



*Consolidated Financial Statements
For the years ended
April 30, 2016 and 2015*

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Altius Minerals Corporation

We have audited the accompanying consolidated financial statements of Altius Minerals Corporation, which comprise the consolidated balance sheets as at April 30, 2016 and April 30, 2015, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

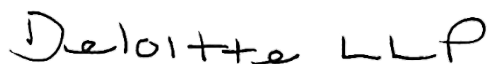
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Altius Minerals Corporation as at April 30, 2016 and April 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
June 22, 2016
St. John's, Newfoundland & Labrador

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at April 30,

	<u>Note #</u>	<u>2016</u> \$	<u>2015</u> \$
ASSETS			
Current assets			
Cash and cash equivalents	9 & 20	9,577	18,543
Accounts receivable, prepaid expenses and deposits	8	15,473	1,220
Income taxes receivable		1,623	383
		26,673	20,146
Non-current assets			
Royalty interests in mineral properties	9 & 14	75,941	22,567
Exploration and evaluation assets	6 & 9	26,338	36,349
Goodwill	9 & 10	10,998	-
Property and equipment	7	35	124
Interests in joint ventures	11	229,540	245,858
Investment in associates	12	2,465	9,532
Mining and other investments	9 & 13	34,636	17,085
Deferred tax assets	9 & 15	4,866	4,230
		384,819	335,745
TOTAL ASSETS		411,492	355,891
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	1,979	1,790
Income taxes payable		-	1,685
Current portion of debt	16	8,000	11,000
		9,979	14,475
Non-current liabilities			
Other liabilities		-	1,830
Long-term debt	16	56,125	63,386
Deferred tax liabilities	9 & 15	25,173	15,426
		91,277	95,117
EQUITY			
Shareholders' equity		320,003	260,774
Non-controlling interest		212	-
		320,215	260,774
TOTAL LIABILITIES AND EQUITY		411,492	355,891

see accompanying notes to the consolidated financial statements

Consolidated Statements of Loss

(In thousands of Canadian dollars, except per share amounts)

	<u>Note #</u>	<u>2016</u>	<u>2015</u>
		\$	\$
Revenue			
Royalty		9,885	2,107
Interest and investment		1,317	180
Other		2	394
		11,204	2,681
Expenses			
General and administrative	17	5,913	5,387
Share-based compensation (recovery)	19	581	(1,523)
Generative exploration		406	482
Exploration and evaluation assets abandoned or impaired	6	5,723	474
Mineral rights and leases		816	425
Interest on long-term debt		5,440	10,030
Amortization	7 & 14	8,410	481
		27,289	15,756
Earnings from joint ventures	11	4,552	17,031
Unrealized gain (loss) on fair value adjustment of derivatives		348	(2,540)
(Loss) gain on disposal of investments and impairment recognition	13	(4,713)	14,331
Foreign currency loss		(513)	-
Impairment of goodwill	10	(16,402)	-
Loss on disposal of subsidiary		-	(5,839)
Dilution gain on issuance of shares by associates	12	-	163
Share of loss and impairment in associates	12	(7,067)	(43,613)
Loss before income taxes		(39,880)	(33,542)
Income tax (recovery)			
Current	15	3,952	2,674
Deferred	15	(5,368)	(5,890)
		(1,416)	(3,216)
Net loss		(38,464)	(30,326)
Net loss attributable to:			
Common shareholders		(38,464)	(30,211)
Non-controlling interest		-	(115)
		(38,464)	(30,326)
Net loss per share			
- basic and diluted	18	(0.97)	(0.94)

see accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Loss

(In thousands of Canadian dollars)

	<u>2016</u>	<u>2015</u>
	\$	\$
Net loss	(38,464)	(30,326)
Other comprehensive loss, net of tax		
To be reclassified subsequently to profit or loss:		
Currency translation adjustment		
(net of income tax recovery year to date of \$38 in 2015)	-	(246)
Net unrealized gain on available-for-sale investments		
(net of deferred income taxes year to date of \$428 (2015 - \$1,247))	4,904	6,201
Adjustment for realized gain (loss) on available-for-sale investments recognized in net loss (net of deferred income tax recovery year to date of \$4 (2015 - \$2,305))	26	(15,089)
Total comprehensive loss	(33,534)	(39,460)
Total comprehensive loss attributable to:		
Common shareholders	(33,534)	(39,131)
Non-controlling interest	-	(329)
	(33,534)	(39,460)

see accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

	<u>Note #</u>	<u>2016</u> \$	<u>2015</u> \$
Operating activities			
Net loss		(38,464)	(30,326)
Adjustments for operating activities	20	29,038	17,786
		(9,426)	(12,540)
Changes in non-cash operating working capital	20	2,963	(9,137)
		(6,463)	(21,677)
Financing activities			
Payments to non-controlling interests		-	(316)
Proceeds from issuance of shares (net of issuance costs)		-	61,144
Repayment of long-term debt	16	(11,000)	(70,252)
Dividends paid		(4,789)	(647)
Repurchase of common shares	18	(822)	-
		(16,611)	(10,071)
Investing activities			
Proceeds from sale of investments	13	7,972	43,852
Net cash from Callinan acquisition (net of share issue costs of \$226)	9 & 18	22,654	-
Payment of Chapada non-refundable deposit	8 & 25	(10,418)	-
Net investment in Adventus	11	(222)	-
Proceeds from disposal of mineral properties	6	1,940	776
Cash received from joint ventures	11	21,902	23,075
Acquisition of CDP	9	-	(21,000)
Investment in joint ventures	11	(916)	(359)
Generative exploration	6	(406)	(483)
Exploration and evaluation assets, net of recoveries	6	(1,463)	(730)
Reimbursement of acquisition costs	11	-	1,499
Acquisition of investments	9 & 13	(26,897)	(3,291)
Acquisition of property and equipment	7	(38)	(20)
		14,108	43,319
Net (decrease) increase in cash and cash equivalents		(8,966)	11,571
Cash and cash equivalents, beginning of year		18,543	6,972
Cash and cash equivalents, end of year		9,577	18,543

Supplemental cash flow information (Note 20)

Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars, except share amounts)

	<u>Common Shares</u>		<u>Other Equity</u>	<u>Accumulated</u> <u>Other</u>	<u>Retained</u>	<u>Total</u>	<u>Non-</u>	<u>Total</u>
	<u>#</u>	<u>\$</u>	<u>Reserves</u>	<u>(Loss) Earnings</u>	<u>Earnings</u>	<u>Shareholders'</u>	<u>controlling</u>	<u>Equity</u>
			<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
			(Note 18)					
Balance, April 30, 2014	27,595,821	74,287	3,087	7,691	153,908	238,973	3,042	242,015
Net (loss) and comprehensive loss,								
May 1, 2014 to April 30, 2015	-	-	-	(8,920)	(30,211)	(39,131)	(329)	(39,460)
Payments to non-controlling interest (net of receipts)	-	-	-	-	-	-	(316)	(316)
Disposal of a subsidiary	-	-	-	-	-	-	(2,397)	(2,397)
Shares issued under offering (Note 18)	4,643,000	65,002	-	-	-	65,002	-	65,002
Share issue costs	-	(3,475)	-	-	-	(3,475)	-	(3,475)
Dividends paid	-	-	-	-	(647)	(647)	-	(647)
Shares issued under stock option plan	118,005	728	(676)	-	-	52	-	52
Balance, April 30, 2015	32,356,826	136,542	2,411	(1,229)	123,050	260,774	-	260,774
Net loss and comprehensive loss,								
May 1, 2015 to April 30, 2016	-	-	-	4,930	(38,464)	(33,534)	-	(33,534)
Non-controlling interest (Note 11)	-	-	-	-	-	-	212	212
Shares repurchased and cancelled (Note 18)	(100,000)	(581)	-	-	(241)	(822)	-	(822)
Shares issued for acquisition (Note 9 & 18)	7,573,297	96,332	-	-	-	96,332	-	96,332
Share issue costs (Note 18)	-	(162)	-	-	-	(162)	-	(162)
Dividends paid	-	-	-	-	(4,789)	(4,789)	-	(4,789)
Share-based compensation (Note 19)	-	-	2,203	-	-	2,203	-	2,203
Shares issued under stock option plan	1,979	42	(42)	-	-	-	-	-
Balance, April 30, 2016	39,832,102	232,174	4,572	3,701	79,556	320,003	212	320,215

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Altius Minerals Corporation ("Altius" or the "Corporation") is a diversified mining royalty and mineral project generation company with royalty interests in 13 producing mines located throughout Canada. The royalty interests cover mining operations producing copper, zinc, nickel, cobalt, precious metals, potash and thermal (electrical) and metallurgical coal. The Corporation also holds other pre-development stage royalty interests, and several other earlier stage royalties that were created through project generation. It also holds equity interests in non-precious metals royalty companies, as well as various junior mineral exploration companies that undertake a project generation and joint venture type business model.

Altius is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 202, 66 Kenmount Road, St. John's, Newfoundland and Labrador, Canada A1B 3V7.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 22, 2016.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on an historical cost basis, except for derivative assets and liabilities, and financial assets classified as at fair value through profit or loss or available-for-sale investments which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES*Basis of consolidation*

The consolidated financial statements include the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Corporation has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Corporation, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Basis of consolidation (continued)*

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The consolidated financial statements include all subsidiaries in the accounts of the Corporation for the periods presented. The following are considered significant subsidiaries:

Altius Minerals Corporation	100%	Parent company
Altius Resources Inc.	100%	Exploration company
Callinan Royalties Corporation	100%	Holding company
Altius Investments Limited	100%	Holding company
Altius Prairie Royalties Corp.	100%	Holding company

Non-controlling interests in the net assets of Adventus Exploration Limited ("Adventus") (See Note 11) are identified separately from the Corporation's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets, earnings, and other comprehensive earnings.

Investments in associates and investments in joint ventures are accounted for using the equity method. Under this method, the Corporation's share of the investment's earnings or losses is included in the statement of loss and the carrying amount of the investment is adjusted by a like amount.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When the Corporation loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Corporation had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

*Financial instruments**Financial assets*

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

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 amortized cost less any provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Loans and receivables (continued)*

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty could default.

Derivative financial instruments – The Corporation sometimes enters into a variety of derivative instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value through profit or loss - This category includes derivatives and investments acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated balance sheet at fair value with changes in fair value recognized in the consolidated statement of 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 other comprehensive loss. 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 other comprehensive loss and recognized in the consolidated statement of loss.

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

Financial liabilities

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

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 the consolidated statement of loss.

Other financial liabilities - This category includes borrowings and accounts payable and accrued liabilities, which are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Cash and cash equivalents*

Cash and cash equivalents consists of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash with maturities of three months or less at the time of purchase. Cash and cash equivalents are classified as loans and receivables and carried at amortized cost.

Investments

Investments in associates over which the Corporation exercises significant influence are accounted for using the equity method. Investments in joint ventures, which the Corporation jointly controls, are accounted for using the equity method. Mining and other investments over which the Corporation cannot exert significant influence are recorded initially at cost and adjusted to reflect changes in the fair value in subsequent periods. For mining and other investments classified as available for sale, any subsequent changes in the fair value are recorded in other comprehensive earnings (loss). If there has been a significant or prolonged decline in value of the investment below the carrying value, the valuation adjustment is recorded in net loss in the period of determination. The fair value of the available for sale investments is based on the quoted market price on the closing date of the period.

Exploration and evaluation assets

The Corporation defers costs for mineral properties and exploration costs when the Corporation has in its possession the legal right to explore for mineral deposits on a given property. General prospecting and exploration costs incurred prior to the staking of specific mineral claims are expensed immediately ("Genex"). Exploration and evaluation assets include the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of geologists and prospectors salaries based on time spent, and other costs directly related to specific properties. Mineral properties acquired for share consideration are recorded at the fair value of the mineral properties received.

Incidental revenue and cost recoveries relating to exploration and evaluation assets are recorded first as a reduction of the specific exploration and evaluation assets to which the fees and payments relate, and any excess as other revenue on the consolidated statement of loss.

Management reviews the carrying values of exploration and evaluation assets' costs on a quarterly basis. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases, and the general likelihood that the Corporation will continue exploration on the project. The Corporation does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if further exploration is warranted and if there is an indication of impairment.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against earnings in the year of abandonment or determination of impairment. The amounts recorded as exploration and evaluation assets represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of exploration and evaluation assets that are developed to the stage of technical feasibility and commercial viability will be amortized to operations on a units-of-production basis over the life of the economically recoverable reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Decommissioning and restoration provision*

The Corporation recognizes a provision for decommissioning and restoration costs associated with long-lived assets which includes the abandonment of exploration and evaluation assets and costs required to return the property to its original condition.

The Corporation recognizes the fair value of the provision in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Corporation's risk-free interest rate. The provision is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss. The provision is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows. The increase in the carrying value of the asset is amortized on the same basis as exploration and evaluation assets.

Property and equipment

Property and equipment is initially recorded at cost and amortized over its estimated useful life. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment	30% - 100%
Geological equipment	30%
Office equipment	20%

Impairment of equipment and intangible assets

At each reporting date the carrying amounts of the Corporation's equipment and intangible assets are reviewed to determine whether there is any indication that those assets are impaired. The recoverable amount is the higher of fair value less costs of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the amortization charge for the period.

Revenue recognition

Royalty revenue is recognized when the underlying commodity is extracted, the amount of revenue can be measured reliably, is probable that the economic benefits associated with the transaction will flow to the Corporation and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest income is recognized on an accrual basis. Other revenue is recognized when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable, and there is reasonable assurance of collection.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Income taxes*

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of unused tax losses, unused tax credits, and differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Deferred income tax assets are recognized to the extent it is probable they will be realized.

Foreign currency translation

The presentation currency and the functional currency of the Corporation and certain subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses on translation of monetary assets and liabilities are included in the determination of net earnings (loss) for the period.

The Corporation's subsidiaries with non-Canadian dollar functional currencies are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenue and expenses. The resulting translation adjustment is recorded as a separate component of accumulated other comprehensive loss.

Segment reporting

The Corporation manages its business under a single operating segment, consisting of the generation and acquisition of mineral resource projects, royalties, and investments. All of the Corporation's assets and revenues are attributable to this single operating segment. The operating segment is reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") who fulfill the role of the chief operating decision-maker. The CEO and CFO are responsible for assessing performance of the Corporation's operating segment.

Share-based payments

Stock options granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Corporation are credited to share capital. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The Corporation also had a share appreciation rights plan ("SARs") under which awarded SARs will vest over a specified period and have a reference price based on the common share price at the date of grant. Any payouts will be cash-settled on the scheduled vesting date. SARs granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for SARs granted is determined based on the estimated fair value of the SARs at each reporting period using the Black-Scholes option pricing model and is amortized over the vesting period with an offsetting credit to other liabilities. This plan was terminated during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Share-based payments (continued)*

The Corporation also has a Directors' deferred share unit ("DSU") and a restricted share unit ("RSU") plan. Under the terms of the DSU plan, each non-executive director receives credit for a portion of their annual retainer to a notional account of DSU's in lieu of cash. Under the terms of the RSU plans, each member of management is awarded these units as part of their compensation which vest over a specified time period. Each DSU and RSU represents a unit with an underlying value equal to the value of one common share of the Corporation. The DSU's and RSU's can be equity or cash settled at the Corporation's option and are recorded as share-based compensation through the share-based payments reserve.

Earnings (loss) per share

Basic net earnings (loss) per share is calculated using the weighted average number of common shares outstanding for the respective periods.

Diluted earnings (loss) per share is calculated using the treasury stock method, whereby it is assumed that proceeds received on the exercise of in-the-money stock options and warrants are used to repurchase the Corporation's shares at the average market price during the period.

Business combinations and goodwill

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of royalty interest in mineral properties and exploration and evaluation assets acquired generally require a high degree of judgment, and include estimates of mineral reserves and resources acquired, expected production levels, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Acquisition related costs are recognized in the statements of net loss.

Where a business combination is achieved in stages, the Corporation's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date the Corporation attains control, and any resulting gain or loss is recognized in the consolidated statements of loss. Amounts previously recognized in other comprehensive income related to interests in the acquiree prior to the acquisition date are reclassified to the consolidated statements of loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any and is tested for impairment annually. For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Intangible assets – royalty interest in mineral properties

Intangible assets acquired are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. Intangible assets are also recognized when acquired individually or with a group of other assets. Intangible assets are initially recorded at their estimated fair value. Intangible assets with a finite life are amortized over their useful economic lives on a straight-line or units of production basis, as appropriate. The amortization expense is included in the statement of loss unless otherwise noted. Intangible assets that are not yet ready for use are not amortized until available for use. All intangible assets are reviewed for impairment indicators at each reporting period. The Corporation has no identifiable intangible assets for which the expected useful life is indefinite.

4. CRITICAL ACCOUNTING ESTIMATES

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

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

Use of estimates, judgments and assumptions

In preparing these consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies, basis of consolidation and the key sources of estimation uncertainty include but are not limited to the following:

Business combinations: For business combinations, the Corporation must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Corporation must determine the acquisition-date fair value of the identifiable assets acquired, including intangible assets and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses. Goodwill, if any, is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated balance sheet on the acquisition date. In addition, the estimated useful lives of the acquired

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Corporation's future earnings (loss).

Income taxes: The Corporation has available unused operating losses and temporary timing differences as disclosed in Note 15 to the consolidated financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Share-based compensation: The fair value of certain share-based compensation units require judgment in the determination of fair value using assumptions on expected volatility, expected lives and other factors that could affect the value reported as an expense and as an obligation.

Investments: All investments are reviewed at each reporting period to determine if an investment is impaired. Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In particular, for available-for-sale investments, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment. If an available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive earnings (loss) are reclassified to earnings (loss) in the period.

Goodwill impairment: The allocation of goodwill to cash generating units requires significant management judgment. The value in use calculation requires the Corporation to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. Determining whether goodwill is impaired requires an estimation of the higher of value in use or fair value less costs of disposal of the cash-generating units to which goodwill has been allocated (Note 10). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Alderon Iron Ore Corp.: Management reviewed the investment in Alderon for impairment indicators, using the same criteria applied to available-for-sale investments. The evaluation of whether there were impairment indicators present included consideration of a number of factors including an evaluation of the market, economic and legal environment in which Alderon operates; consideration of whether Alderon experienced a significant or prolonged decline in share price and, considerations relating to the existence of any contractual breaches of Alderon.

Investments in joint ventures: Certain joint ventures hold royalty interests in mineral properties that include the acquired royalty interest in production stage mineral properties. The production stage royalty interest is recorded initially at its cost and is being amortized using the units of production basis over the expected life of the mineral property, which is determined using available estimates of proven and probable reserves. Determination of proven and probable reserves by the operators associated with the royalty interests impact the measurement of the respective assets. These estimates affect amortization of the royalty and the related amount of the equity pickup and the assessment of the recoverability of the carrying value of the investment in joint ventures. The Corporation has the ability to jointly control the relevant activities of these joint arrangements and have classified these as joint ventures (Note 11).

Royalty interest in mineral properties: The Corporation holds royalty interests in production stage mineral properties. The production stage royalty interests are recorded using the fair value assigned to the assets (Note 14) and are being amortized using the units of production basis over the expected life of the mineral property, which is determined using available estimates of proven and probable reserves. Determination of proven and

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

probable reserves by the operators associated with the royalty interests impact the measurement of the respective assets. These estimates affect amortization and the assessment of the recoverability of the carrying value of the royalty interest in mineral properties.

Royalty interests in mineral properties and those held in the investment in joint ventures are potentially exposed to new adverse regulations or regulatory requirements. In November of 2015, the newly elected Alberta government announced a goal of accelerating the phase out of its coal fueled electrical generation capacity by 2030. The Alberta government has not yet substantively enacted the proposed framework and therefore the final legal form and substance of the proposed plan is unknown. Management judgment is required to determine whether an indicator of impairment of any post-2030 carrying values exist. Management has determined that no indicator of impairment exists at April 30, 2016.

5. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

In 2016, there have been no new amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements. The following standards and amendments to standards are effective for annual periods beginning on or after January 1, 2016 or later, with earlier adoption permitted.

Disclosure Initiative (Amendments to IAS 1) - On December 18, 2014, the IASB issued *Disclosure Initiative (Amendments to IAS 1)* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation, and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The standard is effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IFRS 9 - Financial Instruments was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

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

5. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 15 - Revenue from Contracts with Customers. This standard is effective for annual periods beginning on or after January 1, 2018 and provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IAS 16 - Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16). The amendments are effective for annual periods beginning on or after January 1, 2016 and clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

IAS 38 - Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 38). The amendments are effective for annual periods beginning on or after January 1, 2016 and introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

IFRS 10 - Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures.

The amendments to *IFRS 10 “Consolidated Financial Statements”* (IFRS 10) and *IAS 28 “Investments in associates and joint ventures”* (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 16 - Leases. IFRS 16, “Leases” (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied.

The Corporation has not early adopted these amendments and standards and is currently assessing the impact they will have on the consolidated financial statements.

6. EXPLORATION AND EVALUATION ASSETS

The Corporation acquires exploration and evaluation assets through staking and from third party vendors. In addition, the Corporation may sell some or a portion of its exploration and evaluation assets to third parties in exchange for exploration expenditures, royalty interests, cash and share-based payments.

On July 10, 2015 the Corporation completed a royalty agreement to transfer certain of its minerals lands in central Alberta to Westmoreland Coal Company (“Westmoreland”) in exchange for future production royalties. As a result, \$9,000,000 has been reclassified from exploration and evaluation assets to royalty interests in mineral properties (Note 14).

During the year ended April 30, 2016, parcels of land in Alberta were sold for proceeds of \$1,940,000 (2015 - \$776,000). There was no gain or loss recorded on this disposition. The disposition was recorded against the Corporation’s exploration and evaluation assets. For the year ended April 30, 2016, a portion of the proceeds on sale in the amount of \$686,000 (2015 - \$776,000) were applied against the Corporation’s Credit Facility (Note 16).

The Corporation and Bitterroot Resources Ltd. (“Bitterroot”) closed a strategic transaction under which the Corporation will finance future mineral exploration on Bitterroot’s Voyageur Lands and Copper Range Lands in the Upper Peninsula of Michigan (the “Properties”). The Corporation has acquired a 50.1% interest in the Properties and has agreed to fund \$600,000 of exploration expenditures on the Properties before September 29, 2016. Following this Year 1 earn-in, the Corporation may acquire an additional 19.9% of the Properties by completing an incremental \$2.5 million in exploration spending by September 29, 2021, plus the right to acquire an additional 10% of the Properties by completing exploration spending of a further \$5 million, or completing an NI 43-101 compliant pre-feasibility study on a mineral resource on the Properties, before September 29, 2025. The Corporation was also granted a 2% net smelter returns (NSR) royalty on the Voyageur Lands and the right to repurchase a 1% NSR held by a third party on the Copper Range Lands, both of which are subject to the Corporation funding the required Year 1 exploration expenditures.

On November 3, 2015, the Corporation entered into an exploration alliance and funding with Adventus Exploration Ltd. (“Adventus”), a private mineral exploration company focused on exploration in Ireland. Furthermore, on April 30, 2016 the Corporation increased its ownership in Adventus to 80% and have consolidated the assets, liabilities, income and expenses, and non-controlling interests, specifically Irish mineral properties noted below (see Note 11).

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Project	As at April 30, 2015	Additions/ Reclassifications, net of recoveries	Abandoned or impaired	Sold	As at April 30, 2016
	\$	\$	\$		\$
Labrador					
Natashquan River - Nickel	514	9	-	-	523
Trough Copper	-	34	(34)	-	-
Julienne Lake - Iron Ore	1,638	258	-	-	1,896
Other - Uranium/Nickel	13	100	(13)	-	100
Newfoundland					
Buchans - Base metals	157	192	-	-	349
Taylor Brook - Nickel	276	-	-	-	276
Katie - Zinc	25	156	-	-	181
Moosehead II - Gold	9	134	-	-	143
Other - Gold	2	12	-	-	14
Quebec					
Fosse Gold	341	51	(392)	-	-
Alberta, British Columbia & Saskatchewan					
Coal (Note 9)	32,724	(8,990)	(500)	(1,940)	21,294
Potash (Note 9)	500	-	-	-	500
Manitoba					
War Baby - coal (Note 9)	-	4,555	(4,555)	-	-
United States	-	592	-	-	592
Ireland - Base metals	-	320	-	-	320
Security Deposits (Note 9)	150	229	(229)	-	150
Grand Total	36,349	(2,348)	(5,723)	(1,940)	26,338

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Project	As at April 30, 2014	Additions, net of recoveries	Abandoned or Impaired	Sold	As at April 30, 2015
	\$	\$	\$		\$
Labrador					
Natashquan River - Nickel	513	1	-	-	514
Notakwanon River - Uranium	236	-	(236)	-	-
Julienne Lake - Iron Ore	1,472	166	-	-	1,638
Other - Uranium/Nickel	42	22	(51)	-	13
Newfoundland					
Buchans - Base metals	-	157	-	-	157
Moosehead - Gold	21	-	(21)	-	-
Taylor Brook - Nickel	268	8	-	-	276
Other - Gold	28	35	(27)	-	36
Quebec					
Fosse Gold	209	132	-	-	341
Grand Portage - Nickel/Copper	130	8	(138)	-	-
Alberta, British Columbia					
Coal	-	33,500	-	(776)	32,724
Potash	-	500	-	-	500
Security Deposits	25	126	(1)	-	150
Grand Total	2,944	34,655	(474)	(776)	36,349

7. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Geological Equipment	Total
	\$	\$	\$	\$
Cost:				
Balance April 30, 2014	181	25	303	509
Additions	19	1	4	24
Disposals	-	-	(9)	(9)
Balance April 30, 2015	200	26	298	524
Additions	34	-	4	38
Disposals	(89)	(26)	(291)	(406)
Balance April 30, 2016	145	-	11	156
Accumulated Amortization:				
Balance April 30, 2014	121	11	225	357
Amortization expense	21	3	24	48
Disposals	-	-	(5)	(5)
Balance April 30, 2015	142	14	244	400
Amortization expense	63	12	53	128
Disposals	(89)	(26)	(292)	(407)
Balance April 30, 2016	116	-	5	121
Carrying Value:				
Balance April 30, 2014	60	14	78	152
Balance April 30, 2015	58	12	54	124
Balance April 30, 2016	29	-	6	35

8. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	<u>2016</u>	<u>2015</u>
	\$	\$
Chapada non-refundable deposit (Note 25)	10,418	-
Deferred acquisition related costs (Note 25)	1,994	-
Other	403	615
Total prepaid expenses	12,815	615
Trade receivables	2,658	605
Total accounts receivable and prepaid expenses	15,473	1,220

9. ACQUISITIONS

(A) Callinan Royalties Corporation

On May 5, 2015 the Corporation completed its acquisition of Callinan Royalties Corporation ("Callinan"). On March 5, 2015, the Corporation and Callinan announced that they had entered into a definitive arrangement agreement (the "Arrangement Agreement") whereby Altius would acquire all outstanding securities of Callinan pursuant to a plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, Altius acquired each outstanding Callinan common share for 0.163 of an Altius common share and \$0.203, per share, in cash, valuing each Callinan common share at \$2.27 based on Altius' closing share price on the Toronto Stock Exchange as of March 4, 2015.

The Corporation paid \$9,431,775 in cash and issued 7,573,297 common shares to the shareholders of Callinan under the Arrangement. In addition, there are 326,000 common shares reserved for outstanding Callinan warrants, in the event the warrants are exercised. The total purchase price of the Arrangement was \$112,715,559. The acquisition added a producing 4% net smelter royalty ("NSR") on HudBay Minerals Inc.'s ("Hudbay") 777 Mine in Flin Flon, Manitoba to the Corporation's royalty portfolio, along with significant cash reserves, investments, non-producing royalties and exploration and evaluation properties.

The Corporation previously held 2,901,000 shares in Callinan classified as an available-for-sale investment, and as a result, the Corporation completed this acquisition in stages. The Corporation has reclassified the investment at May 5, 2015 and has accounted for the purchase of Callinan in accordance with *IFRS 3 Business Combinations*. The fair value, at the acquisition date, of the equity interests was \$6,603,720 while the carrying value was \$6,408,458 (Note 9). A gain of \$195,262 has been recognized in the consolidated statement of loss including any amounts reclassified from accumulated other comprehensive (earnings) loss.

The net purchase price of the acquisition of Callinan, before acquisition costs, has been allocated based on the estimated fair value of the net assets acquired from Callinan. An amount of \$14,109,000 has been recognized as a deferred tax liability as a result of the book value of the royalty and exploration and evaluation assets being in excess of the tax carrying value of such assets. Goodwill of \$27,400,000 was recognized as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill consisted of anticipated mine life extension on the 777 mine and the related royalty and realization of royalties on the War Baby claims, as well as the related deferred tax attributes that have not been reflected in the fair values assigned to these assets in the purchase price. Goodwill is not amortized and is not deductible for tax purposes.

During the year ended April 30, 2016, royalty revenues of \$8,223,000 (2015 - \$nil), general and administrative expenses of \$377,000 (2015 - \$nil), mineral property writedown of \$4,278,000 and amortization of royalty interest of \$7,850,000 (2015 - \$nil) have been included in the Corporation's financial results. Transaction costs of \$74,000 have been expensed in the year (2015 - \$420,000) relating to the acquisition of Callinan. This excludes any share issuance costs which are recorded directly against equity (Note 18).

Allocation of net purchase price of Callinan

The net purchase price has been allocated to the estimated fair values of the Callinan assets and liabilities as at May 5, 2015 in accordance with the purchase method, as follows:

9. ACQUISITIONS (CONTINUED)

	Callinan	Fair Value and Other Adjustments	Net Total
	\$	\$	\$
Assets acquired:			
Cash and cash equivalents	32,312	-	32,312
Accounts receivable and prepaid expenses	7,836	-	7,836
Total current assets	40,148	-	40,148
Royalty interests in mineral properties (Note 14)	6,682	45,974	52,656
Exploration and evaluation assets (Note 6)	-	4,820	4,820
Mining and other investments (Note 13)	4,850	(273)	4,577
Property and equipment	74	(74)	-
	<u>51,754</u>	<u>50,447</u>	<u>102,201</u>
Liabilities assumed:			
Accounts payable and accrued liabilities	134	1,090	1,224
Income taxes payable	1,228	324	1,552
Total current liabilities	1,362	1,414	2,776
Deferred taxes (Note 15)	922	13,187	14,109
	<u>2,284</u>	<u>14,601</u>	<u>16,885</u>
Fair value of net assets, as at May 5, 2015			<u>85,316</u>
Consideration paid			106,112
Fair value of previously held interest			6,604
			<u>112,716</u>
Goodwill			<u>27,400</u>

(B) Carbon Development Partnership

On December 24, 2013, the Corporation entered into a definitive agreement (the “Arrangement Agreement”) with Sherritt International Corporation (“Sherritt”), Prairie Mines & Royalty Ltd. (“PMRL”), a former wholly owned subsidiary of Sherritt, and Westmoreland Coal Company (“Westmoreland”) pursuant to which the Corporation agreed to acquire a 52.369% interest in the PMRL coal and potash royalty business. The Arrangement Agreement also provided for the acquisition of Sherritt’s 50% interest in Carbon Development Partnership (“CDP”), an Ontario partnership owned 50% by Sherritt and 50% by the Ontario Teachers’ Pension Plan Board (“OTPPB”). The acquisition of the PMRL royalty business and the Sherritt CDP interest closed on April 28, 2014 (the “Royalty Acquisition Closing”) for total consideration of \$240.9 million and \$21 million, respectively.

On May 13, 2014, the Corporation acquired the OTPPB 50% interest in CDP for a purchase price of \$21 million. With 100% ownership of CDP commencing May 13, 2014, the Corporation has reclassified the investment in joint venture it held in CDP at April 30, 2014 and accounted for the purchase of CDP in accordance with *IFRS 3 Business Combinations*. No gain or loss has been recognized as a result of this acquisition being completed in stages.

9. ACQUISITIONS (CONTINUED)

The unadjusted aggregate purchase price of the acquisition of CDP was \$42,000,000 and the Corporation financed the acquisition using part of a senior debt facility, cash on hand and funds raised in an equity offering.

The net purchase price of the acquisition of CDP, before assumed debt and acquisition costs, was allocated based on the estimated fair value of the net assets acquired from CDP. A valuation of \$23,000,000 was allocated to royalty interests in mineral properties and \$34,000,000 was allocated to exploration and evaluation assets on the consolidated balance sheet. In addition, \$15,000,000 was recognized as a deferred tax liability as a result of the book value of the assets being in excess of the tax carrying value of the above noted assets.

Allocation of net purchase price of CDP

The net purchase price was allocated to the estimated fair values of the CDP net assets and liabilities as at May 13, 2014 in accordance with the purchase method, as follows:

	CDP	Fair Value and Other Adjustments	Net Total
	\$	\$	\$
Assets acquired:			
Cash and cash equivalents	1,591	(1,591)	-
Accounts receivable and prepaid expenses	193	(193)	-
Total current assets	1,784	(1,784)	-
Royalty interests in mineral properties (Note 14)	-	23,000	23,000
Exploration and evaluation assets (Note 6)	-	34,000	34,000
Property and equipment	25,534	(25,534)	-
	27,318	29,682	57,000
Liabilities assumed:			
Accounts payable and accrued liabilities	2,378	(2,378)	-
Total current liabilities	2,378	(2,378)	-
Other liabilities	556	(556)	-
Deferred taxes (Note 15)	-	11,130	15,000
	2,934	8,196	15,000
Fair value of net assets, as at May 13, 2014			42,000
Total consideration paid			42,000
Goodwill			-

10. GOODWILL

Goodwill is comprised of the following:

Balance, April 30, 2015	-
Acquisition of Callinan - goodwill (Note 9)	27,400
Balance, April 30, 2016	27,400
Less: impairment	(16,402)
Balance April 30, 2016	10,998

The Corporation performs impairment testing for its goodwill on an annual basis, as at April 30, 2016 and more frequently if there are indicators of impairment.

At April 30, 2016, the Corporation performed an impairment test for its goodwill arising from the Callinan Acquisition, specifically, anticipated mine life extension on the 777 mine and the related royalty and realization of royalties on the War Baby claims ("CGU"). There was evidence of an impairment indicator which related to public documentation disclosed regarding the mine, by Hudbay Minerals Inc. ("Hudbay"), the mine and mill operator of 777. Specifically, public disclosure by the mine operator indicated that resources were unlikely to be converted to reserves, thus reducing expected mine life to approximately 5 years.

For the impairment test, value in use ("VIU") was used to determine the recoverable amount since it was higher than the fair value less costs of disposal ("FVLCD"). VIU was calculated using discounted after-tax cash flows based on cash flow projections and assumptions supporting the Corporation's royalty interest in 777 mine.

The discounted cash flow incorporates management's best estimates of key assumptions which include discount rates, future commodity prices, production based on current estimates of recoverable reserves, consideration of mineral resources and future foreign exchange rates. The cash flows are for periods up to the date the mine is expected to cease production, in approximately 5 years based on publicly available documentation. An after tax discount rate of 7% was used and is based on the Corporation's weighted average cost of capital and recent precedent royalty transactions. The cash flow calculations were based on estimates of future production levels, using historical and expected tonnage. Commodity prices used in the impairment assessment were determined by reference to external market participant sources. The key commodity price for this assessment is the price of copper, zinc, silver and gold are as follows:

	2017	2018	2019	2020	2021
Copper (\$US/lb)	2.28	2.34	2.55	2.75	2.87
Zinc (\$US/lb)	0.85	0.89	0.95	1.00	1.10
Gold (\$US/oz)	1,242	1,200	1,200	1,205	1,235
Silver (\$US/oz)	17.12	15.80	16.35	17.00	17.50
Foreign exchange (US to CAD)	1.33	1.33	1.33	1.33	1.33

10. GOODWILL (CONTINUED)

Expected future cash flows used to determine the VIU in the impairment testing are inherently uncertain and could materially change over time. Should management's estimate of the future not reflect actual events, future impairments may be identified. This may have a material effect on the Corporation's consolidated financial statements. Although it is reasonably possible for a change in key assumptions to occur, the possible effects of a change in any single assumption may not fairly reflect the impact on a CGU's fair value as the assumptions are inextricably linked.

As at April 30, 2016, the carrying amounts of the 777 CGU exceeded their estimated recoverable amount, consequently the goodwill balances have been adjusted to recoverable amount of the CGU by recording an impairment charge of \$16,402,000. The remaining goodwill balance of \$10,998,000 constitutes the related deferred tax attributes that were recorded on acquisition of Callinan. See Note 9.

11. INTERESTS IN JOINT VENTURES

	<u>LNRLP</u>	<u>Prairie</u> <u>Royalties</u>	<u>Other</u>	<u>Carbon</u> <u>Development</u> <u>Partnership</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Balance April 30, 2014	7,553	245,308	175	21,007	274,043
Additions	-	305	60	-	365
Earnings (loss)	1,169	16,097	(235)	-	17,031
Cash receipts	(1,928)	(21,147)	-	-	(23,075)
Reclassification (Note 9)	-	-	-	(21,007)	(21,007)
Recovery of acquisition costs	-	(1,499)	-	-	(1,499)
Balance, April 30, 2015	6,794	239,064	-	-	245,858
Additions	-	-	1,641	-	1,641
Earnings (loss)	593	4,991	(1,032)	-	4,552
Cash receipts	(1,670)	(20,232)	-	-	(21,902)
Reclassification	-	-	(609)	-	(609)
Balance, April 30, 2016	5,717	223,823	-	-	229,540

The Corporation holds a 10% interest in the Labrador Nickel Royalty Limited Partnership ("LNRLP"), a limited partnership that holds a 3% net smelter return royalty in the Voisey's Bay nickel-copper-cobalt mine located in Northeastern Labrador, Canada. LNRLP's sole business is the receipt and distribution of the net smelter return royalty on the mine. Distributions to the partners are normally completed on a quarterly basis.

The Corporation holds an indirect 52.369% interest in the Genesee Royalty Limited Partnership ("Genesee LP"), the Coal Royalty Limited Partnership ("Coal LP"), and the Potash Royalty Limited Partnership ("Potash LP"), collectively the "Prairie Royalties LPs". The Prairie Royalties LPs hold the rights to subsurface minerals in respect of a portfolio of coal and potash properties in the Canadian provinces of Alberta and Saskatchewan. The Prairie Royalties LPs have entered into leases, or similar agreements, with mining companies and electricity utilities that, in return for payment of a royalty, grant these companies the right to exploit the subsurface mineral resources. The Corporation acquired the ownership interest in the underlying partnerships effective April 28, 2014.

11. INTERESTS IN JOINT VENTURES (CONTINUED)

Other

On November 12, 2012 the Corporation co-founded Fondo de Inversion Privado Mining Equity (“Mining Equity”), a private Chilean entity established to perform regional early stage exploration and prospect generation in Chile. During the year ended April 30, 2016, the Corporation invested an additional \$916,000 in Mining Equity. The Corporation may choose to invest an additional \$1,182,000 over the next year in order to maintain its 49% ownership interest.

On November 3, 2015, the Corporation entered into an exploration alliance and funding agreement (the “Agreement”) with Adventus, a private mineral exploration company focused on exploration in Ireland. Prior to this Agreement, the Corporation held a legacy 19.9% share ownership in Adventus, inherited from Callinan. The Agreement allowed the Corporation to increase total ownership in Adventus to 80% by subscribing for 1,315,790 common shares of Adventus at an aggregate price of €0.38 per share for total proceeds of €500,000. This Agreement has two subscriptions. The First Subscription was completed on November 3, 2015, upon execution of the Agreement, in the amount of €200,000 (\$292,000 CAD) constituting 263,746 ordinary shares at €0.76 per share which increased the Corporation’s ownership to 50%. The Second Subscription, of €300,000 (\$433,000 CAD) constituting 1,052,744 ordinary shares at €0.285 per share for a further 30% ownership, was completed on April 30, 2016. As of April 30, 2016, the Corporation controlled 80% of the outstanding shares of Adventus. As a result of completing the second subscription, and thereby increasing ownership percentages and board seats, the Corporation has the ability to control this investment. Effective April 30, 2016 the Corporation has consolidated the net assets of Adventus and recognized a non-controlling interest and discontinued equity accounting for Adventus as an investment in joint venture in accordance with IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates.

A summary of assets, liability, income, expenses and cash flow of the joint ventures based on financial information that is available, is as follows:

	LNRLP		Prairie Royalties	
	⁽¹⁾		⁽²⁾	
	2016	2015	2016	2015
	\$	\$	\$	\$
Balance Sheets				
Current assets	-	668	21,322	26,439
Royalty interests	5,717	6,126	417,877	446,794
Non-current assets	-	-	-	-
Current liabilities	-	-	7	584
Non-current liabilities	-	-	-	-
Statement of Earnings				
Royalty revenue	1,430	2,523	39,053	45,081
Royalty tax	(286)	(505)	-	-
General and administrative	(58)	(59)	(600)	(1,140)
Amortization	(493)	(790)	(11,786)	(13,207)
Impairment	-	-	(17,128)	-

(1) Figures presented are the Corporation's portion of 10%; 100% basis IFRS financial statements not available

(2) Figures presented on a 100% basis using IFRS financial statements

12. INVESTMENTS IN ASSOCIATES

	<u>Alderon</u>	<u>Sparkfly</u>	<u>Synodon</u>	<u>Total</u>
	\$	\$	\$	\$
Balance, April 30, 2014	52,590	3,104	1,793	57,487
Share of loss in associates	(3,226)	(419)	(137)	(3,782)
Impairment recognition	(39,832)	-	-	(39,832)
Foreign currency translation adjustment	-	457	-	457
Dilution gain on issuance of shares by associates	-	117	46	163
Disposal of subsidiary	-	(3,259)	(1,702)	(4,961)
Balance, April 30, 2015	9,532	-	-	9,532
Share of loss in associates	(2,311)	-	-	(2,311)
Impairment recognition	(4,756)	-	-	(4,756)
Balance, April 30, 2016	2,465	-	-	2,465

Fair value less cost to sell:

At April 30, 2015:	9,532
At April 30, 2016:	2,465

Percentage ownership:

At April 30, 2015:	24.9%
At April 30, 2016:	24.9%

The Corporation's share of loss in associate was derived from the most recent set of available financial statements of the investment.

The Corporation currently holds 32,869,006 shares in Alderon Iron Ore Corporation ("Alderon") or 24.9% (April 30, 2015 - 24.9%) of the total shares outstanding. The Corporation acquired its interest in Alderon by vending its Kami mineral property to Alderon in exchange for common shares. The Corporation retains a 3% gross sales royalty relating to any potential future mining operations on the Kami property.

During the year ended April 30, 2016, management reviewed the investment in Alderon for impairment indicators, using the same criteria applied to available-for-sale investments which are outlined in these annual consolidated financial statements for the year ended April 30, 2016. Management also considered facts specific to Alderon in determining whether or not an impairment adjustment was warranted. Factors considered included significant or prolonged decline in the share price of Alderon relative to the carrying value and the implied valuation of the investment based on recent financings. The Corporation also assessed the current financial position, expected financing requirements to commence mine development, and evaluated the expected long-term cash flows of Alderon based on the January 2013 Feasibility Study on the Kami project after consideration of consensus iron ore prices.

Based on the evaluation of the above-noted factors, and in particular the duration and amount of the decline in the share price of Alderon relative to the carrying value combined with prolonged reduced iron ore prices, management has concluded that a reduction in the carrying value of Alderon to fair value less cost to sell is appropriate at this time. An impairment of \$4,756,000 was recognized for the year ended April 30, 2016 (2015 - \$39,832,000).

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Corporation's share of loss in associates was derived from the most recent set of audited financial statements of the investment. Financial highlights of the Corporation's investment in associates include the following:

	<u>Alderon</u>	
	\$	\$
Balance Sheets		
Current assets	15,688	43,376
Current liabilities	(10,632)	(9,642)
Non-current assets	247,322	225,761
Non-current liabilities	(20,843)	(19,710)
Statement of Earnings		
Revenue	-	-
Comprehensive loss	(2,501)	(3,262)
Fiscal year end	December 31, 2015	December 31, 2014

13. MINING AND OTHER INVESTMENTS

	<u>Investments</u>	<u>Share Purchase Warrants</u>	<u>Total</u>
	\$	\$	\$
Balance, April 30, 2014	55,391	2,634	58,025
Additions	3,215	76	3,291
Reclassification to available - for - sale investments	66	(66)	-
Disposal of subsidiary	(2,175)	-	(2,175)
Disposals and impairment recognition	(29,466)	(104)	(29,570)
Revaluation	(9,946)	(2,540)	(12,486)
Balance, April 30, 2015	17,085	-	17,085
Additions (Note 9)	31,474	-	31,474
Disposals and impairment recognition	(12,880)	-	(12,880)
Reclassification (Note 9)	(6,409)	-	(6,409)
Revaluation	5,366	-	5,366
Balance, April 30, 2016	34,636	-	34,636

The Corporation holds investments in other publicly listed entities participating predominantly in early stage exploration and resource related companies with a goal of long-term capital appreciation, either through direct investment or in exchange for an interest in the Corporation's mineral properties. These investments are classified as available-for-sale. The fair value of the publicly traded entities is determined by reference to the unadjusted quoted prices in active markets, normally either the TSX or TSX Venture exchange.

The Corporation disposed of and reclassified investments having a carrying value of \$13,102,000 for gross cash proceeds of \$7,972,000 and non-cash proceeds of \$6,604,000 and recognized a gain on disposal of \$1,474,000 during the year ended April 30, 2016. Included in these amounts is the reclassification of 2,901,000 shares in Callinan in accordance with IFRS 3 (Note 9). The Corporation sold investments having a carrying value of \$26,651,000 for gross cash proceeds of \$43,852,000 and non-cash proceeds of \$66,000 and recognized a gain on

13. MINING AND OTHER INVESTMENTS (CONTINUED)

disposal of \$17,267,000 during the year ended April 30, 2015. Included in the year ended April 30, 2016 loss on disposal is an impairment of \$6,187,000 (2015 - \$2,936,000).

14. ROYALTY INTERESTS IN MINERAL PROPERTIES

	As at April 30, 2015	Additions / Reclassifications	As at April 30, 2016
	\$		\$
Royalty interests			
Rocanville	5,000	-	5,000
Esterhazy	3,000	-	3,000
Other potash	7,000	-	7,000
Coal & coal bed methane	8,000	-	8,000
777 Mine (Note 9)	-	47,356	47,356
Gunnison (Note 9)	-	5,300	5,300
Sheerness West (Note 6)	-	9,000	9,000
Balance, end of year	23,000	61,656	84,656
Accumulated amortization			
Rocanville	18	15	33
Esterhazy	15	17	32
Other potash	-	-	-
Coal & coal bed methane	400	400	800
777 Mine (Note 9)	-	7,850	7,850
Gunnison (Note 9)	-	-	-
Sheerness West (Note 6)	-	-	-
Balance, end of year	433	8,282	8,715
Net book value	22,567	53,374	75,941



ALTIUS MINERALS CORPORATION

Notes to the consolidated financial statements

April 30, 2016 and 2015

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. ROYALTY INTERESTS IN MINERAL PROPERTIES (CONTINUED)

	As at April 30, 2014	Additions / Reclassifications	As at April 30, 2015
	\$		\$
Royalty interest			
Rocanville	-	5,000	5,000
Esterhazy	-	3,000	3,000
Other potash	-	7,000	7,000
Coal & coal bed methane	-	8,000	8,000
Balance, end of year	-	23,000	23,000
Accumulated amortization			
Rocanville	-	18	18
Esterhazy	-	15	15
Other potash	-	-	-
Coal & coal bed methane	-	400	400
Balance, end of year	-	433	433
Net book value	-	22,567	22,567

15. INCOME TAXES

Significant components of the net deferred income tax liability are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Temporary differences related to exploration and evaluation assets, property and equipment and other	(3,850)	462
Non capital and net capital loss carryforwards	1,569	1,874
Carrying value of investments less than (in excess of) tax values	797	(285)
Deferred partnership income	(144)	(396)
Deferred and deductible share-based compensation	538	531
Share and debt issue costs	1,287	1,618
Carrying values in excess of tax values on purchase price allocation of Callinan (Note 9)	(12,098)	-
Carrying values in excess of tax values on purchase price allocation of CDP (Note 9)	(8,406)	(15,000)
	(20,307)	(11,196)
	<u>2016</u>	<u>2015</u>
	\$	\$
Deferred tax liabilities	(25,173)	(15,426)
Deferred tax assets	4,866	4,230
	(20,307)	(11,196)

15. INCOME TAXES (CONTINUED)

Significant components of the income tax rate reconciliation are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Expected tax recovery	(11,565)	(9,727)
Non-taxable portion of capital gains and losses	1,466	5,038
Non- deductible share-based compensation	-	96
Tax rate differences arising from non-deductible amounts, associate & JV earnings and investment revaluation	9,030	3,137
Sale of subsidiary	-	(1,760)
Differences in rates and opening balances	(347)	-
	<u>(1,416)</u>	<u>(3,216)</u>

The Corporation has non-capital loss carry forwards of \$5,502,000 (2015 -\$5,982,000) that expire in 2032 and 2033 and net capital losses of \$1,685,000 (2015 - \$197,000) that have no expiry date.

16. DEBT

At amortized cost	<u>2016</u>	<u>2015</u>
	\$	\$
Long-term debt	<u>64,125</u>	<u>74,386</u>
Current	8,000	11,000
Non-current	56,125	63,386
	<u>64,125</u>	<u>74,386</u>

On April 28, 2014, the Corporation obtained a senior secured debt facility of \$140,000,000 (the "Credit Facility") provided by a consortium of lenders led by Sprott Resource Lending Partnership ("Sprott") to fund the remaining portion of the Prairie Royalties LPs and CDP acquisitions. The Credit Facility is repayable over a five year period with quarterly principal repayments of \$2,000,000, commencing October 31, 2014, bearing interest at fixed rates ranging from 6.5% to 8.85% based on the principal balance of debt.

The Credit Facility allows for optional prepayments, without penalty, of principal upon notice. The Corporation and its material subsidiaries act as guarantors under the Credit Facility (the "Credit Parties"). The lenders under the Credit Facility have taken a secured charge against all real property of the Credit Parties and share pledges of all the equity interests in each of the Credit Parties. The security has been registered in all jurisdictions required by the lender.

The Corporation recorded net costs of \$1,875,000 (April 30, 2015- \$2,614,000) that are directly attributable to securing the Credit Facility, against the balance of the debt and are amortizing these fees and calculated interest using an effective interest rate of 7.769%. During the year ended April 30, 2016, \$739,000 (2015 - \$870,000) of the costs were recognized in the statement of loss.

16. DEBT (CONTINUED)

In accordance with the terms of the Credit Facility, the Corporation has repaid \$11,000,000 (2015- \$70,252,000) during the year ended April 30, 2016, of which \$8,000,000 (2015- \$6,000,000) was required quarterly principal repayments.

As at April 30, 2016, the Corporation is in compliance with all debt covenants. On May 3, 2016, the Corporation replaced the Credit Facility (see Note 25).

The following principal repayments for the Credit Facility are required over the next 5 years.

	\$
2016	8,000
2017	8,000
2018	8,000
2019	42,000
	<u>66,000</u>
Less: unamortized debt costs	<u>1,875</u>
	<u>64,125</u>

17. GENERAL AND ADMINISTRATIVE

	<u>2016</u>	<u>2015</u>
	\$	\$
Salaries and benefits	3,097	1,940
Office and administrative	1,033	880
Professional and consulting fees	1,312	1,709
Travel and accommodations	424	402
Corporate development	47	456
	<u>5,913</u>	<u>5,387</u>

18. SHARE CAPITAL
Authorized

Unlimited number of Common voting shares
Unlimited number of First Preferred shares
Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Corporation has not issued any First or Second Preferred shares.

During the year ended April 30, 2016, the Corporation repurchased and cancelled 100,000 common shares for a total cost of \$822,000 under its normal course issuer bid (2015 - \$nil).

18. SHARE CAPITAL (CONTINUED)

On May 5, 2015, the Corporation issued 7,573,297 common shares to the shareholders of Callinan under the Arrangement as described in Note 9. In addition, there were 326,000 common shares reserved for outstanding Callinan warrants which have a revised strike price of \$14.58. The May 4, 2015 closing price of the Corporation's common share was \$12.72, valuing the issuance of the common shares at \$96,332,338. The Corporation has paid share issuance costs of \$226,000, which are recorded against equity and reported net of deferred tax of \$64,000. The warrants were assigned a fair value of \$347,725 using the Black-Scholes option pricing model. The Callinan warrants expired March 16, 2016 and the gain on fair value adjustment of derivatives of \$347,725 for the year ended April 30, 2016 is included in the consolidated statement of loss.

On May 13, 2014, the Corporation closed an equity financing under a short-form prospectus. The Offering consisted of 4,643,000 common shares ("Common Shares") of the Corporation at a price of \$14.00 per Common Share, for aggregate gross proceeds of \$65,002,000. The Common Shares were offered for sale pursuant to an agency agreement (the "Agency Agreement") dated May 6, 2014 among the Corporation and a syndicate of agents (the "Agents"). The Corporation paid the Agents a fee equal to 5.0% of the gross proceeds of the Offering as well as other share issuance costs totaling \$4,895,000 (\$984,000 of this amount was paid during the year ended April 30, 2014) which are recorded against equity and reported net of deferred tax of \$1,420,000.

Net loss per share

Basic and diluted net loss per share were calculated using the weighted average number of common shares for the respective periods. The diluted net loss per share was calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options. For loss periods, the diluted net loss per share was calculated using weighted average number of common shares outstanding for the respective periods without giving effect to dilutive stock options since their inclusion would be anti-dilutive.

	<u>2016</u>	<u>2015</u>
Weighted average number of shares:		
Basic and diluted	39,804,041	32,149,737

Other equity reserves

Other equity reserves consist of share-based payment reserves of \$1,855,000 and contributed surplus of \$2,717,000 for a total of \$4,572,000. Share-based payment reserve amounts in respect of stock options, deferred share units ("DSUs"), share appreciation rights units ("SARs") and restricted share units ("RSUs").

19. SHARE-BASED COMPENSATION

The Corporation has a stock option plan under which directors, officers and employees of the Corporation and of its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Corporation at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Corporation. Options granted under the plan generally have a term of five years but may not exceed five years and typically vest over a five-year period or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchange(s) on which the Corporation's common shares are then listed.

19. SHARE-BASED COMPENSATION (CONTINUED)

The Corporation implemented a new Long Term Incentive Plan ("LTIP") during the year, as approved by shareholders on September 16, 2015. Under the terms of the LTIP, DSUs were amended from being cash settled to equity or cash settled at the Corporation's option; RSUs were implemented and are equity or cash settled at the Corporation's option; and the stock option plan remains unchanged.

The Corporation recognized the following share-based compensation (recovery):

	<u>2016</u>	<u>2015</u>
	\$	\$
Stock option expense	348	-
Share appreciation rights recovery	(296)	(1,598)
Directors' deferred share unit expense	223	75
Restricted share unit expense	306	-
	<u>581</u>	<u>(1,523)</u>

The Corporation reclassified \$1,237,000 relating to DSUs from other liability to share-based payment reserve.

A summary of the status of the Corporation's stock option plan as of April 30, 2016, and changes during the year then ended, is as follows:

	<u>2016</u>	Weighted	<u>2015</u>	Weighted
	Number of	Average	Number of	Average
	Options	Exercise Price	Options	Exercise Price
		\$		\$
Outstanding, beginning of year	10,000	10.13	250,000	7.13
Granted	159,027	14.25	-	-
Exercised	(10,000)	10.13	(240,000)	7.00
Outstanding, end of year	159,027	14.25	10,000	10.13
Exercisable, end of year	31,807	14.25	10,000	10.13

There were 159,027 stock options granted during the year ended April 30, 2016 (2015 - nil). The weighted-average fair value of stock options granted during the year ended April 30, 2016 was estimated on the dates of grant to be \$4.00 using the Black-Scholes option pricing model with the following assumptions:

	April 30,
	<u>2016</u>
Expected life (years)	5.00
Risk-free interest rate (%)	0.80
Expected volatility (%)	33.70
Expected dividend yield (%)	0.84

19. SHARE-BASED COMPENSATION (CONTINUED)

A summary of the status of the Corporation's SARs, RSUs and DSUs as of April 30, 2016 is as follows:

	Number of SARs	Number of RSUs	Number of DSUs
Outstanding, April 30, 2014	700,000	-	86,892
Granted	-	-	17,367
Settled	(466,666)	-	-
Outstanding, April 30, 2015	233,334	-	104,259
Granted	-	44,299	32,682
Settled	(233,334)	-	-
Outstanding, April 30, 2016	-	44,299	136,941
Exercisable, April 30, 2016	-	-	127,154

During the year ended April 30, 2016, 233,334 (2015 – 466,666) SARs were cash settled for \$208,000 (2015 – \$331,000).

20. SUPPLEMENTAL CASH FLOW INFORMATION

	Note #	2016 \$	2015 \$
Adjustments for operating activities:			
Generative exploration		406	482
Exploration and evaluation assets abandoned or impaired		5,723	474
Share-based compensation (recovery)		581	(1,523)
Cash-settled stock appreciation rights		(208)	(331)
Amortization		8,410	481
Interest on long-term debt		5,440	10,030
Interest paid		(4,701)	(9,266)
Impairment of goodwill		16,402	-
Loss (gain) on disposal of investments and impairment recognition		4,713	(14,331)
Unrealized (gain) loss on fair value adjustment of derivatives		(348)	2,540
Earnings from joint ventures		(4,552)	(17,031)
Share of loss and impairment in associates		7,067	43,613
Loss on disposal of subsidiary		-	5,839
Dilution gain on issuance of shares by associates		-	(163)
Income taxes (recovery)		(1,416)	(3,216)
Income taxes (paid) received		(8,479)	188
		29,038	17,786
Changes in non-cash operating working capital:			
Accounts receivable and prepaid expenses	9	4,030	(331)
Accounts payable and accrued liabilities	9	(1,067)	(8,806)
		2,963	(9,137)
Cash and cash equivalents consist of:			
Deposits with banks		8,342	8,207
Short-term investments		1,235	10,336
		9,577	18,543

21. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2016, the Corporation billed Mining Equity (a joint venture investment – see Note 11) for the reimbursement of exploration and consulting assistance totaling \$158,700 (2015 - \$185,000) of which \$140,000 (2015 - \$54,000) is included in the accounts receivable balance as at April 30, 2016.

During the year ended April 30, 2016, the Corporation paid Alderon, an Associate (see Note 12), \$221,000 for consulting services (2015 - \$nil).

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consists of members of the Corporation's Board of Directors and corporate officers, including the Corporation's Executive Chairman, Chief Executive Officer and Chief Financial Officer, as well as two Vice Presidents reporting directly to a Corporate officer. Compensation for key management personnel and directors is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Salaries and benefits	1,870	3,952
Share-based compensation	581	(1,523)
	<u>2,451</u>	<u>2,429</u>

These transactions are in the normal course of operations and are measured at the fair value amount, which is the amount of consideration established and agreed to by the related parties. During the year ended April 30, 2016, SARs were cash settled for \$208,000 (2015 - \$331,000). As at April 30, 2016, an amount of \$325,800 (2015- \$854,000) was accrued for executive bonuses for key management personnel.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; inputs that are derived principally from or corroborated by observable market data by correlation or other means; and estimates of expected volatility, expected life and expected risk-free rate of return and;

Level 3 – valuation techniques with significant unobservable market inputs.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of the Corporation's financial assets and financial liabilities was determined as follows:

As at April 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>TOTAL</u>
	\$	\$	\$	\$
FINANCIAL ASSETS				
Short-term investments in cash equivalents (Note 20)	1,235	-	-	1,235
Mining and other investments (Note 13)	34,636	-	-	34,636
TOTAL FINANCIAL ASSETS	35,871	-	-	35,871
FINANCIAL LIABILITIES	-	381	-	381

As at April 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>TOTAL</u>
	\$	\$	\$	\$
FINANCIAL ASSETS				
Short-term investments in cash equivalents (Note 20)	10,336	-	-	10,336
Mining and other investments	17,085	-	-	17,085
TOTAL FINANCIAL ASSETS	27,421	-	-	27,421
FINANCIAL LIABILITIES	1,326	504	-	1,830

Risk Management

The Corporation's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Corporation manages these risks through prudent investment and business decisions, and, where the exposure is deemed too high, the Corporation may enter into derivative contracts to reduce this exposure. The Corporation does not utilize derivative financial instruments for trading or speculative purposes. Hedge accounting is applied only when appropriate documentation and effectiveness criteria are met.

A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted as follows:

Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents, short-term investments and receivables. The Corporation closely monitors its financial assets, including the receivables from royalty operators who are responsible for remitting royalty revenues. The operators are established and reputable companies in the mining and mineral sector and as such management does not believe we have a significant concentration of credit risk.

The Corporation's cash and cash equivalents are held in fully segregated accounts and include only Canadian and US dollar instruments. The Corporation does not expect any liquidity issues or credit losses on these instruments.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)*Foreign currency risk*

Certain royalty revenues are exposed to foreign currency fluctuations, which are denominated and paid in US dollars. The Corporation does not enter into any derivative contracts to reduce this exposure since the receivable is short-term in nature and the expected receivable amount cannot be predicted reliably. A derivative existed at April 30, 2016 and the Corporation elected not to apply hedge accounting. As at April 30, 2016, a 10% change in the US dollar to Canadian dollar exchange rate could affect net earnings by approximately \$80,000.

Liquidity risk

The Corporation believes that on a long-term basis its revenue generating assets and net working capital position will enable it to meet current and future obligations at the current level of activity. This conclusion could change with a significant change in the operations of the Corporation or from other developments.

Other price risk

The value of the Corporation's mining and mineral related investments is exposed to fluctuations in the quoted market price depending on a number of factors, including general market conditions, company-specific operating performance and the market value of the commodities that the companies may focus on. The Corporation does not utilize any derivative contracts to reduce this exposure. Royalty interests are exposed to fluctuations in commodity prices as well as fluctuations in foreign currency, specifically the US dollar.

The Corporation may be unable to sell its entire interest in an investment without having an adverse effect on the fair value of the security due to low trading volumes on some investments. The Corporation does not enter into any derivative contracts to reduce this exposure.

Interest rate risk

The Corporation has debt and is therefore exposed to interest rate risk on liabilities. The Corporation manages this risk by having fixed interest rates over a five year term on the debt. The Corporation's cash and cash equivalents may fluctuate in value depending on the market interest rates and the time to maturity of the instruments. The Corporation manages this risk by limiting the maximum term to maturity on invested funds or holding the investments to maturity.

As at April 30, 2016, a +/- 1% change in the effective interest rates on cash and cash equivalents would affect comprehensive earnings by \$67,000 net of applicable taxes.

Sensitivity Analysis

The Corporation has mining and other investments that are marked to fair market value at each reporting period, with a corresponding adjustment to other comprehensive (loss) earnings for increases in value and for other temporary declines in value.

As at April 30, 2016, the Corporation's mining and other investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings by \$5,888,000 net of applicable taxes.

23. CAPITAL MANAGEMENT

The Corporation defines its capital as its total equity attributable to common shareholders. The Corporation's objectives when managing capital are to minimize shareholder dilution while maximizing shareholder return and maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations. The Corporation also believes it should maintain sufficient capital and access to capital for potential investment opportunities and to pursue generative exploration opportunities. At times, the Corporation manages its capital by repurchasing its common shares under its normal course issuer bid. Where it believes the current share price does not reflect the true value, the Corporation may repurchase additional shares to enhance the value to existing shareholders. In addition, the Corporation may from time to time issue new shares or obtain debt financing to fund specific project initiatives. The Corporation commenced dividend distributions to shareholders during year ended April 30, 2015 and has continued these distributions during the year ended April 30, 2016.

The Corporation is subject to external capital requirements on long-term debt as at April 30, 2016. The Corporation is in compliance with all covenant requirements and continues to be assessed on a quarterly basis.

24. COMMITMENTS*Operating leases*

The Corporation is committed under leases on office space, including operating costs, for annual future minimum lease payments as follows:

	\$
2017	212
2018	193
2019	177
	<u>582</u>

Mineral property expenditures

The Corporation has obtained various mineral rights licenses by staking claims and paying refundable security deposits. Certain expenditures are required on an annual basis, from the date of license issuance, in order to maintain the licenses in good standing and for refund of security deposits. On or before the anniversary date of license issuance, and if the required expenditures are not met, the Corporation has the option of reducing claims on a property, post a refundable security bond for the deficient amount or elect to allow title of the license be cancelled. The Corporation is required to spend \$115,000 by April 30, 2017 in order to maintain various licenses in good standing.

25. SUBSEQUENT EVENTSEquity Offering

On May 3, 2016, the Corporation closed an equity financing under a short-form prospectus. The equity offering (the "Offering") consisted of 3,578,800 common shares of the Corporation at a price of \$11.25 per Common Share, for aggregate gross proceeds of \$40,261,500. The Common Shares were offered for sale pursuant to an underwriting agreement dated April 19, 2016 among the Corporation and a syndicate of various underwriters. On closing, the Corporation paid the Underwriters a fee equal to 5.0% of the gross proceeds of the Offering.



25. SUBSEQUENT EVENTS (CONTINUED)

Equity Offering (continued)

The Corporation has used the net proceeds of the Offering for general corporate purposes and to partially fund the copper purchase agreement (the “Agreement”) with a subsidiary of Yamana Gold Inc. (“Yamana”) in connection with Yamana’s Chapada copper-gold mine in Brazil (see Copper Purchase Agreement below).

At April 30, 2016, \$388,000 in share issue costs have been incurred and classified as accounts receivable, prepaid expenses and deposits (see Note 8).

Copper Purchase Agreement

On May 3, 2016, the Corporation closed the Agreement related to the Chapada copper-gold mine located in central Brazil. A final payment of US\$52,000,000 and 400,000 common share purchase warrants of the Corporation have been made to a subsidiary of Yamana. Under the terms of the Agreement, the Corporation is entitled to purchase 3.7% of the payable copper produced from the Chapada mine at 30% of the market price. The rate of payable copper is subject to reduction in the event of a production increase at Chapada or upon delivery of 75 million pounds of copper.

At April 30, 2016, \$867,000 in other acquisition costs have been deferred until the Agreement closed and will be capitalized with the asset. The initial payment of US\$8,000,000 (CAD\$10,418,000), is recorded as a non-refundable deposit and classified as part of accounts receivable, prepaid expenses and deposits at April 30, 2016 (see Note 8).

Credit Facility

On May 3, 2016, the Corporation obtained a senior secured debt facility of \$150,000,000 (the “New Credit Facilities”), comprised of a \$70,000,000, 4 year, amortizing term debt facility (the “Term Facility”) and an \$80,000,000, 3 year, revolving facility (the “Revolving Facility”). The New Credit Facilities are provided by a consortium of lenders led by the Bank of Nova Scotia, as Lead Arranger and Administrative Agent, ING Capital LLC as Syndication Agent and Bookrunner, and Export Development Canada and the Toronto-Dominion Bank, as Lenders. The Term Credit Facility is repayable over a four year period with quarterly principal repayments of \$2,000,000, commencing July 31, 2016 until July 31, 2017 and increasing to \$3,250,000 thereafter, bearing interest at variable rates based on the total debt ratio. The Revolving Facility is payable in full in 3 years and includes a cash sweep mechanism commencing 12 months after a qualifying royalty or streaming acquisition. Additional draw-downs on the Revolving Facility are permitted for future qualifying royalty and streaming acquisitions.

The Corporation has drawn down the full amount of the Term Facility of \$70,000,000 and \$33,000,000 on the Revolving Facility to repay its existing Credit Facility (see Note 16) and to pay a portion of the purchase price for the Chapada copper purchase agreement.

The Corporation and its material subsidiaries act as obligors under the New Credit Facilities. The lenders have taken a secured charge against all real property of the credit parties and share pledges of all the equity interests in each of the credit parties.

At April 30, 2016, \$739,000 in debt costs have been incurred and classified as accounts receivable, prepaid expenses and deposits (see Note 8).