the initial 1% Gross Sales Royalty ("GSR"). In addition, Sokoman has agreed to maintain the Iron Horse project in good standing until December 31, 2020. All other terms remain unchanged and Callinan maintains the right to increase its royalty interest in the project.

Sokoman trades under the symbol SIC.V and information relating to its activities can be found at www.sokomaniron.com.

Exploration Alliances - Avrupa Minerals

Callinan continues to support the prospect generation business model as a means to create royalties in prospective areas through agreements with companies that are established prospect generators with demonstrated expertise in their chosen jurisdictions and the ability to attract joint venture partners to the projects.

In July 2014, Callinan and Avrupa Minerals Ltd ("Avrupa") agreed to amend and expand the focus of the initial effort to include other areas in the Mediterranean region.

Avrupa trades under the symbol AVU.V and information on its activities can be found at www.avrupaminerals.com.

In-House Prospect Generation

During the month of September 2014, Callinan completed the staking of 5,157 claims comprising 24 licenses on mainland Labrador in the province of Newfoundland and Labrador. These claims were issued in October of 2014. In addition, notices of map designation were submitted for the approval of 740 claims in the province of Quebec. Of these, 576 claims have been registered and 164 claims are still pending. It is uncertain when these pending claims will be registered. Collectively, the mineral claims and licenses compose the "Labrador Trough" project. Acceptable exploration expenditures are required each year in Newfoundland and Labrador and every second year in Quebec before the anniversary date on the mineral claims.

The creation of a database to capture historical exploration work and Government-supported geoscience surveys has been completed and will serve the purpose of planning and permitting for future exploration work. The project, at this time, is considered grassroots in nature and is not considered to be material to Callinan.

The Company is seeking a partner to fund exploration on the Labrador Trough project.

Portfolio of Royalties and Royalty Purchase Options

Property	Developer	Royalty %	Option To Purchase	Comments
777 Mine and 777 North mine	Hudson Bay Mining and Smelting Co. Ltd	4% NSR & \$0.2756 per metric tonne of ore milled		The conversion of the original Net Profit Interest was effective January 1, 2015.
Gunnison Copper Project	Excelsior Mining	1% GRR	Up to 3% GRR	Right to acquire 2 additional 0.5% GRR for \$3 million each after the completion of milestones. In addition, 1% construction option can be purchased for \$10 million.
Iron Horse property	Sokoman Iron Corp	1% GSR	1.1% GSR	Option to acquire a royalty of up to 1.1%; cost to be calculated by an independent third party on bankable feasibility.
Storm Claim Group properties	Northern Shield		1.0% NSR	Option can be acquired by paying \$2 million up to the later of November 2017 or the mine development stage.
All 100% projects except the Broken Hammer project	Wallbridge		2% NSR	Acquired 2 royalty options. Each option can be exercised at any time up to the completion of certain mine development milestones. First 1% of each option can be acquired for \$2 million with inflation adjustment, cost of second 1% royalty to be calculated by an independent third party.

Property	Developer	Royalty %	Option to Purchase	Comments
Broken Hammer Project	Wallbridge		1% NSR	Option to acquire a 1% NSR by paying \$2 million with inflation adjustment.
Llano Del Nogal Project	Evrin	1 to 1.5% NSR		1.5% NSR in the case of precious metals and 1% in the case of base metals
Alvito Project	Avrupa	1.5% NSR		Early-stage exploration in Portugal
Golden Shears project	Renaissance	1.5% NSR		Early-stage gold exploration in Nevada
Shrule Block	Adventus	2.0% NSR		Early-stage base metals exploration in Ireland
West Cork Block	Adventus	2.0% NSR		Early-stage base metals exploration in Ireland
Kingscourt Block	Adventus	2.0% NSR		Early-stage base metals exploration in Ireland
Fox River	Callinex Mines		1% NSR	Still under option agreement - 1% NSR can be purchased for \$1 million
Coles Creek	Callinex Mines		2.5% NSR	Callinex has earned 100% interest in the claims 2.5% NSR can be purchased for \$1.5 million
Herblet Lake	Callinex Mines		1.25% NSR	Callinex has earned 100% interest in the claims 1.25% NSR can be purchased for \$1.25 million
Moak and Norris Lake	Callinex Mines		1% NSR	Callinex has earned 100% interest in the claims 1% NSR can be purchased for \$1 million
Island Lake	Callinex Mines		1% NSR	Still under option agreement - 1% NSR can be purchased for \$1 million
Gurney Gold Claims	Callinex Mines		1% NSR	Callinex has earned 100% interest in the claims - 1% NSR can be purchased for \$1 million
Pine Lake	Callinex Mines		1% NSR	Callinex has earned 100% interest in the claims - 1% NSR can be purchased for \$1 million

Exploration Alliances

Callinan currently has five prospect generation alliances. The objectives of these alliances are to generate new projects, seek earn-in agreements with third parties and secure royalties. Callinan is also a shareholder in these companies and expects to benefit indirectly should there be a significant discovery.

Company	Location	Royalty Rights
Adventus	Western Europe	2% NSR on projects generated during the alliance
Avrupa Minerals	Portugal	1.5% NSR on generated projects with some additional funding. 0.5% NSR otherwise
Evrin Resources Corporation	Mexico	1.5% NSR for precious metals projects generated 1% in the case of base metals projects generated
Kinetic Gold	Nevada and Utah, USA	49.9% interest in a joint venture company and a minimum 1% NSR on projects generated

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FOR THE PERIOD ENDED DECEMBER 31, 2014

Company	Location	Royalty Rights
Renaissance Gold	South Nevada, USA	1.5% NSR on generated projects with some additional funding. 0.5% NSR otherwise

Work continues on the projects identified by our alliance partners. Information relating to each company's activities can be found on their respective websites. Any material progress will be reported.

Alliances results are reviewed on a regular basis and additional funding is optional and based on results. In addition to the above mentioned portfolio, the Company also owns the War Baby property and the Labrador Trough property acquired in September 2014. As part of the Hudbay settlement described earlier, Hudbay has an earn-in right for up to 100% of War Baby, subject to the exploration expenditures and milestone payments described earlier.

b) Results of Operations

During the six months ended December 31, 2014, the Company received or accrued \$4,259,387 (2013 - \$5,934,143) for its \$0.25 per ton production royalty and its 6⅓% NPI royalty in the 777 Mine located in Flin Flon, Manitoba. Of that amount, \$183,382 represents the production royalty payment (2013 - \$225,987) for the 733,524 tonnes milled during the period, and \$4,076,005 (2013 - \$5,708,156) for the 6⅓% NPI for the period. Additionally, \$492,810 was received or accrued for interest revenue (2013 - \$435,550), for a total revenues of \$4,752,197 (2013 - \$6,369,693).

In addition to funds received during the normal course of business, \$3,500,000 was received from Hudbay as part of the settlement agreement relating to the litigation filed in 2007.

Net income for the six month period, net of income tax expense is \$4,139,278 compared to \$3,157,534 for the same period last year. Income per share is \$0.08 for both basic and fully diluted compared to \$0.07 for basic and \$0.06 fully diluted during the same period in fiscal 2014.

Cash on hand at December 31, 2014, was \$27,889,926 which is \$1,796,949 higher than the same period last year. During the period ended December 2014, the Company exercised its right to purchase a 0.5% GRR for \$3 million on Excelsior's Gunnison Copper project in Arizona, as Excelsior met the first milestone as stipulated in the agreement between both companies. In addition, \$360,000 was paid in severance to the CEO who was terminated during October 2014.

As per the Company's cash management policy, excess cash is invested in short-term term deposits and bankers' acceptance not exceeding ninety days, so as to secure capital and earn a reasonable return.

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

There were no financing transactions during the period ended December 31, 2014.

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

- 315,000 incentive stock options were exercised for net proceeds of \$300,100.

Summary of Quarterly Financial Information

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

	For the Three Months Ending							
	Fiscal 2015		Fiscal 2014				Fiscal 2013	
	Dec 31(\$)	Sep 30(\$)	Jun 30(\$)	Mar 31(\$)	Dec 31(\$)	Sep30 (\$)	Jun 30 (\$)	Mar 31 (\$)
Income Statement Data								
Total revenues	5,222,684	3,058,791	3,340,942	\$ 2,222,783	\$ 3,328,160	\$ 3,041,533	\$ 3,507,226	\$ 3,221,118
Income (loss) before discontinued operations, taxes and extraordinary items	3,977,683	1,893,642	2,549,916	1,441,492	1,976,743	2,342,791	2,416,193	2,586,340
Income tax expense	(1,085,047)	(514,000)	(590,000)	(327,000)	(499,000)	(545,000)	(600,915)	(682,293)
Deferred Income tax(expense)/recovery	(44,000)	(89,000)	(61,000)	(79,000)	(27,000)	(91,000)	(194,000)	(23,000)
Net income (loss)	\$ 2,848,636	\$ 1,290,642	\$ 1,898,916	\$ 1,035,492	\$ 1,450,743	\$ 1,706,791	\$ 1,621,278	\$ 1,881,047
Income (loss) per common share outstanding								
Basic	\$ 0.06	\$ 0.03	\$ 0.04	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.04
Diluted	\$ 0.06	\$ 0.03	\$ 0.04	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.04

The Company's revenues are derived primarily from its royalty interest on the 777 Mine operated by Hudbay. The Company has no control over the amounts received quarterly. These revenues are contingent on factors such as the prices of commodities which are affected by foreign exchange rates, grade of ore mined, operating costs and mine production levels among others.

During the quarter ended December 31, 2014, the Company received \$3,500,000 as payment for settlement of the litigation against Hudbay. In addition, the NPI payment at \$1,453,953 for the quarter, was lower than all the previous quarters.

Administration Expenses

General and Administration expenses for the six month period, net of share based compensation and amortization, at \$1,483,418 is \$680,140 higher than the same period last year at \$803,278. This variance is mainly attributed to increases of \$565,523 in salaries and benefits, \$98,940 in consulting fees, \$46,322 in legal fees and \$22,210 in administration and general expenses offset by decreases of \$36,371 in shareholder relation expenses and \$16,484 in audit and accounting fees.

Salaries include \$360,000 paid in severance to the past President and CEO, an increase of \$37,500 in the Chairman of the Board compensation over last year, an increase of \$139,417 in fees paid to directors due to higher fees and a timing difference in payment of those' fees; in the prior years, total director fees were paid during the third quarter instead of quarterly as adopted by the Board in December 2013. Directors' fees were increased in lieu of the granting of stock options or RSUs to directors at the inception of their term in December 2013. Additionally during fiscal 2014, CFO services were contracted out to Callinex Mines Inc. resulting in fees of \$29,200 for the six month period compared to only \$4,629 for fiscal 2015, as this contract ended in September 2014. The above increases plus the wage costs for a part-time student geologist resulted in the increases in salaries for the period.

Consulting and legal fees variances during the period, occurred as the Company engaged Raymond James as financial advisor to assist with the Hudbay settlement, and Laurel Hill as proxy solicitors to assist with the annual general meeting. Other legal matters also contribute to this variance.

Additionally, office and administration expenses increased by \$22,210 due mainly to increases of \$24,975 in rental expenses as the Company has three locations compared to two locations during the same period last year. These increases were offset by other favorable variances in office expenses.

Business Development

During the period, the Company expended \$716,191 for Business Development. Of this amount, \$386,060 was expended to acquire exploration claims in Newfoundland and Labrador and Quebec. Property investigations and other costs related to the acquisition amounted to \$218,977, and the remaining amount was expended for legal costs. Expenses for business development during the same period in fiscal 2013 were \$128,283 for legal consulting and property investigations and \$736,262 for alliances with Avrupa Minerals, Evrim and Renaissance Gold.

c) Trend Information

Other than the financial obligations as set out in item 6 below, there are no identifiable trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The Company will require sufficient capital in the future to meet its royalty acquisition and creation payments. It will also require capital to acquire and explore properties it considers to be of merit. As the Company receives royalty payments from Hudbay, it is likely that the Company will generate sufficient operating cash flow to be able to acquire and create royalties within the parameters outlined in the business strategy section. Understandably, even though the 777 Mine is expected to be operational until 2020, the continuance of the royalty payments is directly dependent on such factors as, the continued mining of the 777 Mine, metal prices and global consumption patterns.

It is the opinion of the Company that its liquidity will be most affected by the results of its own acquisitions and the continued profitability of the 777 Mine operated by Hudbay in which Callinan has a 4% NSR royalty. The acquisition of an economic mineral royalty or discovery of a deposit on its mineral property may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect.

d) Risk Factors

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

General

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

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

The Company plans to focus its efforts on the acquisition of further royalty interests in other mineral resource properties. Accordingly, the share price of Callinan and the Company's financial results may be significantly

adversely affected by a decline in the price of commodities in which the Company has an equity interest or a royalty interest.

No control over mining operations

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

Acquisition strategy

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

Risks related to the Company's royalty, net profits interest and to some extent, future acquisition.

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

Changes in the price of commodities

Changes in the market price of commodities will significantly impact the Company's revenue from producing royalties. Many factors beyond the Company's control influence the market price of commodities including, but not limited to: global supply and demand, availability and costs of metal substitutes, speculative activities, and production levels and costs in other producing countries. The Company's financial results are sensitive to external economic factors related to the commodity prices and a substantial risk will arise if there is a prolonged period of lower prices.

Sustaining and production levels

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

Disruption of transportation

Most mines are dependent upon transportation networks to transport concentrate to metallurgical complexes. Inability to secure reliable and cost-effective transportation, or disruption of these transportation services due to weather-related problems, strikes, lock-outs or other events could have a material adverse effect on the operation of mining companies, which would in turn materially affect the Company's revenue.

Impact of competition

Both the royalty and mining industry is intensely competitive. The companies in which Callinan has an equity interest or a royalty interest compete with many companies possessing greater financial and technical resources. Mining companies compete for the labour required to operate their mines, and for the capital necessary to fund such mines. Many competitors not only explore for and mine metals, but conduct refining and marketing operations on a global basis. Such competition may result in the companies in which Callinan invests in being unable to recruit or retain qualified employees or to acquire the capital necessary to fund their operations and develop their mines. The impact of competition could ultimately affect the royalty revenues.

Human resources

The success of operations at any mine depends in part on geologists, engineers, metallurgists and other personnel with specialized skill and knowledge about the mining industry. The companies in which Callinan has an equity interest or a royalty interest compete with other mining companies to attract and retain key executives and skilled and experienced employees. The mining industry is labour intensive and their success and ability to pursue their strategic objectives depends to a significant extent on their ability to attract, hire, train and retain qualified executives and employees, including its ability to attract employees with needed skills in the area they operate.

Suspension of operations

From time to time, the mining operations may have to be temporarily suspended due to strike action, a significant repair or upgrade or if they are no longer considered commercially viable. There are a number of factors that may cause the operations to be no longer commercially viable, many of which are beyond the control of the Company. These factors include decreases in the price of and demand for zinc or copper or the market rates for treatment and refining charges, adverse changes in interest rates or currency exchange rates, increases in concentrate transportation costs, and increases in labour costs. If operations are suspended, no royalty revenue will be received.

Government regulation

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

Environmental compliance obligations

All mines are subject to environmental regulations. Any failure by the mine operator to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which would have an adverse impact on royalty revenues.

Requirement to obtain government permits to conduct mining operations

Government approvals and permits are required in connection with operations at all mines and further approvals and permits will be required in the future. Mining companies must obtain and maintain a variety of licenses and

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

Title to mineral properties

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

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

The Company's mineral exploration properties, the War Baby Claim and its mineral claims in Newfoundland and Labrador and Quebec are exploration projects. No mineral resources or reserves have been discovered or estimated on these properties. The mineral exploration license for the War Baby is in good standing until June 20, 2021 and no expenditures are required in the interim. The mineral claims in Newfoundland and Labrador and Quebec were staked in March and September 2014. There is no certainty that the expenditures to be made by the Company or any future joint venture partners in the exploration of its properties will result in discoveries of metals in commercial quantities or that the Company's properties will be developed. Most exploration projects do not result in the discovery of economic deposits of metals and no assurance can be given that any particular level of recovery of metals will in fact be realized or that any identified resource will ever qualify as a commercially mineable or viable resource which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

Financing Risks

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The interim consolidated financial statements for the six months ended December 31, 2014, are prepared in accordance with IFRS as stated in Note 3 to the financial statements. The accounting policies in Note 3 have been applied in preparing the interim consolidated financial statements for the periods ended December 31, 2014 and December 31, 2013.

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

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

4. LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, the Company had current assets of \$31,414,715 and current liabilities of \$2,470,093 for net working capital of \$28,944,622 which is sufficient to meet its current requirements for operating and investing activities. The Company holds all its excess cash in short-term interest bearing instruments at credited Canadian financial institutions.

The Company's major sources of funding are its royalty revenue and interest income. These funds are used to create and acquire royalties and fund project generation through third party agreements in exchange for a partial ownership interest in the mineral rights to the properties.

As the current cash level is significantly more than that required for meeting the obligations of the Corporation, management will continue to evaluate investment opportunities in the resource based sector.

5. SECURITIES AS AT THE END OF THE REPORTING PERIOD

At December 31, 2014, there were 49,224,588 common shares issued and outstanding. At the report date, there were 49,362,945 common shares of the Company issued and outstanding.

On January 3, 2015, the remaining 130,000 RSUs which were granted in April 2012 vested, and as a result 38,500 shares were issued and the remaining 91,500 RSUs were exercised for cash of \$168,360. Common shares issued pursuant to the vesting are included the outstanding shares at the report date. Additionally, 100,000 common shares were issued to the retired Chairman of the Board.

Additionally, at December 31, 2014, there were 2,000,000 common share purchase warrants exercisable at \$2.58 per share, outstanding. These warrants will expire on March 4, 2016.

6. DISCLOSURE OF CONTRACTUAL OBLIGATIONS

On January 1, 2014, the Company moved its Vancouver office to Suite 770 – 475 West Georgia Street. The lease is for 5 years and will expire on December 31, 2018. The lease for the office at 508 Main Street in Lewisporte, Newfoundland and Labrador will expire on March 31, 2017.

The Company is currently seeking to sublease its former office space at Suite 1110 – 555 West Hastings Street which is jointly held with Callinex Mines Inc. who still occupies a portion of the office. This lease expires November 30, 2015.

For the six months ended December 31, 2014, rental expenses, including taxes and operating expenses were \$56,760 compared to \$31,785 for the same period in fiscal 2014.

7. CORPORATE GOVERNANCE

The Company has evaluated its internal controls over financial reporting and believes that as of the report date, its systems of internal controls over financial reporting as defined under MI 52-109 are sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company however, is not required to have the design and evaluation of its internal controls financial reporting certified as its listing is on the TSX Venture Exchange.

Certain weaknesses in its systems, however, are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in smaller companies. As a consequence of this situation:

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

The Company believes these weaknesses are mitigated by:

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

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

8. FINANCIAL INSTRUMENTS

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

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of GST and value added tax receivable due from the Government of Mexico and the 25% holdback by Hudbay as per the agreement with the Company which has been paid in a timely manner in past years. The Company does not believe it is exposed to significant credit risk.

The Company's investment in debentures was repaid by GRC and the line of credit extended to Wallbridge was fully repaid during the reporting period. As a result, the Company does not have credit risk associated with these amounts.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 16 of the accompanying financial statements. 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 except for income tax accrued have contractual maturities 30 days or less and are subject to normal trade terms.

Market risk

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

a) Interest rate risk

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

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. As of December 31, 2014, the Company did not have any investments with maturities in excess of ninety days. 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 gold, 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.

9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibilities over planning, directing and controlling the Company as a whole. The Company has determined that key management personnel consist of members of the Board and the officers of the Company which include the Chief Executive Officer and the Chief Financial Officer.

Total salary paid to key management personnel during the period was \$807,629 compared to \$273,500 for the same period in fiscal 2014. Shared-based compensation related to key management personnel during the period ended December 31, 2014 was \$110,351 compared to \$245,718 for the same period in fiscal 2014.

Additionally, 60,000 RSUs were deemed to have vested and were issued to the former CEO along with severance payment of \$360,000 (included in the number above) as per his employment contract.

On February 2, 2015, the Company announced that Brian Irwin, Chairman of the Board retired and is being replaced by Jay Sujir who was elected to the Board in December 2014. Additionally, Anna Stylianides, a former director of Callinan returned to the Board effective on the announcement. Mr. Irwin received 100,000 common shares of the Company on his retirement as consideration for his lengthy service with the Company.

These related party transactions are in the normal course of transactions and are measured at fair value which is the amount of the consideration established and agreed to by the related parties. It is management's

estimation that these transactions were undertaken under the same terms and conditions as those undertaken with non-related parties.

There were no other related party transactions.

10. SUBSEQUENT EVENT

Subsequent to December 31, 2014, the Company received \$1,371,779 from Hudbay, representing the quarterly payment for the quarter ended December 31, 2014. 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.

11. LIST OF DIRECTORS AND OFFICERS

Glenn Brown	Director	President & CEO
Jay Sujir	Director	Chairman - since February 2, 2015
David Caulfield	Director	
Ross McDonald	Director	
Anna Stylianides	Director	Since February 2, 2015
Tamara Edwards	Officer	Chief Financial Officer & Corporate Secretary