MANAGEMENT DISCUSSION & ANALYSIS

Supplementary Information and MD&A
For the three months ended December 31, 2011

Filed: __________________

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

FORWARD LOOKING STATEMENTS

Certain of the statements made herein may constitute “forward-looking statements” or contain “forward-looking information” within the meaning of applicable Canadian securities laws. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the potential for additional mineralization at the Company’s properties, the timelines to complete the Company’s exploration programs, timing for permit applications, timing for new resource estimates, timing to complete technical reports, forecasts for exploration expenditures, estimates of future administrative costs and statements about the Company’s future development of its properties. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mine exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the potential for unexpected costs and expenses and commodity price; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the MD&A.

Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements or information, except as may be required by applicable law.

1. DESCRIPTION OF BUSINESS AND REPORT DATE

The Company is principally engaged in the acquisition, exploration and development of exploration & evaluation assets in the Provinces of Manitoba, Saskatchewan and British Columbia and has not yet determined whether its exploration & evaluation assets contain ore reserves that are economically recoverable. The Company defers all acquisition, exploration and development costs related to mineral properties. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the property, and any future profitable production, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived there from are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements and MD&A, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The following management discussion is for the three months ended December 31, 2011 and includes relevant information up to February 28, 2012 (the "Report Date"). It should be read in conjunction with the financial statements and related notes which have been prepared in accordance with international financial reporting standards ("IFRS").

2. CORPORATE STRATEGY

On April 21, 2010 Callinan Mines Limited ("Callinan") announced its intention to become a royalty company by reorganizing its exploration assets into a separate corporation (the "Spin-Out Proposal"), with a view to enhancing shareholders' value.

In anticipation of this Spin-Out Proposal, Callinex Mines Inc ("Callinex") was incorporated on April 21, 2011. On June 7, 2011 at a Special Meeting of shareholders the Spin-Out Proposal was approved and on July 13, 2011 the arrangement was finalized.

On implementation of the arrangement, Callinan transferred $8 million in cash and all of its mineral exploration assets, except for the interest in the 777 Mine in Flin Flon, Manitoba and the War Baby property to Callinex. Callinan also issued 500,000 shares of its capital stock to satisfy any outstanding share obligations on the exploration properties transferred. Callinan retained the rights to re-purchase any net smelter return royalties due to optionees of certain exploration properties that were transferred to Callinex.

Under the terms of the Spin-Out Proposal, existing Callinan shareholders received the same percentage interest in Callinex Mines Inc., as they held in Callinan, which resulted in shareholders at date of record receiving 10,879,950 shares of Callinex.

On July 13, 2011 Callinex (CNX.V) began trading on the TSX Venture Exchange.

On August 25, 2011 the Company closed a brokered private placement for 6,000,000 flow-through common shares at $1.10 per share which raised $6,600,000. The Company paid cash commission of $528,000 and issued agent compensation options exercisable for an aggregate of 480,000 non- flow-through common shares exercisable at a price of $1.10 per share until February 26, 2013.

Proceeds of the private placement are being used for the Company's two planned programs; the Coles Creek property in British Columbia, and the Gossan Hill gold property in Manitoba.

On December 30, 2011 the Company closed a non-brokered private placement for 1,489,100 flow-through common shares at $0.95 per share which raised $1,414,645. The Company paid cash commissions of $7,721 and issued agent compensation non-flow through warrants for an aggregate of 8,128 common shares exercisable at a price of $1.00 per share until December 30, 2013. Proceeds of this private placement will be used for exploration activities in the province of Manitoba.

3. EXPLORATION HIGHLIGHTS

During the period, the company completed its summer exploration program on the Coles Creek and Troitsa Properties in Central British Columbia. The program consisted of mapping, prospecting, line cutting, geophysical and geochemical surveys and diamond drilling. The 11 drill hole program conducted on Coles Creek (4,395 meters) produced an 11.70 meter intersection grading 175.00 g/t silver, 0.194 g/t gold, 2.114% zinc, and 1.521% lead, among other results. The drilling, in conjunction with interpretations of 3D IP and geochemical programs has given our exploration team a better understanding of the alteration and mineralized structures at Coles

Creek. Interpretation of data gathered during the summer program has identified new targets that could lead closer to the origin of the porphyry style mineralization.

The Troitsa project, adjacent to the Coles Creek claim, was the subject of an eight drill hole program consisting of 2,777 meters of total core length. The geology at the Troitsa Property is dominated by a granodiorite porphyry plug 1 kilometer in diameter. Drilling has intersected mineralization and alteration processes which are typical of the area's copper porphyry deposits. The highlight of the drilling program conducted during the period was DDH TR11-07, which returned an 82.06 meter interval grading 0.326% copper. The drilling program was conducted, in part, to test the extent of mineralization encountered in a 2010 channel sample conducted over the "Main" Troitsa showing. The sample averaged 0.282% copper over 121 meters.

3D IP geophysics survey was also conducted on the Troitsa property. Interpretation of the results of these surveys has produced targets consistent with the exploration team's theory that the mineralization at Troitsa is caused by an intrusive porphyry type of system, similar to that of the Huckleberry Mine, The Berg and other copper/molybdenum porphyry deposits in the area.

Information analysis associated with the company's Pine Bay property near Flin Flon, Manitoba yielded constructive information during the period. Interpretation of down-hole pulse EM geophysics from surveys done during a previous 2 hole drilling campaign has outlined a very strong target located on strike with the known deposit. The company considers this target to have very high potential because of its proximity to the known VMS deposit that exists on the property. A report sourced from government of Manitoba archives, dated 1970 and completed by Wright Engineers Limited, estimated via polygonal method that the deposit at pine bay contains 667,900 tons grading 3.90% copper at a cut-off grade of 2.0% Cu, 783,000 tons grading 3.54% Cu at a cut-off grade of 1.5% Cu, and 1,113,200 tons grading 2.76% Cu at a cut-off grade of 1.0% Cu. Readers are cautioned that estimates are historic in nature and do not comply with national instrument 43-101. Neither Callinex Mines nor its qualified person have done sufficient work to understand what needs to be done to upgrade or verify the historical estimate. The Company is not treating the historical estimate as current mineral resources or mineral reserves.

The Company's winter program is planned for the Gossan Hill property which consists of 3,679 hectares of mining claims near the town of Cranberry Portage, Manitoba. The previous summer program at Gossan Hill included an extensive MMI soil sampling program designed to expand the company's understanding of the gold-rich structures below the swampy overburden. Two test lines were initially completed over the known Gossan Hill gold zone, which returned elevated MMI values in Au, Cu, and Ag. The MMI profiles were an accurate method in locating the Gossan Hill zone, as well as locating two additional anomalous areas on the property. The New Year will see a diamond drilling program to further test the Gossan Hill showing, as well as the new MMI anomalies.

4. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITIONS

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 of the financial statements. 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.

During the period ended December 31, 2011, the Company received $36,543 in interest revenue. Actual general and administrative expenses were $421,570 and cash on hand at the end of the period was $8,623,258 down from $9,780,770 at September 30, 2011. All excess cash is invested in short-term securities to generate interest revenue.

Net loss per the financial statement for the period is $401,441, and loss per share for both basic and fully diluted is $(0.02).

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.

The following financing transaction took place during the period ended December 31, 2011.

1,489,100 flow-through common shares priced at $0.95 were issued for net proceeds of $1,406,924.

13,334 incentive share options were exercised for net proceeds of $6,189.

The following financing transaction took place during the year ended September 30, 2011.

6,000,000 flow-through common shares priced at $1.10 were issued for net proceeds of $6,072,000 before taxes.

2,222 incentive share options were exercised for net proceeds of $1,022.

The following table sets forth selected financial data from the Company's annual audited financial statements. These financial statements were prepared in accordance with international financial reporting standards and are in Canadian dollars. The table should be read in conjunction with such statements.

Income State Data	September 30, 2011 ($)	September 30, 2010 ($)
Revenue (interest and dividend)	15,564	5,000
Income/(loss) before discontinued Operations taxes and extraordinary Items	(2,997,722)	(1,136,357)
Deferred income taxes expense	(1,289,421)	(4,926,000)
Net loss for the period	(4,287,143)	(6,062,357)
Income (loss) per common share outstanding		
Basic	(0.32)	N/A
Fully diluted	(0.32)	N/A
Balance Sheet Data		
Total assets	40,713,429	19,704,171
Total long-term financial liabilities	7,274,421	4,926,000
Dividend	-	-

Factors that Affect the Comparability of the Financial Data Disclosed Above

The following table details how the financial statement numbers were derived at for the year ended September 30, 2011.

	July 13, 2011 to September 30, 2011	"Carve out" from Callinan October 1, 2010 to July 12, 2011	Total Callinex October 1, 2010 to September 30,2011
EXPENSES			
Audit and accounting	56,421	34,877	91,298
Bank charges and interest	1,322	5,106	6,428
Consulting fees	63,725	141,836	205,561
Donations	-	2,000	2,000
Equipment amortization	29,183	49,256	78,439
Insurance expense	7,708	11,544	19,252
Legal fees	90,217	92,379	182,596
Listing and sustaining fees	43,714	76,538	120,252
Property expenses	19,987	100,967	120,954
Property investigation costs	4,200	161,144	165,344
Office and administration	26,041	73,005	99,046
Office rent	5,431	33,120	38,551
Salaries	159,775	468,000	627,775
Shareholder relations and news releases	4,839	236,508	241,347
Stock-based compensation	591,247	367,823	959,070
Telephone	4,061	23,751	27,812
Transfer agent	5,789	3,272	9,061
Travel	4,637	13,863	18,500
	1,118,297	1,894,989	3,013,286
OTHER INCOME			
Interest income	4,064	3,000	7,064
Dividend income	8,500	-	8,500
	12,564	3,000	15,564
Loss before tax	(1,105,733)	(1,892,989)	(2,997,722)

The following table sets forth selected quarterly financial information at the end of the periods shown below. The financial information is derived from the Company's initial history and carve-out from the financial statements of Callinan Mines prior to the Spin Out.

	For the Three Months Ending								
	Fiscal 2012	Fiscal 2011				Fiscal 2010			
	Dec 31($)	Sept 30($)	Jun 30 ($)	Mar 31 ($)	Dec 31 ($)	Sept 30($)	Jun 30 ($)	Mar 31 ($)	Dec 31 ($)
Income Statement Data									
Total revenues	36,543	12,564	800	1,000	1,200	500	1,000	1,500	2,000
Income (loss) before discontinued operations and extraordinary items	(385,027)	(1,142,833)	(643,841)	(487,918)	(723,130)	(256,846)	(322,915)	(203,614)	(352,982)
Deferred Income tax (expense)/recovery	(16,414)	(491,571)	(276,938)	(209,870)	(311,042)	(1,113,403)	(1,399,806)	(882,648)	(1,530,143)
Net loss	(401,441)	(1,634,404)	(920,779)	(697,788)	(1,034,172)	(1,370,249)	(1,722,721)	(1,086,262)	(1,883,125)
Income (loss) per common share outstanding - basic and diluted									
Income (loss) before discontinued operations and extraordinary items	(0.020)	(0.320)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net income (loss) per share	(0.020)	(0.320)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Revenues for the period ending September 30, 2011 include dividend revenue of $8,500 received by the Company during the period and revenues for December 31, 2011 resulted from interest revenues.

a) Trend Information

Other than the financial obligations as set out in item 8 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 acquisition payments and other obligations under exploration & evaluation assets option agreements for those properties it considers worthy to incur continued holding and exploration costs upon. The need to make such payments is a trend as it is unlikely that all such obligations will be eliminated from the Company's future business activities. The Company intends to utilize its cash on hand in order to meet its obligations under mineral property option agreements and exploration activities. At this time the Company has no plan or intention to issue any debt in order to raise capital for future requirements.
It is the opinion of the Company that its liquidity will be most affected by the results of its own acquisition, exploration, and development activities. The acquisition or discovery of an economic mineral deposit on one of its exploration & evaluation assets may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect.

b) 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

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 mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production.

The Company evaluates its property interests on an ongoing basis and intends to abandon properties that fail to remain prospective. The Company is confident that it will be able to meet its earn-in obligations on those properties which management considers to be of merit. At the time of writing the Company expects to incur further property exploration and acquisition expenses.

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

All of the Company's properties are in the exploration stage of development and no known reserves have been discovered on such properties. There is no certainty that the expenditures to be made by the Company or its joint venture partners in the exploration of its properties described herein will result in discoveries of metals in commercial quantities or that any of 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.

Political and economic instability may affect the Company's business

The Company's activities in Canada are subject to risks common to operations in the mining industry in general.

The Company's properties are subject to title risks

The Company has investigated title to all of its exploration & evaluation assets and, to the best of its knowledge, title to all of its properties, and properties that it has the right to acquire or earn an interest in are in good standing. However, the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. These defects could adversely affect the Company's title to such properties or delay or increase the cost of the development of such properties.

The Company's properties may also be subject to Aboriginal or other historical rights that may be claimed on Crown properties or other types of tenure with respect to which mineral rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to Aboriginal issues having been instituted with respect to any of the exploration & evaluation assets in which the Company has an interest, with the possible exceptions of Coles Creek and Island Lake. The company is in continuous communication with the interested parties in regards to these two properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

Environmental Risk

Environmental legislation on a global basis is evolving in a manner that will ensure stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessment of proposed development and a higher level of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental legislation in Canada will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown at present and which have been caused by previous or existing owners or operators. Furthermore, future compliance with environmental reclamation, closure and other requirements may involve significant costs and other liabilities. In particular, the Company's operations and exploration activities are subject to Canadian federal and provincial laws and regulations governing protection of the environment. Such laws are continually changing and, in general, are becoming more restrictive.

The mineral exploration industry is extremely competitive

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Company's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

Metal prices affect the success of the Company's business

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Factors beyond the control of the Company may affect the marketability of any minerals discovered. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted. As the Company is in the exploration stage, the above factors have had no material impact on present operations or income.

c) Exploration Programs and Expenditures

During the period ended December 31, 2011 the Company incurred exploration & evaluation assets acquisition costs of $201,050 by way of cash and share payments. Exploration expenditures net of recoveries for the period were $1,581,580 spent mainly on the Company's Coles Creek and Troitsa property.

(i) Fox River

On March 15, 2003 Callinan acquired an option to purchase the Fox River Property. The option stated that the Company can earn a 50% interest by expending $500,000 by March 15, 2005; a further 10% by expending $1,000,000 to March 15, 2007; and a further 10% by producing a feasibility study by March 15, 2008. The seller retains a 2 1/2% net smelter return royalty (NSR). 1% of the NSR may be purchased for $1,000,000.

On March 15, 2006, an amendment was made to the agreement whereby, the deadline for the Company expending $1,000,000 to acquire the 60% interest was extended to March 15, 2008, and the deadline for the feasibility study and the Company acquiring a further 10% extended to March 15, 2010.

On March 19, 2004 the Company assigned half of its interest in the Fox River property to Bell Resources ("Bell") in exchange for Bell making cash payments to the Company of $25,000 and by expending $250,000 on the property by March 15, 2005. Bell had the option to acquire a further 5% by expending $500,000 on the property by March 15, 2007. Bell could earn a further 5% property interest from the Company by paying 50% of the cost of a feasibility study prior to March 15, 2008. Bell met the expenditure requirements to date on the project, thus earning an additional 5%. The above amendment on March 15, 2006 also extended to this joint venture with Bell.

On February 21, 2005 the agreement with Bell was amended to allow Bell to pay the Company 1,250,000 common shares of Bell at a deemed price of $0.20 per share in lieu of expending $250,000 before March 15, 2005. By doing so Bell earned 25% of the Company's interest in the property. The TSX Venture Exchange approved the transaction on April 22, 2005.

On April 14, 2008 the agreement with Bell was again amended to allow Bell to withdraw from the joint venture with Callinan. As Bell will no longer be participating in the project, its 30% interest in the property will be diluted based on the dilution provisions in the original agreement of March 19, 2004 as Callinex continues to explore this property. Callinex has agreed to keep Bell apprise of results of exploration and the funds expended on the property.

Bell can re-affirm its participation at the start of each exploration season and can do so at the percentage it then has, taking into account the dilution which has taken place. If Bell's interest in the property drops below 5% it will be deemed to have no interest in the property. If a discovery is made, provided that Bell still has an interest in the property it may sell its interest after giving Callinan a right of first refusal or start funding its percentage share of the joint venture with the provision that if it falls below 5% the provision above will apply.

On October 9, 2009 the Company again amended its agreement for the Fox River property. The new agreement now states that the Company can earn a further 10% interest, for a total of 70% interest in the Mineral Claims by paying an additional $200,000 by October 30, 2009, which the Company did. All other terms remains the same, except the deadline for the feasibility study has been removed. After all requirements have been satisfied, the Company will have an 80% interest in the property subject to the interest of Bell, if any.

Callinan expended $6,216,145 on this project, thereby, meeting all obligations for the property to date. Of the amount expended $2,042,741 was recovered through the MEAP program and the joint venture with Bell.

Expenditures of $4,158,575 were transferred to Callinex which has assumed all terms of the agreements, except for the entitlement to purchase the royalty on net smelter returns.

(ii) Coles Creek

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, who was president of Callinan at the time, under which the Company was granted the option to acquire a 100% interest in two claims in the Omenica Mining Division of British Columbia. The claims are located approximately 80 km South West of Houston, British Columbia. Under the terms of the agreement, Mr. Muzylowski, who had owned the claims since September of 1994, prior to his appointment as President of Callinan, was paid $50,000 which has been accepted by the TSX Venture Exchange as reimbursement for expenses incurred. If the option was exercised on or before September 1, 2008, $200,000 would be due to Mr. Muzylowski. The option was exercised and Mr. Muzylowski agreed to defer this payment date to September 1, 2009 in consideration for a payment of $5,000. In September 2009 Mr. Muzylowski again agreed to defer this payment in lieu of a payment of $5,000. During August 2010 payment of the full amount was made to Mr. Muzylowski. To maintain the option in good standing, Callinan had to expend $500,000 on exploration of the claims prior to September 1, 2008. Callinan met its obligation by expending $13,050,169 on the claims of which $1,551,162 was recovered from the British Columbia Mining Exploration Tax Credit program. 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 purchased for $1,500,000.

All terms of the agreement except the entitlement to purchase the royalty on net smelter return were transferred to Callinex.

During the period Callinex expended $1,083,213 on this project.

(iii) 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 an initial payment of $10,000 and 25,000 common shares on receipt of regulatory approval (received and paid/issued). Callinan had the right to earn 100% interest in the property, subject to a 2% NSR, by paying an additional $15,000 and issuing an 25,000 common shares within 12 months of the effective date (paid/issued), a further $25,000 and 25,000 common shares within 24 months (paid/issued) and $50,000 and 25,000 common shares within 36 (issued/paid) months of the effective date. One half of the NSR royalty can be purchased for $1,000,000.

All terms of the agreement except the entitlement to purchase the royalty on net smelter returns were transferred to Callinex.

(iv) Herblet Lake

On March 15, 2007 Callinan entered into an option agreement for the Herblet Lake property in Manitoba. The agreement called for an initial payment of $10,000 and 25,000 common shares on receipt of regulatory approval (received and paid/issued), a further $10,000 and 25,000 common shares within 12 months (paid and issued), another $10,000 and 25,000 common shares within 24 months, (paid and issued) and a further $20,000 and 25,000 common shares within 36 months from the effective date of the agreement (paid and issued). In order to maintain the working option in good standing Callinan had to incur cumulative expenditure of $50,000 within 12 months, $100,000 within 24 months and $250,000 within 36 months from the effective date of the agreement. Callinan had the right to earn 100% interest in the property, which it has, subject to a 2.5% NSR, 50% of the NSR can be purchased for $1,250,000.

All terms of the agreement except the entitlement to purchase 50% of the NSR were transferred to Callinex.

During the period Callinex expended $235 on this project.

(v) Moak and Norris Lake

On May 14, 2007 Callinan entered into an option agreement for the Moak Claims and Norris Lake property in Manitoba. This agreement called for $10,000 and 50,000 common shares upon regulatory approval, (received and paid/issued) a further $20,000 and 50,000 common shares within 12 months (paid/issued), a further $30,000 and 50,000 common shares within 24 months (paid/issued) and $40,000 and 50,000 common shares (paid/issued) within 36 months of approval.

To maintain the option in good standing and earn 100% interest in the property Callinan had to incur cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months. The date to accumulate the required expenditures is being discussed with the optionor. The optionor is entitled to royalty of 2% NSR. 1% of the NSR may be purchased for $1,000,000 at any time.

Callinan transferred the terms of agreement except for the right to purchase the NSR to Callinex.

(vi) Berry Creek

On March 15, 2008 Callinan optioned the Berry Creek Claims which affords it the right to acquire 100% interest in the mineral claims, subject only to the royalty interest of 2% NSR. In order to acquire 100% interest Callinan had to pay $20,000 and issue 25,000 common shares on receipt of regulatory approval (received, paid/issued), a further $10,000 and 25,000 common shares within 12 months of the effective date (paid/issued), a further $10,000 and 100,000 common shares within 24 months (paid/issued) and $20,000 and 250,000 shares within 36 months (deferred). During fiscal 2011the 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. Management issued 20,000 shares and paid $20,000 in lieu of its obligations on this property this fiscal year.

All terms of the agreement except the entitlement to purchase a portion of the NSR were transferred to and assumed by Callinex.

(vii) Tramping Lake

Between March 28 and April 10, 2008 Callinan staked the Tramping Lake Property in the Snow Lake area of Manitoba. A total of 1,036 hectares were staked.

(viii) Hamell Lake

In July 2008 Callinan optioned the Hamell Lake claims in Saskatchewan. The agreement called for an initial payment of $20,000 and issuance of 15,000 shares of common shares (paid/issued), a further payment of $20,000 and common shares within 6 months of the effective date (paid/issued), a further $20,000 and 20,000 common shares within 12 months of the effective date (paid/issued), a further $40,000 and 25,000 common shares within 24 months (paid/issued) and $50,000 and 75,000 common shares within 36 months of the effective date. Upon completion of the payments and issuance of the common shares, Callinan earned a 100% interest in, and to the mineral claims. The property is subject to a 2% Net Smelter Return Royalty, one half of which may be purchased for $1,000,000 subject to further TSX Venture Exchange review and acceptance.

All terms of the agreement except for the right to purchase the NSR have been assumed by Callinex.

(ix) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, Callinan had to pay $20,000 and issue 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid and issued), a further $50,000 and 75,000 shares within 12 months, (paid/issued), a further $150,000 and 100,000 shares within 24 months and a further $180,000 and 175,000 shares within 36 months, of the effective date of the agreement. Callinan also had to incur cumulative expenditure of $100,000 within 12 months, $1,000,000 within 24 months and $1,900,000 within 36 months. The dates to make the payment and to incur the expenditures on the claim have been deferred, as Callinan has not yet received permit to drill the property.

The agreement was transferred to and assumed by Callinex.

(x) Pine Bay

On July 8, 2009 Callinan entered into an agreement to acquire a 100% interest in the Pine
Bay Claims and a 90% interest in the Sour Claims. To acquire the claims Callinan had to make payments of $20,000 (paid) on execution of the agreement, $180,000 and 50,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid/issued) a further $100,000 and 50,000 shares within 12 months, (paid/issued), a further $50,000 and 75,000 shares within 24 months (paid/issued), a further $25,000 and 125,000 within 30 months and 125,000 shares within 36 months of the effective date of the agreement.

Callinan transferred all terms of the agreement to Callinex.

During the period Callinex expended $7,828 on this project.

(xi) Rug Claims

On May 12, 2010 Callinan entered into an agreement to acquire a 100% interest in the Rug Claims for payments of $25,000 and 25,000 shares within 5 days of acceptance by the TSX Venture Exchange, (received, paid/issued); a further $30,000 and 30,000 shares within 12 months; a further $45,000 and 45,000 shares within 24 months and $100,000 and 100,000 shares within 36 months of the effective date of the agreement. The Company must incur cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months from the effective date of the agreement. These claims are grouped with the Gossan claims.

All terms of the agreement were transferred to and assumed by Callinex.

(xii) Gossan

On April 10, 2010 Callinan entered into an agreement to acquire a 100% interest in the Gossan Gold Property. To acquire the property Callinan had to make payments of $20,000 and issue 150,000 shares within 5 days of acceptance by the TSX Venture Exchange (paid/issued).

Callinan transferred all terms of the agreement to Callinex.
During the period Callinex incurred expenditures of $11,219 on this property and received a recovery of $58,287 from MEAP.

(xiii) Stag Claim

On May 29, 2010 Callinan staked claims at Stag Lake in Manitoba. These claims were transferred to Callinex.

During the fiscal year Callinex expended $1,125 on this project.

(xiv) Troitsa Claim

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); 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.

Callinan transferred the terms of the agreement to Callinex.

(xv) Pulver Lake

During the fiscal 2011 Callinan staked additional claims in the Snow Lake area of Manitoba. To date $20,038 was expended on this property during the year.

(xvi) Cameco

During the period Callinex acquired additional claims in the Saskatchewan.

d) Administration Expenses

General and administration expenses of $421,570 for the period consists mainly of expenses for wages $213,040, property investigation and expenses of $48,609, legal fees of $28,816 and shareholders relations expenses of $36,470. The remaining amount was incurred for office and administration expenses during the normal course of business. The 2010 comparatives were a result of the carved out amounts from Callinan due to the spin-out.

5. CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are set out in Note 3 of its Annual Financial Statements.

There are two policies that, due to the nature of the mining business, are significant to the financial results of the Company. These policies relate to the capitalization of mineral exploration expenditures and the use of estimates:

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its exploration & evaluation assets. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations over the life of the property using a unit-of-production method. The Company regularly reviews deferred exploration costs to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the calculation of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

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.

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

6. LIQUIDITY AND CAPITAL RESOURCES

During the period ended December 31, 2011 the following shares were issued for property and cash proceeds:

(a) On December 30, 2011 the Company issued 1,489,100 common shares at $0.95 per share pursuant to a non-brokered private placement for cash proceeds of $1,414,645.

(b) 13,334 common share options were exercised for net proceeds of $6,189. These options had a fair value of $8,435.

During the year ended September 30, 2011 the following shares were issued for property and cash proceeds:

(a) On July 13, 2011 the Company issued 10,877,728 shares pursuant to the plan of arrangement of Callinan Mines Limited, whereby, Callinan transferred certain exploration & evaluation assets, fixed assets and $8,000,000 in cash to the Company.
(b) On September 26, 2011 the Company issued 6,000,000 common shares at deemed costs of $1.10 per share pursuant to a brokered private placement for cash proceeds of $6,600,000.
(c) 2,222 common share options were exercised for net proceeds of $1,022. These options had a fair value of $2,889.

7. SECURITIES AS AT THE END OF THE REPORTING PERIOD

At December 31, 2011, there were 18,382,384 common shares of the Company issued and outstanding. Other outstanding securities outstanding are:

(a) Incentive Stock Options

There were no stock options issued during the period.

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

Options outstanding at September 30, 2010	-	$	-
Granted - spin out	581,428		0.47
Granted	1,115,000		0.90
Exercised	(2,222)		0.46
Options outstanding at September 30, 2011	1,694,206		0.76
Exercised	(13,334)		0.54
Expired	(106,662)		0.56
Options outstanding at December 31, 2011	1,574,210	$	0.77

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	1,254,500	$	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

8. DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The Company occupies leased office space at Suite 1110 – 555 West Hastings Street in Vancouver, B.C. The office lease will expire January 31, 2015. For the period ended December 31, 2011 rental expenses, including taxes and operating expenses were $5,431.

9. 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 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. Certain weaknesses in its systems 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) by the assistance and advice rendered by the Company's auditors; and,
d) by 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.

10. SUBSEQUENT EVENTS

On February 24, 2012 the Company announced the appointment of John J O'Donnell as President and COO, Anna Stylianides as CEO and Mike Muzylowski as non-executive chairman.

11. RELATED PARTY TRANSACTIONS

During the period the President and a director of the Company's management team was paid a total of $128,259 in remuneration (2010 - $128,000).

.12. LIST OF DIRECTORS AND OFFICERS

John J O'Donnell	Director	President & COO
Anna Stylianides	Director	CEO
Mike Muzylowski	Director	Non-Executive Chairman
Frank Dembinsky	Director	--
Mervyn Shnider	Director	--
Gordon Slade	Director	--
Brian Irwin	Director	--
Carlo G. Civelli	--	Vice President Finance/Europe
Tamara Edwards	--	Chief Financial Officer
Cheri Pedersen	--	Corporate Secretary