



ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements
For the years ended
April 30, 2017 and 2016*

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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, 2017 and April 30, 2016, 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, 2017 and April 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
June 21, 2017

St. John's, Newfoundland & Labrador



ALTIUS MINERALS CORPORATION

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at April 30

	<u>Note #</u>	<u>2017</u>	<u>2016</u>
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		34,830	9,577
Accounts receivable, prepaid expenses, and deposits	7	5,609	15,473
Income taxes receivable		781	1,623
		41,220	26,673
Non-current assets			
Interests in joint ventures	10	151,708	229,540
Royalty and streaming interests	13	141,981	75,941
Mining and other investments	12	44,523	34,636
Exploration and evaluation assets	6	22,160	26,338
Goodwill	9	10,998	10,998
Deferred tax assets	14	4,535	4,866
Investment in associates	11	3,320	2,465
Property and equipment		-	35
		379,225	384,819
TOTAL ASSETS		420,445	411,492
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		3,064	1,979
Current portion of debt	15	11,750	8,000
Income taxes payable		493	-
		15,307	9,979
Non-current liabilities			
Long-term debt	15	66,580	56,125
Deferred tax liabilities	14	23,092	25,173
		104,979	91,277
EQUITY			
Shareholders' equity		315,394	320,003
Non-controlling interest		72	212
		315,466	320,215
TOTAL LIABILITIES AND EQUITY		420,445	411,492

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>2017</u>	<u>2016</u>
		\$	\$
Revenue	16	25,197	11,204
Costs and Expenses			
General and administrative	16	6,125	5,913
Cost of sales - copper stream		3,118	-
Share-based compensation	18	1,058	581
Generative exploration		988	406
Exploration and evaluation assets abandoned or impaired	6	4,112	5,723
Mineral rights and leases		495	816
Amortization and depletion		11,631	8,410
		27,527	21,849
(Loss) earnings from joint ventures	10	(58,054)	4,552
Gain (loss) on disposal of investments and impairment recognition	11 & 12	6,330	(4,713)
Gain on disposal of mineral property	6	2,657	-
Interest on long-term debt		(7,714)	(5,440)
Foreign exchange loss		(1,599)	(513)
Dilution gain on issuance of shares by associate	11	762	-
Impairment on goodwill	9	-	(16,402)
Unrealized gain on fair value adjustment of derivatives		-	348
Share of loss and impairment in associates	11	(2,201)	(7,067)
Loss before income taxes		(62,149)	(39,880)
Income taxes (current and deferred)	14	2,857	(1,416)
Net loss		(65,006)	(38,464)
Net loss attributable to:			
Common shareholders		(64,866)	(38,464)
Non-controlling interest		(140)	-
		(65,006)	(38,464)
Net loss per share			
basic and diluted	17	(1.50)	(0.97)

see accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Loss

(In thousands of Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Net loss	(65,006)	(38,464)
Other comprehensive earnings (loss), net of tax		
To be reclassified subsequently to profit or loss:		
Net unrealized gain (loss) on available-for-sale investments (net of deferred income taxes year to date of \$(1,105) (2016 - income tax recovery of \$428))	6,230	4,904
Adjustment for realized (gain) loss on available-for-sale investments recognized in net earnings (net of deferred income tax recovery year to date of \$709 (2016 - \$4))	(4,639)	26
Total comprehensive loss	(63,415)	(33,534)
Total comprehensive loss attributable to:		
Common shareholders	(63,275)	(33,534)
Non-controlling interest	(140)	-
	(63,415)	(33,534)

see accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

	<u>Note #</u>	<u>2017</u> \$	<u>2016</u> \$
Operating activities			
Net loss		(65,006)	(38,464)
Adjustments for operating activities	19	72,301	29,038
		7,295	(9,426)
Changes in non-cash operating working capital	19	(1,060)	2,963
		6,235	(6,463)
Financing activities			
Proceeds from long-term debt		101,116	-
Repayment of long-term debt	15	(90,929)	(11,000)
Proceeds from issuance of common shares (net of issuance costs of \$2,641)	17	37,620	-
Proceeds from issuance of preferred securities (net of issuance costs of \$399)	17	24,601	-
Repurchase of common shares		(872)	(822)
Dividends paid		(5,204)	(4,789)
		66,332	(16,611)
Investing activities			
Proceeds from sale of investments	11 & 12	12,726	7,972
Net cash from Callinan acquisition	8	-	22,654
Acquisition of Chapada copper stream	13	(65,481)	(10,418)
Net investment in Adventus		-	(222)
Proceeds from disposal of mineral properties		-	1,940
Cash received from joint ventures	10	20,011	21,902
Investment in joint ventures	10	(233)	(916)
Generative exploration	6	(988)	(406)
Exploration and evaluation assets, net of recoveries		(1,182)	(1,463)
Acquisition of investments		(12,167)	(26,897)
Acquisition of property and equipment		-	(38)
		(47,314)	14,108
Net increase (decrease) in cash and cash equivalents		25,253	(8,966)
Cash and cash equivalents, beginning of year		9,577	18,543
Cash and cash equivalents, end of year		34,830	9,577

Supplemental cash flow information (Note 19)

see accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars, except share amounts)

	<u>Common Shares</u>		<u>Preferred Securities</u>		<u>Other Equity</u>	<u>Accumulated</u>	<u>Retained</u>	<u>Total</u>	<u>Non-</u>	<u>Total</u>
	<u>#</u>	<u>\$</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>
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	-	-	-	-	-	-	-	-	212	212
Shares repurchased and cancelled (100,000)	(100,000)	(581)	-	-	-	-	(241)	(822)	-	(822)
Shares issued under offering 7,573,297	7,573,297	96,332	-	-	-	-	-	96,332	-	96,332
Share issue costs -	-	(161)	-	-	-	-	-	(161)	-	(161)
Dividends paid -	-	-	-	-	-	-	(4,789)	(4,789)	-	(4,789)
Share-based compensation -	-	-	-	-	2,203	-	-	2,203	-	2,203
Shares issued under stock option plan 1,979	1,979	42	-	-	(42)	-	-	0	-	0
Balance, April 30, 2016	39,832,102	232,174	-	-	4,572	3,701	79,556	320,003	212	320,215
Net earnings and comprehensive (loss) earnings, May 1, 2016 to April 30, 2017	-	-	-	-	-	1,591	(64,866)	(63,275)	(140)	(63,415)
Shares repurchased and cancelled (90,000)	(90,000)	(561)	-	-	-	-	(311)	(872)	-	(872)
Shares issued (Note 17) 3,578,800	3,578,800	40,262	2,500,000	21,997	-	-	-	62,259	-	62,259
Share issue costs (Note 17) -	-	(1,847)	-	(678)	-	-	-	(2,525)	-	(2,525)
Warrants issued (Note 17) -	-	-	-	-	3,950	-	-	3,950	-	3,950
Dividends paid -	-	-	-	-	-	-	(5,204)	(5,204)	-	(5,204)
Share-based compensation (Note 18) -	-	-	-	-	1,058	-	-	1,058	-	1,058
Shares issued under long-term incentive plan 14,752	14,752	200	-	-	(200)	-	-	-	-	-
Balance, April 30, 2017	43,335,654	270,228	2,500,000	21,319	9,380	5,292	9,175	315,394	72	315,466

see accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Altius Minerals Corporation (“Altius” or the “Corporation”) is a diversified mining royalty, streaming and mineral project generation company with royalty and streaming interests in 15 operating mines located throughout Canada and Brazil. The royalty and stream interests cover mining operations producing copper, zinc, nickel, cobalt, iron ore, precious metals, potash and thermal (electrical) and metallurgical coal. The Corporation 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 21, 2017.

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 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 accrual basis 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 is deemed to have 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
Altius Royalty Corporation	100%	Holding company

Non-controlling interests in the net assets of Adventus Exploration Limited (“Adventus”) (See Note 10) are identified separately from the Corporation’s equity. The non-controlling interest consists of the non-controlling interest’s portion of net assets, loss, and other comprehensive loss.

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, and 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Financial Instruments (continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*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.

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.

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

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, it 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. Streaming revenue is recognized when the commodity credits are determined to have been delivered, the amount of revenue can be measured reliably, it 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.

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 has a Directors' deferred share unit ("DSU") plan 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 and diluted net loss per share is calculated using the weighted average number of common shares for the respective periods. The diluted net loss per share is 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 is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Earnings (loss) per share (continued)*

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 consolidated statements of 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 earnings (loss) 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets – royalty interest in mineral properties (continued)

at each reporting period. The Corporation has no identifiable intangible assets for which the expected useful life is indefinite.

Intangible assets – streaming interest and streaming revenue

Streaming interests are initially recorded at their estimated fair value based on consideration paid to acquire the asset. These intangible assets have finite lives and are amortized and depleted over their useful economic lives on a units of production basis. The amortization and depletion expense is included in the consolidated statement of loss. All intangible assets are reviewed for impairment indicators at each reporting period.

Streaming revenue is recognized when the commodity credits are determined to have been delivered, the amount of revenue can be measured reliably, it 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.

Segment reporting

During the current fiscal year, the Corporation closed a number of significant transactions which have resulted in management reassessing the internal financial reporting structure. Effective May 3, 2016, the Corporation completed its acquisition of Chapada (Note 13) and closed equity and debt financings. In addition, the Corporation completed a legal and tax reorganization to eliminate historical acquisition related structures and align the internal businesses with operational goals. As a result, the Corporation is managing its business under two operating segments consisting of:

- the acquisition and management of producing and development stage mining royalty and streaming interests (“Royalties”), and;
- the acquisition and early stage exploration of mineral resource properties with a goal of vending the properties to third parties in exchange for early stage royalties and minority equity or project interests (“Project Generation”).

Both business segments are evaluated with the goal of being financially self-sustaining and profitable over the full commodity cycle. All assets are allocated between the segments and all revenues and expenses are allocated to each segment based on the specific nature of the revenue or expense. The reportable segments are consistent with the internal reporting structure of the Corporation which is provided to the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) who fulfill the role of the chief operating decision-maker (“CODM”). The CEO and CFO are responsible for assessing performance of the Corporation’s operating segments and for making resource allocation decisions. Intersegment transactions are not significant and are eliminated on consolidation.

The comparative historical segment information has been restated (see Note 24) to reflect the Corporation’s current reportable segments.

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

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

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 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 14 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 and 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

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

goodwill has been allocated (Note 9). Where the actual future cash flows are less than expected, a material impairment loss may arise.

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 10).

Royalty and streaming interests: 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 13) 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 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.

Certain royalty interests in mineral properties and those held in the investment in joint ventures are potentially exposed to new adverse regulations or regulatory requirements relating to the Government of Alberta's plan to phase out coal fired electricity by 2030. Management has determined that no indicators of impairment exist at April 30, 2017, with the exception of the Genesee royalty (Note 10).

The Corporation holds streaming interests in production stage mineral properties. The streaming interests are recorded at the fair value assigned to the assets and are being amortized and depleted using the units of production basis over the expected life of the related 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 streaming interest impact the measurement of the streaming interest. These estimates affect amortization and depletion and the assessment of the recoverability of the carrying value of the streaming interest.

5. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

In 2017, there have been no new amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements. The following amendments to standards were adopted during the current year.

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.

5. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

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).

The following new and amended standards are effective for annual periods beginning on or after January 1, 2017 or later, with earlier adoption 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.

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.

5. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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.

Project	Note	As at	Additions/	Abandoned or	Sold	As at
		April 30, 2016	Reclassifications, net of recoveries	impaired		April 30, 2017
		\$	\$	\$		\$
Labrador						
Natashquan River - Nickel		523	-	-	-	523
Julienne Lake/ Labrador West - Iron Ore		1,896	2	-	-	1,898
Other		100	104	-	-	204
Newfoundland						
Buchans - Zinc	c	349	169	-	(518)	-
Katie - Zinc	c	181	8	-	(189)	-
Moosehead II - Gold		143	139	-	-	282
Taylor Brook - Nickel		276	2	-	-	278
Wilding Lake - Gold	a	14	(14)	-	-	-
Other	c	-	151	-	(5)	146
New Brunswick - Zinc						
		-	21	-	-	21
Quebec - Gold						
		-	7	-	-	7
Alberta, British Columbia & Saskatchewan						
Coal	b	21,294	(191)	(4,112)	-	16,991
Potash		500	-	-	-	500
Gold, Silver	e	-	8	-	-	8
Copper		-	10	-	-	10
United States - Base metals						
		574	98	-	-	672
Ireland - Base metals						
	c & d	338	134	-	(268)	204
Finland - Gold, Nickel						
		-	51	-	-	51
Australia - Zinc, Silver						
		-	41	-	-	41
Security Deposits						
		150	176	-	(2)	324
Total		26,338	916	(4,112)	(982)	22,160

During the year ended April 30, 2017 the Corporation recorded an impairment on certain coal exploration assets as a result of the phase out of coal fired electricity in the province of Alberta.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)*a. Wilding Lake*

On September 15, 2016, the Corporation completed an agreement to option its Wilding Lake property to Northwest Arm Capital Inc., a new TSX Venture Exchange listed Capital Pool Company which has since been renamed as Antler Gold Inc. (“Antler”). The Corporation received 4,500,000 shares of Antler (fair market value of \$2,925,000) in exchange for the Wilding lake property while retaining a 2% net smelter return royalty. The agreement remains in good standing. The Corporation has recorded a gain on disposal of mineral property of \$2,657,000.

b. Telkwa

On October 29, 2016, the Corporation elected to receive its milestone option payment on the Telkwa Coal project (“Telkwa”) in British Columbia in the form of shares. During the year, the private company optionee of Telkwa, Telkwa Coal Limited (“TCL”), was acquired by an Australian based public issuer, Allegiance Coal Ltd. (“Allegiance”). The Corporation holds 10,956,282 shares of Allegiance and retains a project level royalty over the Telkwa project. Under the conditions of the existing agreement, TCL had the right to earn up to a 90 percent interest in the Telkwa project in exchange for staged milestone payments. The Corporation will retain both a sliding scale gross sales royalty that ranges between 1.5% and 3.0% (certain areas subject to underlying royalties) depending upon benchmark coal prices at the time of any coal sale and a 10% project interest. The Corporation received 10,956,282 shares (fair market value of \$425,000) in Allegiance on December 22, 2016 which marked the first milestone option payment on Telkwa.

c. Buchans, Katie and LaPoile

On December 13, 2016, the Corporation participated in the co-founding of a new company, Adventus Zinc Corporation (“Adventus Zinc”), by contributing a portfolio of zinc exploration projects which included the Buchans, Katie and LaPoile projects as well as certain Irish properties in exchange for common shares (Note 11). The value of these shares was determined using book values of the mineral properties transferred of \$982,000.

d. Southwest Cork

On December 31, 2016, the Corporation within our 80% owned Irish subsidiary executed a letter of intent regarding an option/earn-in agreement for the Southwest Cork copper project in Ireland with First Quantum Minerals Ltd. (“FQM”). FQM may earn up to 75% of the project by making staged cash payments of \$325,000 and conducting US\$6,250,000 in exploration work over 7 years. Altius will directly retain a 2% NSR royalty on the project.

e. Gibson

On March 31, 2017 the Corporation signed an agreement to option its Gibson project to Canex Metals Inc. (“Canex”) (TSXV:CANX). Canex will issue to Altius 1,125,000 common shares upon signing of the agreement as part of a series of staged common share payments totaling 3,545,000 million shares (approximately 14% of Canex). Altius retains a right to purchase an underlying 1.5-per-cent net smelter return royalty on certain claims (and a 1% NSR royalty on other claims) and preferential rights on any future royalties or streams granted on the property. If Canex achieves a measured and indicated mineral resource in excess of one million gold equivalent ounces, a milestone payment of 1,275,000 shares will be issued to Altius. Canex is planning an initial mechanical trenching program for summer 2017 of known historical high-grade gold-silver zones.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Project	Note	As at	Additions/ Reclassifications, net of recoveries	Abandoned or impaired	Sold	As at
		April 30, 2015	net of recoveries	impaired	Sold	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 - Zinc		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	f & g	32,724	(8,990)	(500)	(1,940)	21,294
Potash		500	-	-	-	500
Manitoba						
War Baby		-	4,555	(4,555)	-	-
United States - Base metals	h	-	574	-	-	574
Ireland - Base metals		-	338	-	-	338
Security Deposits		150	229	(229)	-	150
Total		36,349	(2,348)	(5,723)	(1,940)	26,338

f. Sheerness West

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 13).

g. Land dispositions

During the year ended April 30, 2016, parcels of land in Alberta were sold for proceeds of \$1,940,000. 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 were applied against the Corporation’s Credit Facility (Note 15).

h. Voyageur

During fiscal 2016, the Corporation and Bitterroot Resources Ltd. (“Bitterroot”) closed a strategic transaction under which the Corporation agreed to finance future mineral exploration on Bitterroot's Voyageur Lands and Copper Range Lands in the Upper Peninsula of Michigan (the “Properties”). The Corporation acquired a 50.1% interest in the Properties and agreed to fund \$600,000 of exploration expenditures on the Properties before

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

September 29, 2016. Following the Year 1 earn-in, the Corporation has the right to 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 were subject to the Corporation funding the required Year 1 exploration expenditures. The Corporation met its Year 1 exploration expenditure requirement.

7. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	<u>2017</u>	<u>2016</u>
	\$	\$
Chapada non-refundable deposit	-	10,418
Deferred acquisition related costs	-	1,994
Other	<u>609</u>	<u>403</u>
Total prepaid expenses	<u>609</u>	12,815
Trade receivables	<u>5,000</u>	<u>2,658</u>
Total accounts receivable and prepaid expenses	<u>5,609</u>	<u>15,473</u>

8. ACQUISITIONS

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 reclassified the investment at May 5, 2015 and 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 was recognized in the consolidated statement of loss.

The net purchase price of the acquisition of Callinan, before acquisition costs, was allocated based on the estimated fair value of the net assets acquired from Callinan. An amount of \$14,109,000 was 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

8. ACQUISITIONS (CONTINUED)

tax value of such assets. Initially, 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 at the time of purchase 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 had 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.

Allocation of net purchase price of Callinan

The net purchase price was 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:

	<u>Callinan</u>	<u>Fair Value and Other Adjustments</u>	<u>Net Total</u>
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 13)	6,682	45,974	52,656
Exploration and evaluation assets (Note 6)	-	4,820	4,820
Mining and other investments (Note 12)	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 14)	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>

9. GOODWILL

Balance, April 30, 2015	-
Acquisition of Callinan	27,400
Less: impairment	(16,402)
Balance, April 30, 2016	10,998
Less: impairment	-
Balance April 30, 2017	10,998

9. GOODWILL (CONTINUED)

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

At April 30, 2017 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 and the related deferred tax attributes. There was no evidence of impairment indicators identified during the current year. The Corporation has monitored the public documentation disclosed regarding the mine by Hudbay, the mine and mill operator of 777, as well as commodity prices such as copper, zinc, gold and silver. Public disclosure by the mine operator indicated that grades and recoveries were declining as the end of mine life approached; however, commodity prices appreciated significantly during the year negating the impact. The mine is still expected to close in 2020.

For the impairment test, value in use (“VIU”) was used to determine the recoverable amount since it was greater 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 the 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 4 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 consistent with the acquisition of Callinan representing the shorter mine life. The cash flow calculations were based on estimates of future production levels using expected tonnage based published production guidance. Commodity prices used in the impairment assessment were determined by reference to external market participant sources. The key commodity prices for this assessment are the prices of copper, zinc, silver and gold as follows:

	2018	2019	2020	2021
Copper (\$US/lb)	2.60	2.70	2.80	3.00
Zinc (\$US/lb)	1.29	1.29	1.22	1.18
Gold (\$US/oz)	1,245	1,285	1,295	1,300
Silver (\$US/oz)	17.85	18.65	19.25	19.60
Foreign exchange (US to CAD)	1.30	1.28	1.28	1.25

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 the 777 mine’s fair value as the assumptions are inextricably linked.

As at April 30, 2017 the estimated recoverable amount of the 777 mine exceeded the carrying amount and as a result no impairment charge was required (2016 - \$16,402,000). The remaining goodwill balance of \$10,998,000 constitutes the related deferred tax attributes on life of mine extension that were recorded on acquisition of Callinan (Note 8).

10. INTERESTS IN JOINT VENTURES

	<u>LNRLP</u>	<u>Prairie Royalties</u>	<u>Other</u>	<u>Total</u>
	\$	\$	\$	\$
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
Additions	-	-	233	233
Loss	(365)	(57,456)	(233)	(58,054)
Cash (receipts) disbursements	365	(20,376)	-	(20,011)
Balance, April 30, 2017	5,717	145,991	-	151,708

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 over the Voisey’s Bay nickel-copper-cobalt mine located in Northeastern Labrador, Canada. LNRLP’s sole business is the receipt and distribution of the NSR on the mine. Historically, distributions to the partners have been on a quarterly basis.

The Corporation holds an indirect 52.369% interest in the Genesee Royalty Limited Partnership, the Coal Royalty Limited Partnership, and the Potash Royalty Limited Partnership, (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 and have entered into leases or similar agreements with mining companies and electrical utilities that, in return for payment of a royalty, grant these companies the right to exploit the subsurface mineral resources.

During the year the Genesee Royalty Limited Partnership (“GRLP”) recorded an impairment on its royalty interests in relation to the phase out of coal fired electrical power in Alberta by 2030. On November 24, 2016 the Government of Alberta announced they had agreed to make payments to certain power producers to compensate them for the shut-down of their coal-fired electrical facilities in the Province of Alberta by 2030. GRLP has contracts to provide coal to these power producers which were expected to extend beyond 2030. Included in the April 30, 2017 loss from joint ventures is an impairment charge of \$72,001,000 (2016 - \$nil). Value in use was used to determine the recoverable amount since it was greater than the fair value less costs of disposal. Value in use was calculated using discounted after-tax cash flows based on cash flow projections and assumptions supporting GRLP’s royalty interest in the Genesee mine. An after-tax discount rate of 5% was used.

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, 2017 the Corporation invested an additional \$233,000 (2016 - \$916,000) in Mining Equity. The Corporation may choose to invest an additional \$949,000 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 which allowed the Corporation to increase total ownership to 80% (the “Agreement”) with Adventus Exploration Limited (“Adventus Exploration”), 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 Exploration, acquired pursuant to the purchase of Callinan. The Agreement had two subscriptions.

10. INTERESTS IN JOINT VENTURES (CONTINUED)

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 Exploration. Effective April 30, 2016 the Corporation consolidated the net assets of Adventus and recognized a non-controlling interest and discontinued equity accounting for Adventus Exploration as an investment in joint venture in accordance with IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates. See Note 11 for a discussion of the disposition of Adventus Exploration's zinc assets.

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)	
	2017	2016	2017	2016
	\$	\$	\$	\$
Balance Sheets				
Current assets	-	-	27,479	21,322
Royalty interests	5,717	5,717	269,072	417,877
Non-current assets	-	-	-	-
Current liabilities	-	-	184	7
Non-current liabilities	-	-	-	-
Statement of Earnings				
Royalty revenue	-	1,430	40,421	39,053
Royalty tax	-	(286)	-	-
General and administrative	(365)	(58)	1,084	(600)
Amortization	-	(493)	11,572	(11,786)
Impairment	-	-	137,488	(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

(3) The Corporation does not have additional financial information relating to Mining Equity

11. INVESTMENT IN ASSOCIATES

	<u>Alderon</u>	<u>Adventus Zinc</u>	<u>Total</u>
	\$	\$	\$
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
Additions (disposals)	(25)	1,336	1,311
Receipt in exchange for mineral property	-	983	983
Share of loss in associates	(1,889)	(312)	(2,201)
Dilution gain on issuance of shares by associates	-	762	762
Balance, April 30, 2017	551	2,769	3,320

Percentage ownership:

At April 30, 2016:	24.9%	0%
At April 30, 2017:	24.6%	26.6%

On December 8 and 9, 2016 the Corporation participated in the co-founding of a new company, Adventus Zinc Corporation (“Adventus Zinc”), by contributing a portfolio of zinc exploration projects from its Newfoundland and Irish properties. In exchange for the properties the Corporation received shares in Adventus Zinc. On December 15, 2016 the Corporation contributed cash of \$1,336,000 for additional shares in Adventus Zinc, along with other companies and certain individuals, and diluted its ownership to 30.6%, resulting in a dilution gain of \$566,000 (2016 – \$nil). On February 9, 2017 Adventus Zinc completed its initial public offering and began trading as a public company on the TSXV. The Corporation currently holds 12,114,012 shares and its ownership was further diluted to 26.58% resulting in an additional dilution gain of \$196,000 (2016 - \$nil).

The Corporation currently holds 32,537,006 shares in Alderon Iron Ore Corporation (“Alderon”) or 24.6% (April 30, 2016 - 24.9%) of the total shares outstanding. During the year ended April 30, 2017 the Corporation disposed of 332,000 shares having a carrying value of \$25,000 for gross cash proceeds of \$165,000 and recognized a gain on disposal of \$140,000. The Corporation also retains a 3% gross sales royalty relating to any potential future mining operations on Alderon’s Kami iron ore property.

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:

11. INVESTMENT IN ASSOCIATES (CONTINUED)

	<u>Alderon</u>		<u>Adventus Zinc</u>
	\$	\$	\$
			(1)
Fiscal year end	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016
Balance Sheets			
Current assets	10,605	15,688	8,236
Current liabilities	(11,666)	(10,632)	(771)
Non-current assets	247,491	247,322	1,251
Non-current liabilities	(21,412)	(20,843)	-
Statement of Earnings			
Revenue	-	-	-
Net loss	(6,597)	(2,501)	(302)

(1) 69 day period ended December 31, 2016

12. MINING AND OTHER INVESTMENTS

	\$
Balance, April 30, 2015	17,085
Additions	31,474
Reclassification to available - for - sale investments	(6,409)
Disposals	(6,693)
Impairment recognition	(6,187)
Revaluation	5,366
Balance, April 30, 2016	34,636
Additions	14,271
Disposals	(6,121)
Impairment recognition	(250)
Revaluation	1,987
Balance, April 30, 2017	44,523

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 investments having a carrying value of \$6,121,000 for gross cash proceeds of \$12,561,000 and recognized a gain on disposal of \$6,440,000 during the year ended April 30, 2017. 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 the April 2016 amounts was the reclassification of 2,901,000 shares in Callinan in accordance with IFRS 3.

13. ROYALTY AND STREAMING INTERESTS

	As at April 30, 2016	Additions / Reclassifications	As at April 30, 2017
	\$	\$	\$
Royalty interests			
Rocanville - Potash	5,000	-	5,000
Esterhazy - Potash	3,000	-	3,000
Other potash	7,000	-	7,000
Coal & coal bed methane	8,000	-	8,000
777 Mine - Copper & zinc	47,356	-	47,356
Gunnison - Copper	5,300	-	5,300
Sheerness West - Coal	9,000	-	9,000
Streaming interest			
Chapada - Copper	-	77,634	77,634
Balance, end of period	84,656	77,634	162,290
Accumulated amortization and depletion			
Rocanville - Potash	33	16	49
Esterhazy - Potash	32	15	47
Other potash	-	37	37
Coal & coal bed methane	800	367	1,167
777 Mine - Copper & zinc	7,850	8,135	15,985
Gunnison - Copper	-	-	-
Sheerness West - Coal	-	-	-
Streaming interest			
Chapada - Copper	-	3,024	3,024
Balance, end of period	8,715	11,594	20,309
Net book value	75,941	66,040	141,981

13. ROYALTY AND STREAMING INTERESTS (CONTINUED)

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

On May 3, 2016 the Corporation closed a copper purchase agreement (the "Agreement") related to the Chapada copper-gold mine located in central Brazil. The Corporation paid US\$60,000,000 (CAD \$75,820,000) and issued 400,000 common share purchase warrants to a subsidiary of Yamana Gold Inc. ("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 an expansion at Chapada or upon delivery of 75 million pounds of payable copper.

At April 30, 2017 \$867,000 in acquisition costs have been capitalized to the asset, all of which were deferred as at April 30, 2016. The warrants were valued using the Black-Scholes option pricing model. The fair value calculated of \$947,000 has been recorded as part of the streaming interest with the offsetting amount ascribed to equity.

14. INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Temporary differences related to exploration and evaluation assets, property and other	(2,529)	(3,850)
Non capital and net capital loss carryforwards	1,310	1,569
Carrying value of investments (in excess) less than tax values	(1,351)	797
Deferred partnership income	-	(144)
Deferred and deductible share-based compensation	708	538
Share and debt issue costs	1,548	1,287
Carrying values in excess of tax values relating to royalty and streaming interests in mineral properties	(18,243)	(20,504)
	(18,557)	(20,307)

	<u>2017</u>	<u>2016</u>
	\$	\$
Deferred tax liabilities	(23,092)	(25,173)
Deferred tax assets	4,535	4,866
Total deferred income tax	(18,557)	(20,307)

The Corporation has \$141,000,000 (2016 - \$218,000,000) of temporary differences associated with investments in joint ventures on which deferred tax liabilities have not been recognized given the Corporation has the ability to control the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates of 30% (2016 – 29%) to earnings before taxes. The differences result from the following items:

	<u>2017</u>	<u>2016</u>
	\$	\$
Expected tax recovery	(18,645)	(11,565)
Non-taxable portion of capital gains and losses	(1,186)	1,466
Adjustments in relation to earnings from associates and joint ventures	23,022	9,030
Differences in statutory rates on earnings of subsidiaries	(334)	(347)
	2,857	(1,416)
Current tax	3920	3952
Deferred tax	(1,063)	(5,368)
	2,857	(1,416)

15. DEBT

At amortized cost	<u>2017</u>	<u>2016</u>
	\$	\$
Long-term debt	78,330	64,125
Current	11,750	8,000
Non-current	66,580	56,125
	78,330	64,125

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 were 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. Additional draw-downs on the Revolving Facility are permitted for future qualifying royalty and streaming acquisitions.

On May 3, 2016 the Corporation drew down the full amount of the Term Facility of \$70,000,000 and \$33,000,000 CAD (\$26,000,000 USD) on the Revolving Facility to repay its previous credit facility of \$66,000,000 CAD led by Sprott Resource Lending Partnership and to pay a portion of the purchase price related to the Chapada copper purchase agreement (Note 13).

The New Credit Facilities allow for optional prepayments without penalty of principal upon notice. 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.

The Corporation recorded against the balance of the debt costs of \$2,084,000 that are directly attributable to securing the New Credit Facilities and is amortizing these costs over the life of the Term Facility using an effective interest rate of 5.78% and over the life of the Revolving Facility on a straight-line basis. During the year ended April 30, 2017 \$677,000 of the costs were recognized in the statement of loss.

Net costs of \$1,875,000 associated with the previous credit facility were recognized in the statement of loss during the year ended April 30, 2017 after the repayment of the debt (2016 - \$739,000).

In accordance with the terms of the New Credit Facilities the Corporation has repaid \$24,929,000 during the year ended April 30, 2017, of which \$8,000,000 represented required quarterly principal repayments on the Term Facility. The balance of \$16,929,000 (\$13,000,000 US) was paid on the Revolving Facility.

As at April 30, 2017 the Corporation is in compliance with all debt covenants.

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

15. DEBT (CONTINUED)

	\$
2017	11,750
2018	13,000
2019	30,737
2020	24,250
	<u>79,737</u>
Less: unamortized debt costs	<u>1,407</u>
	<u>78,330</u>

16. REVENUE AND GENERAL AND ADMINISTRATIVE
Revenue

	<u>2017</u>	<u>2016</u>
	\$	\$
Royalty and stream	23,036	9,885
Interest and investment	1,827	1,317
Other	334	2
Total revenue	<u>25,197</u>	<u>11,204</u>

General and administrative expenses

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and benefits	3,703	3,097
Office and administrative	847	1,033
Professional and consulting fees	1,218	1,359
Travel and accommodations	357	424
Total general and administrative	<u>6,125</u>	<u>5,913</u>

17. 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.

17. SHARE CAPITAL (CONTINUED)

During the year ended April 30, 2017 the Corporation repurchased and cancelled 90,000 common shares for a total cost of \$872,000 under its normal course issuer bid (2016- \$822,000).

Chapada

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.

The Corporation used the net proceeds of the Offering for general corporate purposes and to partially fund the Agreement with Yamana in connection with the Chapada copper-gold mine in Brazil. The Corporation paid share issuance costs of \$2,641,000 which were recorded against equity and reported net of deferred tax of \$794,000. At April 30, 2016 \$388,000 of these costs had been deferred. The 400,000 warrants, issued to a subsidiary of Yamana, were assigned a fair value of \$947,000 using the Black-Scholes option pricing model. The warrants expire on May 3, 2021 and have a strike price of \$14.00.

Callinan

On May 5, 2015 the Corporation issued 7,573,297 common shares to the shareholders of Callinan under the Arrangement as described in Note 8. In addition, there were 326,000 common shares reserved for outstanding Callinan warrants which had 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 paid share issuance costs of \$226,000 which are recorded against equity and reported net of deferred tax of \$65,000. 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 was included in the consolidated statement of loss.

Net earnings (loss) per share

	<u>2017</u>	<u>2016</u>
Weighted average number of shares:		
Basic and diluted	43,337,040	39,804,041

Other equity reserves

Other equity reserves consist of share-based payment reserves of \$3,069,000, warrants of \$3,950,000 and contributed surplus of \$2,361,000 for a total of \$9,380,000. Share-based payment reserve amounts are in respect of stock options, deferred share units ("DSUs"), and restricted share units ("RSUs").

Preferred Securities

On April 26, 2017 the Corporation executed an agreement with Fairfax Financial Holdings Limited and certain of its subsidiaries (collectively "Fairfax") which will allow Fairfax to invest up to \$100,000,000 in the Corporation's preferred securities and common share purchase warrants. Fairfax has agreed to purchase, on a private placement basis, a \$10, 5% preferred security, in an aggregate amount of up to \$100,000,000, issuable in tranches of not less than \$25,000,000. On April 26, 2017 the Corporation closed an initial sale of preferred securities for \$25,000,000 and has sole discretion until December 31, 2017 to require additional purchases by Fairfax for the remaining \$75,000,000. The preferred securities are subordinate secured securities that may be repaid by the Corporation at any time after April 26, 2022 and at any time after April 26, 2020 if the volume-weighted average trading price

17. SHARE CAPITAL (CONTINUED)

of its common shares for any 10 day period after April 26, 2020 is at least \$24 per share. The preferred securities have a maturity date of April 26, 2102 and are considered an instrument consisting of both debt and equity. The Corporation used a net present value calculation and determined that the debt component is nominal given the maturity date and, as a result, the preferred securities are presented as equity in the consolidated financial statements. The Corporation recorded \$678,000 in share issue costs which were recorded against equity, and were reported net of deferred tax of \$287,000.

On April 26, 2017 the Corporation also issued 6,670,000 common share purchase warrants, exercisable at \$15 per share, which will vest proportionately based on the aggregate amount of preferred securities purchased by the Fairfax entities under the private placement. Each vested warrant will be exercisable on or prior to April 26, 2022 but the expiry date will be extended to April 26, 2024 if the closing price of the Corporation's common shares is less than \$24 per share on April 26, 2022. The Corporation can also elect to require early exercise of the warrants if the volume-weighted average trading price of the Corporation's common shares for any 10 day period reaches \$24 per share at any time after April 26, 2020. The Corporation assigned a fair value of \$3,003,000 to the warrants using the Black-Scholes option pricing model.

18. 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.

The Corporation implemented a new Long Term Incentive Plan ("LTIP") during the prior 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 discretion; RSUs were implemented and are equity or cash settled at the Corporation's discretion; and the stock option plan remains unchanged.

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Stock option expense	352	348
Share appreciation rights	-	(296)
Directors' deferred share unit expense	325	223
Restricted share unit expense	381	306
	<u>1,058</u>	<u>581</u>

18. SHARE-BASED COMPENSATION (CONTINUED)

A summary of the status of the Corporation's stock option plan as of April 30, 2017, and changes during the year then ended, is as follows:

	<u>2017</u>	Weighted	<u>2016</u>	Weighted
	Number of	Average	Number of	Average
	Options	Exercise Price	Options	Exercise Price
		\$		\$
Outstanding, beginning of year	159,027	14.25	10,000	10.13
Granted	115,906	10.62	159,027	14.25
Exercised	-	-	(10,000)	10.13
Outstanding, end of year	274,933	12.72	159,027	14.25
Exercisable, end of year	86,793	13.28	31,807	14.25

There were 115,906 stock options granted during the year ended April 30, 2017 (2016 - 159,027). The weighted-average fair value of stock options granted during the year ended April 30, 2017 was estimated on the dates of grant to be \$3.44 (2016 - \$4.00) using the Black-Scholes option pricing model with the following assumptions:

	<u>2017</u>	<u>2016</u>
Expected life (years)	5.00	5.00
Risk-free interest rate (%)	0.72	0.80
Expected volatility (%)	36.14	33.70
Expected dividend yield (%)	1.08	0.84

A summary of the status of the Corporation's SARs, RSUs and DSUs as of April 30, 2017 is as follows:

	Number of	Number of	Number of
	SARs	RSUs	DSUs
Outstanding, April 30, 2015	233,334	-	104,259
Granted	-	44,299	32,682
Settled	(233,334)	-	-
Outstanding, April 30, 2016	-	44,299	136,941
Granted	-	33,620	34,001
Settled	-	(14,752)	-
Outstanding, April 30, 2017	-	63,167	170,942
Exercisable, April 30, 2017	-	-	157,790

19. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2017</u>	<u>2016</u>
	\$	\$
Adjustments for operating activities:		
Generative exploration	988	406
Exploration and evaluation assets abandoned or impaired	4,112	5,723
Share-based compensation	1,058	581
Cash-settled stock appreciation rights	-	(208)
Unrealized foreign exchange loss	1,388	-
Impairment on goodwill	-	16,402
Amortization and depletion	11,631	8,410
Interest on long-term debt	7,714	5,440
Interest paid	(5,368)	(4,701)
Gain on disposal of mineral property	(2,657)	-
(Gain) loss on disposal of investments and impairment recognition	(6,330)	4,713
Unrealized (gain) on fair value adjustment of derivatives	-	(348)
Loss (earnings) from joint ventures	58,054	(4,552)
Share of loss and impairment in associates	2,201	7,067
Dilution gain on issuance of shares by associates	(762)	-
Income taxes (recovery)	2,857	(1,416)
Income taxes paid	(2,585)	(8,479)
	72,301	29,038
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(2,533)	4,030
Accounts payable and accrued liabilities	1,473	(1,067)
	(1,060)	2,963
Cash and cash equivalents consist of:		
Deposits with banks	33,973	8,342
Short-term investments	857	1,235
	34,830	9,577

20. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2017 the Corporation billed Mining Equity (a joint venture investment) for the reimbursement of exploration and consulting assistance totaling \$174,000 (2016 - \$158,700) of which \$16,000 is included in the accounts receivable balance at April 30, 2017 (2016 - \$140,000).

Strauss Partners Ltd., which is owned by director Jamie Strauss, was paid \$50,000 (GBP 30,000) during the year ended April 30, 2017 (2016 - \$nil) for marketing and investor relations services.

The Corporation billed Adventus Zinc \$40,000 during the year ended April 30, 2017 for administrative services (2016 - \$nil) and \$208,000 for reimbursement of property, exploration, consulting, professional and general administrative expenses (2016 - \$nil) of which \$60,000 is included in accounts receivable at April 30, 2017 (2016 - \$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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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 paid to key management personnel and directors is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and benefits	2,179	1,870
Share-based compensation	1,058	581
	3,237	2,451

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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments recorded at fair value on the consolidated balance sheets 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.

Fair values of the Corporation's financial assets and financial liabilities were determined as follows:

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
As at April 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	TOTAL
	\$	\$	\$	\$
FINANCIAL ASSETS				
Short-term investments in cash equivalents	857	-	-	857
Mining and other investments	44,523	-	-	44,523
TOTAL FINANCIAL ASSETS	45,380	-	-	45,380

FINANCIAL LIABILITIES	-	-	-	-
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As at April 30, 2016:

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

FINANCIAL LIABILITIES	-	381	-	381
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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.

Foreign currency risk

Certain royalty and streaming 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

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

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, 2017, a 10% change in the US dollar to Canadian dollar exchange rate could affect net earnings by approximately \$230,000.

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 as a result of 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 monitoring debt balances and making discretionary payments, as well as maintaining a diversified royalty portfolio. 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, 2017, a +/- 1% change in the effective interest rates in respect of cash and cash equivalents would affect comprehensive earnings by \$244,000 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, 2017, the Corporation's mining and other investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings by \$7,569,000 net of applicable taxes.

22. 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, 2016 and has continued these distributions during the year ended April 30, 2017. The Corporation is subject to external capital requirements on long-term debt and is in compliance with all covenant requirements as at April 30, 2017 and this continues to be assessed on a quarterly basis.

23. COMMITMENTS
Operating leases

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

	\$
2018	202
2019	168
	370

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, posting a refundable security bond for the deficient amount or elect to allow title of the license be cancelled. The Corporation is required to spend \$869,000 by April 30, 2018 in order to maintain various licenses in good standing.

24. SEGMENTED INFORMATION

Key measures used by the CODM in assessing performance and in making resource allocation decisions are earnings before interest, tax, depreciation and amortization and other income (expenses) ("adjusted EBITDA") and earnings before income taxes. Both measures enable the determination of cash return on the equity deployed and overall profitability for each segment. Revenue and expenses from the LNRLP and Prairie Royalties joint ventures (see Note 10) are included in the Royalties segment on a gross revenue and expense basis and adjusted to earnings in joint ventures (under the equity method) in the adjustment column of the table.

24. SEGMENTED INFORMATION (CONTINUED)
Reportable Segments
Year ended April 30, 2017

	<u>Royalties</u>	<u>Project Generation</u>	<u>Subtotal</u>	<u>Adjustment for Joint Ventures</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Revenue	46,028	337	46,365	(21,168)	25,197
Costs and Expenses					
General and administrative	4,441	2,612	7,053	(928)	6,125
Cost of sales - copper stream	3,118	-	3,118	-	3,118
Generative exploration	-	988	988	-	988
Mineral rights and leases	64	431	495	-	495
Adjusted EBITDA	38,405	(3,694)	34,711	(20,240)	14,471
Share-based compensation	(629)	(429)	(1,058)	-	(1,058)
Amortization and depletion	(17,656)	(35)	(17,691)	6,060	(11,631)
Impairment of royalty interests	(72,001)	-	(72,001)	72,001	-
Loss from joint ventures	-	(233)	(233)	(57,821)	(58,054)
Gain on disposal of investments and impairment recognition	-	6,330	6,330	-	6,330
Gain on disposal of minerals property	-	2,657	2,657	-	2,657
Foreign exchange loss	(1,599)	-	(1,599)	-	(1,599)
Exploration and evaluation assets abandoned or impaired	-	(4,112)	(4,112)	-	(4,112)
Dilution gain on issuance of shares by associate	-	762	762	-	762
Share of loss and impairment in associates	-	(2,201)	(2,201)	-	(2,201)
Interest on long-term debt	(7,714)	-	(7,714)	-	(7,714)
(Loss) earnings before income taxes	(61,194)	(955)	(62,149)	-	(62,149)
Income taxes (current and deferred)					2,857
Net loss					(65,006)

	<u>Royalties</u>	<u>Project Generation</u>	<u>Subtotal</u>	<u>Adjustment for Joint Ventures</u>	<u>Total</u>
Supplementary information					
Total assets	374,561	45,884	420,445	-	420,445
Cash flow from (used)					
Operating activities	29,079	(2,833)	26,246	(20,011)	6,235
Financing activities	66,332	-	66,332	-	66,332
Investing activities	(76,279)	8,954	(67,325)	20,011	(47,314)
Total cash flow (used)	19,132	6,121	25,253	-	25,253

24. SEGMENTED INFORMATION (CONTINUED)
Reportable Segments
Year ended April 30, 2016

	<u>Royalties</u>	<u>Project Generation</u>	<u>Subtotal</u>	<u>Adjustment for Joint Ventures</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Revenue	33,083	2	33,085	(21,881)	11,204
Costs and Expenses					
General and administrative	3,923	2,365	6,288	(375)	5,913
Mining taxes	286	-	286	(286)	-
Generative exploration	-	406	406	-	406
Mineral rights and leases	64	752	816	-	816
Adjusted EBITDA	28,810	(3,521)	25,289	(21,220)	4,069
Share-based compensation	(349)	(232)	(581)	-	(581)
Exploration and evaluation assets abandoned or impaired	-	(5,723)	(5,723)	-	(5,723)
Impairment - royalty interests	(8,970)	-	(8,970)	8,970	-
Amortization and depletion	(14,948)	(128)	(15,076)	6,666	(8,410)
Earnings (loss) from joint ventures	-	(1,032)	(1,032)	5,584	4,552
Gain on disposal of investments	(3,285)	(1,428)	(4,713)	-	(4,713)
Foreign exchange loss	(513)	-	(513)	-	(513)
Impairment of goodwill	(16,402)	-	(16,402)	-	(16,402)
Fair value adjustment - derivative	348	-	348	-	348
Interest on long-term debt	(5,440)	-	(5,440)	-	(5,440)
Share of loss and impairment in associates	-	(7,067)	(7,067)	-	(7,067)
Loss before income taxes	(20,749)	(19,131)	(39,880)	-	(39,880)
Income taxes (current and deferred)					(1,416)
Net loss					(38,464)

Supplementary information	<u>Royalties</u>	<u>Project Generation</u>	<u>Subtotal</u>	<u>Adjustment for Joint Ventures</u>	<u>Total</u>
Total assets	363,427	48,065	411,492	-	411,492
Cash flow from (used)					
Operating activities	18,990	(3,551)	15,439	(21,902)	(6,463)
Financing activities	(16,611)	-	(16,611)	-	(16,611)
Investing activities	(10,529)	2,735	(7,794)	21,902	14,108
Total cash flow (used)	(8,150)	(816)	(8,966)	-	(8,966)

25. SUBSEQUENT EVENT

On June 1, 2017 the Corporation invested \$10 million in an unsecured subordinated convertible debenture (the “Debenture”) of Champion Iron Limited (“Champion”). The investment is a component of a \$40 million debt and equity bridge financing which Champion arranged for its subsidiary Quebec Iron Ore Inc. (“QIO”) in connection with the proposed restart of operations at QIO’s Bloom Lake Iron Mine (“Bloom Lake”) located near Fermont, Quebec. The Debenture is convertible at the option of the Corporation at any time into Champion common shares at a conversion price of \$1.00 per share. If Champion and QIO do not complete a master financing of a minimum of \$212 million to finance certain Bloom Lake capital expenditures by November 30, 2017 then the conversion price will be adjusted to the lesser of \$1.00 or to the five-day weighted average trading price of the shares on the TSX determined as of the date of conversion. The maximum number of shares that may be issued upon conversion of the Debenture is 50,000,000 with the balance of the unconverted principal amount of the Debenture, if any, to be repaid in cash or converted into a proportion of a royalty at the option of Champion. If the principal amount is not repaid in full on or before the second anniversary of the Debenture, the Corporation will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on the Bloom Lake project. The Debenture has a term to maturity of 12 months and will bear interest at a rate of 8% payable quarterly.