CALLINEX MINES INC.

CONDENSED INTERIM
FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

DECEMBER 31, 2011
(Unaudited)

CALLINEX MINES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT
(Unaudited)

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited) as is described in Note 8. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	December 31, 2011	September 30, 2011
ASSETS		
Current		
Cash and cash equivalents	$ 8,623,258	$ 9,780,770
HST receivable	640,946	508,881
Prepaid expenses	26,672	44,471
Total current assets	9,290,876	10,334,122
Exploration and evaluation assets (Note 4)	30,147,681	28,965,051
Restricted investment (Note 6)	1,076,750	1,020,000
Long term deposits	224,646	316,216
Equipment (Note 5)	77,650	78,040
Total assets	$ 40,817,603	$ 40,713,429
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 739,377	$ 1,858,639
Other liability (Note 7)	541,619	539,421
Deferred income tax liability	6,997,000	6,735,000
	8,277,996	9,133,060
Capital stock (Note 7)	39,867,690	38,672,357
Equity reserve	3,778,177	3,783,762
Accumulated other comprehensive income	(353,319)	(526,250)
Accumulated deficit	(10,750,941)	(10,349,500)
Total shareholders' equity	32,539,607	31,580,369
Total liabilities and shareholders' equity	$ 40,817,603	$ 40,713,429

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

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

CALLINEX MINES INC.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE THREE MONTHS ENDED DECEMBER 31
(Unaudited)

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited) as is described in Note 8. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	2011	2010
EXPENSES		
Audit and accounting	$ 30,730	$ 9,665
Annual general meeting	-	3,114
Bank charges and interest	1,815	324
Consulting fees	5,595	1,125
Donations	2,000	-
Equipment depreciation	5,668	9,135
Insurance expense	9,375	1,137
Legal fees	28,816	11,215
Listing and sustaining fees	(3,337)	7,298
Property expenses	31,499	20,704
Property investigation costs	17,110	23,951
Office and administration	19,877	9,283
Office rent	5,431	4,173
Salaries	213,040	153,509
Shareholder relations and news releases	36,470	122,269
Share-based compensation	-	367,823
Telephone	5,366	5,709
Transfer agent	2,877	845
Travel	9,238	3,574
	(421,570)	(754,851)
OTHER INCOME (EXPENSES)		
Interest income	36,543	3,000
Loss before income tax	(385,027)	(751,851)
Deferred income tax expense	(16,414)	(179,000)
Loss for the period	$ (401,441)	$ (933,851)
Change in fair value of restricted investment	$ 170,931	$ -
Comprehensive loss for the period	$ (230,510)	$ (933,851)
Basic and diluted loss per common share	$ (0.02)	N/A
Weighted average number of common shares outstanding	16,907,876	-

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

CALLINEX MINES INC.
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
DECEMBER 31, 2011
(Unaudited)

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. (“Callinex”), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited) as is described in Note 8. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	Capital Stock					
	Shares	Amount	Equity Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholders’ Equity
Balance, September 30, 2010	-	$ -	$ 20,840,528	$ -	$ (6,062,357)	$ 14,778,171
Share-based compensation	-	-	367,823	-	-	367,823
Loss for the period	-	-	-	-	(933,851)	(933,851)
Balance December 31, 2010	-	-	21,208,351	-	(6,996,208)	14,212,143
Transfer of assets	10,877,728	33,856,969	-	-	-	33,856,969
Funding by Callinan Royalties Corp.	-	-	(18,180,005)	-	-	(18,180,005)
Stock options exercised	2,222	1,022	-	-	-	1,022
Fair value of options exercised	-	2,889	(2,889)	-	-	-
Private placement – flow through shares	6,000,000	6,600,000	-	-	-	6,600,000
Flow through share premium	-	(1,200,000)	-	-	-	(1,200,000)
Share issue costs – cash (net of tax)	-	(421,465)	-	-	-	(421,465)
Share issue costs – agent options	-	(167,058)	167,058	-	-	-
Share-based compensation	-	-	591,247	-	-	591,247
Fair value adjustment of investment	-	-	-	(526,250)	-	(526,250)
Loss for the period	-	-	-	-	(3,353,292)	(3,353,292)
Balance, September 30, 2011	16,879,950	$ 38,672,357	$ 3,783,762	$ (526,250)	$ (10,349,500)	$ 31,580,369
Stock options exercised	13,334	6,189	-	-	-	6,189
Fair value of options exercised	-	8,435	(8,435)	-	-	-
Private placement – flow through	1,489,100	1,414,645	-	-	-	1,414,645
Flow through share premium	-	(223,365)	-	-	-	(223,365)
Share issue costs – cash (net of tax)	-	(7,721)	-	-	-	(7,721)
Share issue costs - agent warrants	-	(2,850)	2,850	-	-	-
Fair value adjustment of	-	-	-	170,931	-	170,931
investment	-	-	-	-	(401,441)	(401,441)
Loss for the period						
Balance December 31, 2011	18,382,384	$ 39,867,690	$ 3,778,177	$ (353,319)	$ (10,750,941)	$ 32,539,607

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

CALLINEX MINES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE THREE MONTHS ENDED DECEMBER 31
(Unaudited)

For periods prior to July 13, 2011, the financial statements of Callinex Mines Inc. ("Callinex"), including the results of operations and cash flows, have been prepared on a carve-out basis from Callinan Royalties Corp. (formerly Callinan Mines Limited) as is described in Note 8. These financial statements may not be indicative of the results that would have been attained if Callinex had operated as a stand-alone entity for those periods.

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (401,441)	$ (933,851)
Items not affecting cash:		
Equipment depreciation	5,668	9,135
Share-based compensation	-	367,823
Deferred income tax expense	16,414	179,000
Funding by Callinan	-	377,893
Changes in non-cash working capital:		
Increases in accounts receivable	(132,065)	-
Decreases in prepaids	17,799	-
Decreases in deposits	91,570	-
Increases in accounts payable and accrued liabilities	320,751	-
Net cash used by operating activities	(81,304)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(2,484,043)	-
Equipment purchases	(5,278)	-
Net cash used in investing activities	(2,489,321)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital, net of share issuance costs	1,413,113	-
Net cash provided by financing activities	1,413,113	-
Increase in cash and cash equivalents for the period	(1,157,512)	-
Cash and cash equivalents, beginning of period	9,780,770	-
Cash and cash equivalents, end of period	$ 8,623,258	$ -
Cash and cash equivalents is comprised of:		
Cash	$ 1,268,258	$ -
Cash equivalents	$ 7,355,000	$ -
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental information with respect to cash flow (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Callinex Mines Ltd. ("Callinex" or the "Company") was incorporated on April 21, 2011 under the Corporations Act for the purpose of receiving certain cash, equipment, common shares, and exploration and evaluation assets from Callinan Royalties Corporation (formerly Callinan Mines Limited) ("Callinan") in exchange for common shares of the Company by way of a plan of arrangement as approved by the shareholders of Callinan on June 7, 2011 (Note 8). The effective date of transaction with Callinan was closed on July 13, 2011.

The Company's head office and registered and records office address is 1110 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6Z 1G3.

These condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting.

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and income and expenses.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets.

ii) The inputs used in accounting for share-based compensation expense included in profit and loss.

iii) The valuation allowance applied to deferred tax assets.

All amounts are in Canadian dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Equipment

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

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Machinery & Equipment	30%
Office Furniture	20%
Computer Equipment	30%
Leasehold Improvements	30%

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. These direct expenditures include such costs as materials used, surveying, drilling, and payments made to contractors during the exploration phase. Costs not directly attributed to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Future reclamation costs

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral interests (exploration and evaluation assets) and equipment. The net present value of future reclamation cost estimate is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

Future reclamation costs (cont'd…)

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The increase in the provision due to the passage of time is recognized as interest expense.

For the periods presented, the Company does not have any significant future reclamation costs.

Foreign exchange

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining net loss for the period.

Impairment of long-lived assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation

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

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credit to other liabilities and included income at the same time the qualifying expenditures are made.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities (cont'd…)

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss, and HST receivable, loans and receivables, and restricted investment as available-for-sale. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company classifies the fair value of financial instruments according to a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices; and
- Level 3 – inputs for the asset or liability that are not based on observable market date (unobservable inputs).

See Note 12 for relevant disclosures.

Comprehensive loss

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

New accounting pronouncements

Financial Instruments IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting pronouncements (cont'd…)

Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

The Company is currently evaluating the impact of these new and amended standards on its financial statements

(Expressed in Canadian dollars)

4. EXPORATION AND EVALUATION ASSETS

Activity for the period ended December 31, 2011

	Berry Creek	Coles	Fox	Hamell Lake	Gossan	Herblet	Pine Bay	Rug	Other	Total
Acquisition	$ -	$ 138,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 62,450	$ 201,050
Geophysical	-	29,508	-	-	-	-	-	-	10,036	39,544
Drilling	-	323,866	-	-	6,433	-	-	-	60,909	391,208
Consulting	-	37,320	-	-	-	-	-	-	4,832	42,152
Travel	-	4,409	-	-	-	-	-	-	136	4,545
Field & Camp	-	546,360	-	-	-	-	-	-	-	546,360
Vehicle	-	-	-	-	4,786	-	-	-	-	4,786
Prospecting	-	3,150	-	-	-	235	7,828	-	-	11,213
Miscellaneous	-	-	-	-	-	-	-	-	59	59
Recovery***	-	-	-	-	(58,287)	-	-	-	-	(58,287)
Total	-	1,083,213	-	-	(47,068)	235	7,828	-	138,422	1,782,630
Opening	2,028,794	15,903,167	4,173,403	459,720	1,784,229	1,635,267	1,489,945	115,667	1,374,859	28,965,051
December 31, 2011	$ 2,028,794	$16,986,380	$ 4,173,403	$ 459,720	$1,737,161	$1,635,502	$1,497,773	$ 115,667	$1,513,281	$30,147,681

***From the Mineral Exploration Assistance Program (MEAP) which provides assistance for non-fuel exploration in Manitoba.

(Expressed in Canadian dollars)

4. EXPORATION AND EVALUATION ASSETS

Activity for the year ended September 30, 2011

	Berry Creek	Coles	Fox	Hamell Lake	Gossan	Herblet	Pine Bay	Rug	Other	Total
Acquisition	$ 88,800	$ -	$ -	$ 53,736	$ 140,150	$ -	$ 261,169	$ 30,000	$ 151,133	$ 724,988
Geochemical	-	16,362	-	-	9,239	35,568	-	-	-	61,169
Geophysical	15,911	247,642	-	-	47,949	74,083	58,586	-	33,778	477,949
Linecutting	2,960	-	-	-	-	37,880	-	-	-	40,840
Drilling	300,010	2,426,071	36,031	-	1,096,440	909,832	407,261	-	-	5,175,645
Consulting	-	72,956	1,200	-	28,524	40,550	4,400	-	54,650	202,280
Travel	-	31,549	-	-	-	-	-	-	153	31,702
Field & Camp	6,369	2,198,427	-	-	169,865	70,313	31,007	-	-	2,475,981
Vehicle	1,600	36,497	-	-	1,500	3,402	2,800	-	-	45,799
Prospecting	3,861	17,017	-	-	15,290	12,950	8,537	-	70,048	127,703
Miscellaneous	-	1,037	37,498	-	15,272	-	-	96	5,958	59,861
Recovery***	(9,775)	-	(59,901)	-	-	-	-	-	-	(69,676)
Total	409,736	5,047,558	14,828	53,736	1,524,229	1,184,578	773,760	30,096	315,720	9,354,241
Opening	1,619,058	10,855,609	4,158,575	405,984	260,000	450,689	716,185	85,571	1,059,139	19,610,810
September 30, 2011	$ 2,028,794	$15,903,167	$ 4,173,403	$ 459,720	$1,784,229	$1,635,267	$1,489,945	$ 115,667	$1,374,859	$28,965,051

***From the Mineral Exploration Assistance Program (MEAP) which provides assistance for non-fuel exploration in Manitoba.

4. EXPORATION AND EVALUATION ASSETS (cont'd…)

By way of the plan of arrangement approved by the shareholders of Callinan on July 13, 2011, Callinan transferred its exploration and evaluation assets to Callinex. All rights to purchase a royalty or a portion of a royalty attached to any of the exploration and evaluation assets transferred remains with Callinan. Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing (Note 8).

a) Fox River

On March 15, 2003 the option to purchase the Fox River Property was acquired. Callinex has a 70% interest in this property and can earn an additional 10% by producing a feasibility study. On March 15, 2006 half of the interest in this property was assigned to Bell Resources Corporation ("Bell"). Bell's interest is based on a dilution clause contained in the agreement of March 15, 2006.

b) Coles Creek/Troitsa

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, President of Callinan, under which Callinan was granted the option to acquire a 100% interest in certain claims in the Omenica Mining Division of British Columbia. Under the terms of the agreement, Mr. Muzylowski, was paid a total of $270,000 for the property. If the claims are placed into production, Mr. Muzylowski will be entitled to a 5% royalty on net smelter returns, of which one half or 2.5% can be repurchased for $1,500,000.

On September 24, 2010 Callinan increased its holding in British Columbia by entering into an agreement to acquire the Troitsa claim. The agreement called for payment of $40,000 and issuance of 40,000 common shares within 5 days of acceptance by the TSX Venture Exchange, (received, paid/issued); a further $50,000 and 60,000 shares within 12 months (issued and paid, see Note 6); a further $60,000 and 80,000 shares within 24 months; a further $80,000 and 100,000 shares within 36 months and a further $90,000 and 120,000 shares within 48 months from the effective date of the agreement.

In order to maintain the option in good standing and to earn the 100% interest in the property, Callinan had to incur cumulative expenditures of $80,000 within 12 months, $160,000 within 24 months, and $240,000 within 36 months and $320,000 within 48 months from the effective date of the agreement.

The costs associated with these claims have been included with Coles Creek, as this is in the same geographical area.

4. EXPORATION AND EVALUATION ASSETS (cont'd….)

c) Herblet Lake

On March 15, 2007 Callinan entered into an option agreement for the above property. The agreement required payment of $50,000 and issuance of 100,000 shares over 36 months after regulatory approval. All obligations have been met.

d) Moak and Norris Lake

On May 14, 2007 Callinan entered into an option agreement whereby, payments of $100,000 and issuance of 200,000 shares within 36 months after regulatory approval was required. All obligations have been met.

e) Dion Lake

On June 26, 2007 Callinan entered into an option agreement for the Dion Lake property near Snow Lake, Manitoba. The agreement called for payment of $100,000 and 100,000 common shares over 36 months on receipt of regulatory approval. All obligations required to keep the holding in good standing have been met.

f) Berry Creek

On March 15, 2008 Callinan optioned the Berry Creek Claims which affords it the right to acquire 100% interest in and to the mineral claims, subject only to the royalty interest of 2% Net Smelter Returns. In order to acquire 100% interest Callinan had to pay $20,000 and issue 25,000 shares on receipt of regulatory approval (received, paid/issued), and a further $40,000 and 375,000 shares within 36 months of the effective date. In March of 2011 the agreement was amended whereby, the payment to be made in March 2011 was deferred to March 2012 while management decides if the Company will continue with this project. 20,000 shares were issued and $20,000 paid, in order to defer the payment to March 2012.

g) Tramping Lake

Between March 28 and April 10, 2008 these claims were staked by Callinan in the Snow Lake area of Manitoba.

h) Hamel Lake

On July 9, 2008 Callinan received Toronto Stock Exchange ("Exchange") approval for the option agreement entered into for the Hamel Lake claims located near Flin Flon, Manitoba. The agreement called for payments of $150,000 and issuance of 150,000 shares of common stock over a three year period. The property is subject to a 2% Net Smelter Return Royalty of which Callinan may purchase half for $1,000,000 subject to further Exchange review and acceptance. All obligations have been met.

4. EXPORATION AND EVALUATION ASSETS (cont'd….)

i) Pine Bay

On July 8, 2009 an agreement was entered into to acquire a 100% interest in the Pine Bay Claims and a 90% interest in the Sour Claims. To acquire the claims, payments of $375,000 and issuance of 500,000 common shares of Callinan (75,000 of these have been issued) within 36 months of the effective date is required. All obligations have been met to keep the claims in good standing.

j) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, payment of $400,000 and issuance of 400,000 shares within 36 months of the effective date of the agreement was required. Cumulative expenditure of $100,000 within 12 months, $1,000,000 within 24 months and $1,900,000 within 36 months was also required to keep the option in good standing. This project has been put on hold while negotiations proceed with the First Nations.

k) Gossan

On April 10, 2010 100% interest in this property was acquired for payment of $20,000 and issuance of 150,000 shares.

l) Rug Claims

On May 12, 2010 Callinan entered into an agreement to acquire a 100% interest in the Rug Claims for payment of $200,000 and issuance of 200,000 shares within 36 months of the effective date. Cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months must be made to keep the option in good standing. All obligations have been met to keep this option in good standing.

m) Stag Claim

On May 29, 2010 the claims at Stag Lake in Manitoba were staked.

n) Pulver Lake

During 2011 the claims at Pulver Lake in Snow Lake, Manitoba were staked.

m) Cameco

During the period the Company staked property in Saskachewan.

(Expressed in Canadian dollars)

5. EQUIPMENT

December 31, 2011:

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improve-ments	Total
Cost at September 30, 2011	**$ 162,686**	**$ 69,406**	**$ 107,828**	**$ -**	**$ 339,920**
Current period additions	**-**	**-**	**233**	**5,055**	**5,278**
Cost at December 31, 2011	**$ 162,686**	**$ 69,406**	**$ 108,051**	**$ 5,055**	**$ 345,198**
Accumulated depreciation at September 30, 2011	**$ 130,052**	**$ 54,398**	**$ 77,430**	**$ -**	**$ 261,880**
Current period depreciation	**2,448**	**750**	**2,280**	**190**	**$ 5,668**
Accumulated depreciation at December 31, 2011	**132,500**	**$ 55,148**	**$ 79,710**	**$ 190**	**$ 267,358**
Net book value at September 30, 2011	**$ 32,634**	**$ 15,008**	**$ 30,398**	**$ -**	**$ 78,040**
Net book value at December 31, 2011	**$ 30,186**	**$ 14,258**	**$ 28,341**	**$ 4,865**	**$ 77,650**

September 30, 2011:

	Machinery & Equipment	Office Furniture	Computer Equipment	Total
Cost at September 30, 2010	$ 158,082	$ 62,583	$ 56,137	$ 276,802
Current period additions	4,604	6,823	51,691	63,118
Cost at September 30, 2011	$ 162,686	$ 69,406	$ 107,828	$ 339,920
Accumulated depreciation at September 30, 2010	$ 100,130	$ 46,007	$ 37,304	$ 183,441
Current period depreciation	29,922	8,391	40,126	78,439
Accumulated depreciation at September 30, 2011	$ 130,052	$ 54,398	$ 77,430	$ 261,880
Net book value at September 30, 2010	$ 57,952	$ 16,576	$ 18,833	$ 93,361
Net book value at September 30, 2011	$ 32,634	$ 15,008	$ 30,398	$ 78,040

6. INVESTMENTS

By way of the transfer, 500,000 shares of Callinan were transferred to Callinex in order to satisfy property options commitments on some of the properties transferred (Note 4). These shares are held in trust by Callinan and any not used will be returned to Callinan after all obligations transferred are satisfied, or if the Company decides to abandon any of the properties. 75,000 of these shares have been issued for the Pine Bay option agreement, and 60,000 shares have been issued for the Troitsa property. 365,000 shares were remaining at December 31, 2011.

7. CAPITAL STOCK

Authorized:

Unlimited common shares with no par value

During the period ended December 31, 2011, the Company entered into the following capital stock transactions:

- The Company issued 1,489,100 flow-through units at a price of $0.95 per unit for gross proceeds of $1,414,645. Each flow-through unit is comprised of one flow-through common share of the Company and one half of one share purchase warrant. Each warrant is exercisable to purchase one non-flow through common share of the Company at a price of $1.00 until December 30, 2013. On the date of issue of these shares, the Company's common shares were trading at $0.80 per share. As a result, a flow-through premium of $223,365 was recorded in 'other liability' on the statement of financial position. In connection with the share issuance, the Company paid agent's fees of $7,721 and issued 8,128 agents warrants with a value of $2,850. Each agent warrant is exercisable to purchase one non-flow through common share of the Company at a price of $1.00 per share until December 30, 2013.

- The Company issued 13,334 common shares upon exercise of stock option with a fair value of $8,435.

During the year ended September 30, 2011, the Company entered into the following capital stock transactions:

- The Company issued 10,877,728 shares to Callinan by way of the plan of arrangement (Note 8)

- The Company issued 6,000,000 flow-through common shares at a price of $1.10 per share for gross proceeds of $6,600,000. On the date of issue of these shares, the Company's common shares were trading at $0.90 per share. As a result, a flow-through premium of $1,200,000 was recorded as an other liability on the statement of financial position. This was reduced for funds spent during the period ended September 30, 2011. In connection with the share issuance, the Company paid the agent a cash commission of $528,000, and issued 480,000 agent options valued at $167,058 using the Black-Scholes pricing model with a volatility of 93.20%, discount rate of 2.75%, expected life of 1.5 years, and dividend rate of 0%. The agent options are exercisable into one non flow-through common share of the Company at a price of $1.10 per share until February 26, 2013.

- The Company issued 2,222 common shares upon the exercise of stock options with a fair value of $2,889.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

There were no stock options granted during the period ended December 31, 2011.

Share-based compensation expense of $Nil (2010 - $367,823 has been recorded during the period ended December 31, 2011 under the Black-scholes pricing model in relation to the options granted. The weighted average fair value of the options granted is $Nil (2010 - $1.43).

(Expressed in Canadian dollars)

7. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

The following tables summarize the Company's outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, September 30, 2010	-	$ -
Issued in connection with the plan of arrangement (Note 8)	581,428	0.48
Granted	1,115,000	0.90
Exercised	(2,222)	0.46
Options outstanding, September 30, 2011	1,694,206	0.76
Exercised	(13,334)	0.54
Expired	(106,662)	0.56
Options outstanding, December 31, 2011	1,574,210	$ 0.77

Exercise price	Options outstanding and exercisable at December 31, 2011	Average Remaining Contractual Life (Years)	Expiry Date
0.46	144,776	0.12	February 13, 2012
0.30	11,111	0.70	September 12, 2012
0.75	55,556	0.78	October 12, 2012
0.47	133,329	1.04	January 13, 2013
0.34	61,107	1.41	May 29, 2013
0.30	55,555	1.78	October 9, 2013
0.90	1,112,776	4.71	September 14, 2016
	1,574,210		

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the three months ended December 30, 2011 and 2010:

	December 31, 2011	December 31, 2010
Risk-free interest rate	-	1.71%
Expected life of options	-	3.5 years
Annualized volatility	-	166.6%
Dividend rate	-	0%
Forfeiture rate	-	0%

(Expressed in Canadian dollars)

7. CAPITAL STOCK (cont'd…)

Warrants

The following is a summary of warrants outstanding:

	Number of warrants	Weighted Average Exercise Price
Warrants outstanding, September 30, 2010	-	$ -
Issued	480,000	1.10
Warrants outstanding, September 30, 2011	480,000	1.10
Issued	782,628	1.00
Warrants outstanding, December 31, 2011	1,262,628	$ 1.04

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices:

December 31, 2011			
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date
$ 1.10	480,000 (1)	1.2	February 26, 2013
1.00	774,500	2.0	December 30, 2013
1.00	8,128 (1)	2.0	December 30, 2013
$ 1.04	1,262,628	2.0	December 30,2013

(1) Agent warrants

The following weighted average assumptions were used for the Black-Scholes method of valuation of agents warrants granted during the three months ended December 30, 2011, and the year ended September 30, 2011:

	December 31, 2011	September 30, 2011
Risk-free interest rate	-	2.75%
Expected life of options	2 years	1.5 years
Annualized volatility	93.2%	93.2%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

(Expressed in Canadian dollars)

8. PLAN OF ARRANGEMENT

On July 13, 2011, the shareholders of Callinan approved a plan of arrangement to reorganize Callinan's exploration and evaluation assets in an effort to maximize shareholder value. Under the terms of the plan of arrangement, Callinan spun out the following properties to a new company incorporated under the name Callinex Mines Inc. ("Callinex"): Coles Creek; Gossan Gold; Sneath Lake; CAL; Herblet Lake; Dion Lake; Moak and Norris Lake; Elliot Lake; Tramping Lake; Cook Lake; Lobar Lake; Pulver Lake; Berry Creek; Fox River; Troitsa; Hamell Lake; Rug; Stag; Pine Bay; Island Lake; Keputch; Assean Lake; and Pine Lake. The right to earn any royalties in the above properties remained with Callinan, and was not transferred to Callinex. Callinan also transferred equipment valued at $99,837 and $8 million in cash to Callinex. Shareholders of Callinan received one new Callinan common share for each Callinan share held, and one Callinex common share for every 4.5 Callinan common shares held. Concurrently, Callinan transferred certain cash and securities to the Company to provide working capital and exploration funding along with certain property, plant, and equipment.

The reorganization was designed to allow Callinan's shareholders to realize the value of the Callinan Royalty property through continued ownership of Callinan's common shares, while retaining the upside potential associated with Callinan's other exploration and evaluation assets through the ownership of the Company's shares.

The Company's Statement of Operations and Comprehensive Loss for the period ended December 31, 2010 is the result of a "carve-out" of an allocation of general and administrative expenses for that period to the Company. The allocation of the Company's general and administrative expenses was calculated on the basis of each company's share of the expenditures on a line-by-line basis.

The aggregate value of the assets and liabilities transferred from Callinan to the Company are as follows:

Asset (liability)		
Cash and cash equivalents	$	8,000,000
Restricted investment		1,745,000
Equipment		99,837
Exploration and evaluation assets		24,012,132
	$	**33,856,969**

9. RELATED PARTY TRANSACTIONS

During the period, two directors of the Company's management team were paid a total of $128,259 in remuneration (2010 - $128,000).

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and evaluation of exploration and evaluation assets in Canada. All of the Company's assets are located in Canada.

11. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOW

The significant non cash transactions for the period ended December 31, 2011 were:

(a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $67,077.

(b) Reallocation of fair value of options exercised from equity reserve to capital stock of $8,435

(c) 8,128 agent warrants were issued with a value of $2,850 included as share issue costs.

(d) The issuance of 60,000 common shares of Callinan Royalties shares held in trust with a value of $138,600 for the option payment to Troitsa for the acquisition of exploration and evaluation assets.

The significant non cash transactions for the year ended September 30, 2011 were:

(a) The issuance of 75,000 common shares of Callinan Royalties shares held in trust, with a value of $198,750 for the option payment to Pine Bay for the acquisition of exploration and evaluation assets.

(b) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $1,507,090.

(c) Reallocation of fair value of options exercised from equity reserve to capital stock of $2,889.

(d) 480,000 agent options were issued with a value of $167,058 included as share issuance costs.

12. 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 HST receivable and accounts payable and accrued liabilities. 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 marketable securities, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities.

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 HST receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

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

12. FINANCIAL INSTRUMENTS (cont'd….)

Liquidity risk (cont'd….)

The Company manages liquidity risk through its capital management as outlined in Note 13 to these financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year. As at December 31, 2011, the Company had a cash and cash equivalents balance of $8,623,258 to settle current liabilities of $739,377. Management believes the Company has sufficient funds to meets its liabilities as they become due.

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, 2011, 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.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

13. CAPITAL MANAGEMENT (cont'd….)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

14. SUBSEQUENT EVENTS

On February 24, 2012 the Company announced the appointment of John J O'Donnell as President and COO and Anna Stylianides as CEO.