

# Callinan Royalties Releases Q2 Financial Statements, Updates Independent Audit and Announces Quarterly Dividend Payment Date

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VANCOUVER, Feb. 26, 2013 /CNW/ - [Callinan Royalties Corporation](#) ('Callinan', the 'Company') (TSXV: CAA) announces its financial results for the three and six months ended December 31, 2012. The unaudited financial statements and Management Discussion and Analysis are available on Callinan's website ([www.callinan.com](http://www.callinan.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

Net income for the 6 month period ended December 31, 2012 net of income tax expense is \$5,348,827 and \$2,892,704 for the quarter ended December 31, 2012, compared to \$13,969,961 and \$5,145,062 for the same period last year. Income per share for basic and fully diluted is \$0.11 compared to \$0.28 for basic and \$0.27 fully diluted for the same period last year. Prior year results included a one-time recovery of \$6,038,000 in deferred taxes realized from the spin-out of the exploration properties in 2011.

A summary of the financial information is included in the following table:

	3 months December 31, 2012	3 months December 31, 2011	6 months December 31, 2012	6 months December 31, 2011
Royalty Income	\$5.22 million	\$6.73 million	\$9.65 million	13.15 million
Net Income	\$2.89 million	\$4.34 million	\$5.35 million	13.97 million
Net Income / Share Fully Diluted	\$0.06	\$0.09	\$0.11	\$0.27
Cash Flow from Operation	\$1.78 million	\$0.76 million	\$8.88 million	\$9.73 million

## The following are highlights from the quarter:

- Interim quarterly royalty payments for the quarter ended December 31, 2012 totaling \$3.94 million from HudBay Minerals Inc. (compared to \$5.08 million in the same quarter last year)
- Cash on hand at December 31, 2012 was \$26.43 million (compared to \$27.23 million at December 31, 2011)
- Completed 5 transactions

Roland Butler, CEO commented: "The last quarter of 2012 was a very productive quarter for Callinan. With five transactions completed, we are actively seeking attractive royalty opportunities in a challenging financing environment. While we continue to seek producing royalties at attractive valuations, we remain attracted to royalty creation through exploration financing. We particularly like companies that adhere to the prospect generator model as we see our business strategies as complementary."

## 777 Mines Royalties

On February 20, 2013 [HudBay Minerals Inc.](#) ("HudBay") reported its financial results for the last quarter for its 777 mine. Ore production from the last quarter of 2012 was up 5% compared to the same period in 2011, while the copper, zinc, gold and silver grades were lower by 36%, 9%, 14% and 20%, respectively, due to the sequencing of production stopes.

In addition, the operating costs per tonne of ore in the last quarter were 20% higher compared to the same period in 2011, primarily due to the timing of maintenance spending and increased contractor costs.

Subsequent to December 31, 2012, Callinan has received interim quarterly royalty payments totaling

\$3,939,810.00 from HudBay Minerals Inc. (compared to \$5,075,950.50 in the same quarter last year). The royalty payments include a payment of \$3,825,586.00 from the 6&#8532;% Net Profits Interest Royalty and \$114,224.00 from the production royalty of \$0.25 per ton of ore for the quarter ended December 31, 2012. This amount is net of 25% holdback by HudBay which is paid to Callinan in July of each year as per the agreement.

HudBay also published its guidance for 2013 is a production of 1.62 million tonnes of ore with a grade of 2.18% copper, 4.41% zinc, 1.94 g/tonne gold and 30.89 g/tonne silver, with unit operating costs of \$38-42 /tonne.

For more information please see [www.hudbayminerals.com](http://www.hudbayminerals.com).

## Development and Exploration Royalties

During the three months ended December 31, 2012, Callinan closed a number of transactions with the following groups:

(See news releases and website for more information.)

**Evrin Resources:** In October 2012, Callinan signed an agreement with [Evrin Resources Corp.](#) ("Evrin") for a four year, C\$1.5 million regional exploration alliance (the "Alliance") in Mexico. The Alliance will initially focus on generating gold and silver targets within a 40,000 square kilometer Area of Interest (AOI) in prospective mineral belts with a firm commitment of C\$500,000 in year one.

Projects acquired within the AOI during the term of the Alliance will be 100% owned by Evrim and subject to a 1.5% Net Smelter Return (NSR) royalty in the case of precious metals and a 1.0% NSR royalty in the case of base metals to Callinan. For more information see [www.evrinresources.com](http://www.evrinresources.com).

**Northern Shield Resources:** In November, Callinan signed an agreement with [Northern Shield Resources Inc.](#) ("Northern Shield") whereby Callinan invested in Northern by way of a non-brokered private placement and acquired a royalty option on one of six properties in Northern's Storm property group located in northern Ontario. For more information see [www.northern-shield.com](http://www.northern-shield.com).

**Golden Dory Resources:** In December, Callinan finalized the acquisition of units of [Golden Dory Resources Corp.](#) ("Golden Dory") and of two options to purchase royalty interests on Golden Dory's Iron Horse Property, Newfoundland & Labrador. The agreement was announced on November 8. For more information see [www.goldendoryresources.com](http://www.goldendoryresources.com).

**Wallbridge Mining:** In December, Callinan completed the transaction previously announced on November 20, 2012 with [Wallbridge Mining Company Limited](#) ("Wallbridge"). Callinan has invested \$1.5 million in Wallbridge by way of a non-brokered private placement and provided Wallbridge with a line of credit for \$2.0 million to fund potential mining development of the Broken Hammer copper, nickel and platinum group metals project.

For more information see [www.wallbridgeminig.com](http://www.wallbridgeminig.com).

**Adventus Exploration Ltd.:** In December, Callinan signed an agreement with Adventus Exploration Ltd., a private mineral exploration company based in Ireland. Callinan agreed to subscribe for shares of Adventus for a total subscription price of 400,000 Euros representing a 19.9% equity interest in Adventus. Proceeds of the investment will be used by Adventus to undertake mineral exploration targeting and project acquisition for base metals and precious metals within selected Areas of Interest ("AOI") in Western Europe. Any project acquired in the AOI within two years or until funds are expended, whichever is later, will become subject to a 2% NSR royalty in favour of Callinan.

## Financial Performance

During the 6 month period ended December 31, 2012, the Company received and accrued \$9,653,821 (2011 - \$13,146,118) for its \$0.25 per ton production royalty and its 6&#8532;% Net Profits Interest ("NPI") royalty in the Callinan Mine located in Flin Flon, Manitoba. Of that amount, \$235,692 represents the production royalty payment (2011 - \$210,922) for the 942,768 tons mined during the period, and \$9,418,129 (2011 - \$12,935,196) for the 6&#8532;% NPI for the period. Additionally, \$188,889 was received for interest revenue (2011 - \$143,043), and \$225,000 was accrued for interest on the Company's debentures, for total revenues of \$10,067,710 (2011 - \$13,289,161).

Cash on hand at December 31, 2012 was \$26,429,691, which is \$802,829 lower than last year. As per the Company's cash management policy, excess cash is invested in short-term term deposits and bankers acceptance not exceeding ninety days, so as to secure capital and earn a reasonable return.

## Update on Independent Audit

Callinan reports that the independent audit by Grant Thornton of the NPI calculations cannot be completed as planned. Audit work for the four initially selected years as well as a partial audit of 2011 had been protracted as much of the source material evidencing entries from the originally selected early years is not available from HudBay. Therefore, the audit work conducted is incomplete and inconclusive in nature.

The Board of Directors of Callinan will undertake a review to determine the next course of action. Alternatives include, but may not be limited to, conducting additional audit work, providing notice in writing to HudBay and proceeding with litigation or engaging in discussions with a view to a resolution of outstanding issues.

As litigation remains an option to be considered by the Board of Directors, the Company does not intend to disclose information from the incomplete audit work conducted or report any developments with respect to the review unless and until its Board of Directors has approved a course of action that requires disclosure or otherwise deems that disclosure of developments is appropriate.

## Corporate Update

Callinan announced that it extended into 2013 its normal course issuer bid (the "Bid") and has filed a further Notice of Intention to Make a Normal Course Issuer Bid with the TSX Venture Exchange ("TSXV").

Under the Bid in 2013, a total of up to 2,411,451 of its common shares may be purchased through the facilities of the TSXV and any such purchases will be at market prices. The Bid commenced on or after January 1, 2013 and will end on December 31, 2013 or on such earlier date as Callinan may complete its purchases pursuant to the Bid or as it may otherwise determine.

Callinan is continuing to engage in the Bid because it believes that the market price of its common shares does not properly reflect its underlying value.

## Quarterly Dividend

The board of directors of Callinan Royalties Corporation has declared a quarterly cash dividend for the quarter ending March 31, 2013 on its common shares of two cents per common share to all shareholders of record at the close of business on March 28, 2013. The ex-dividend date will be March 26, 2013 and it is expected that the dividend will be paid on or about April 15, 2013.

It is anticipated that future quarterly dividends will be payable approximately 15 days following each fiscal quarter. The declaration, timing, and payment of future dividends will largely depend on the Company's financial results as well as other factors. Dividends paid by Callinan Royalties Corporation are eligible dividends for Canadian income tax purposes unless otherwise stated.

On Behalf of the Board of Directors,

Roland Butler  
Roland Butler, CEO

## About Callinan Royalties

[Callinan Royalties](#) is a Canadian company that creates and acquires mineral royalties. The company uses its royalty income to provide alternative financing options to mineral exploration and development companies with attractive projects. Callinan's strategy is to create shareholder value over the long term by generating a portfolio of profitable mineral royalties.

The Corporation currently has two producing royalties. Callinan holds a 68.53% net profits interest royalty and a \$0.25 per ton production royalty on lands that include the 777 Mine owned by [HudBay Minerals Inc.](#) located in Flin Flon, Manitoba, Canada as well as the adjacent 777 North Mine scheduled for production in 2012. Callinan also holds the 777 Deeps (War Baby) property and an associated royalty option on the property, which is located adjacent to the 777 Mine.

Callinan is a dividend paying Tier 1 company listed on the TSX Venture Exchange under the symbol CAA.

The Corporation has a strong financial position with no debt, approximately \$25 million in cash and approximately 48.9 million shares outstanding.

### **Cautionary Statement on Forward-Looking Information**

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. Certain of the information presented in this News Release may constitute "forward-looking statements" or "forward-looking information" within the meaning of Canadian securities legislation (together referred to as "forward-looking statements"). The forward-looking statements are subject to risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking statements, including any delays in the receipt of consents or approvals. Although Callinan Royalties has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this News Release and in any document referred to in this News Release. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and Callinan Royalties undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.*

### **For further information:**

please visit [www.callinan.com](http://www.callinan.com) or contact:

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