



*Condensed Consolidated Interim Financial Statements  
For the three months ended  
July 31, 2015 and 2014  
(Unaudited)*

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**Condensed Consolidated Interim Balance Sheets**

(Unaudited - In thousands of Canadian dollars)

As at,

|  | <u>Note #</u> | <b>July 31,</b><br><b><u>2015</u></b><br>\$ | April 30,<br><u>2015</u><br>\$ |
|--|---------------|---|--------------------------------|
| <b>ASSETS</b>                            |               |   |                                |
| <b>Current assets</b>                    |               |   |                                |
| Cash and cash equivalents                | 6 & 15        | 15,477                                      | 18,543                         |
| Accounts receivable and prepaid expenses | 6             | 4,432                                       | 1,220                          |
| Income taxes receivable                  |               | 383   | 383                            |
|  |               | <b>20,292</b>                               | 20,146                         |
| <b>Non-current assets</b>                |               |   |                                |
| Royalty interests in mineral properties  | 6 & 10        | 82,395                                      | 22,567                         |
| Exploration and evaluation assets        | 5 & 6         | 31,072                                      | 36,349                         |
| Goodwill                                 | 6             | 26,533                                      | -                              |
| Property and equipment                   |               | 117   | 124                            |
| Interests in joint ventures              | 7             | 243,775                                     | 245,858                        |
| Investments in associates                | 8             | 8,942                                       | 9,532                          |
| Mining and other investments             | 6 & 9         | 35,167                                      | 17,085                         |
| Deferred income taxes                    | 6 & 11        | 5,070                                       | 4,230                          |
|  |               | <b>433,071</b>                              | 335,745                        |
| <b>TOTAL ASSETS</b>                      |               | <b>453,363</b>                              | 355,891                        |
| <b>LIABILITIES</b>                       |               |   |                                |
| <b>Current liabilities</b>               |               |   |                                |
| Accounts payable and accrued liabilities | 6             | 577   | 1,790                          |
| Income taxes payable                     |               | 552   | 1,685                          |
| Current portion of debt                  | 12            | 10,314                                      | 11,000                         |
|  |               | <b>11,443</b>                               | 14,475                         |
| <b>Non-current liabilities</b>           |               |   |                                |
| Other liabilities                        |               | 2,432                                       | 1,830                          |
| Long-term debt                           | 12            | 61,582                                      | 63,386                         |
| Deferred income taxes                    | 6 & 11        | 28,366                                      | 15,426                         |
|  |               | <b>103,823</b>                              | 95,117                         |
| <b>EQUITY</b>                            |               |   |                                |
| Shareholders' equity                     |               | 349,540                                     | 260,774                        |
|  |               | <b>349,540</b>                              | 260,774                        |
| <b>TOTAL LIABILITIES AND EQUITY</b>      |               | <b>453,363</b>                              | 355,891                        |

**Condensed Consolidated Interim Statements of Loss**

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

|  | <u>Note #</u> | <b>Three months ended</b> |             |
|--|---------------|---------------------------|-------------|
|  |               | <b>July 31,</b>           |             |
|  |               | <b>2015</b>               | <b>2014</b> |
|  |               | <b>\$</b>                 | <b>\$</b>   |
| <b>Revenue</b>   |               |                           |             |
| Royalty  |               | <b>2,987</b>              | 504         |
| Interest and investment                                    |               | <b>366</b>                | 81          |
| Other  |               | -                         | 21          |
|  |               | <b>3,353</b>              | 606         |
| <b>Expenses</b>  |               |                           |             |
| General and administrative                                 | 13            | <b>3,087</b>              | 1,315       |
| Share-based compensation                                   |               | <b>434</b>                | 192         |
| Generative exploration                                     |               | <b>116</b>                | 179         |
| Exploration and evaluation assets abandoned or impaired    | 5             | <b>342</b>                | -           |
| Mineral rights and leases                                  |               | <b>217</b>                | 122         |
| Interest on long-term debt                                 |               | <b>1,447</b>              | 2,892       |
| Amortization   |               | <b>1,836</b>              | 55          |
|  |               | <b>7,479</b>              | 4,755       |
| Earnings from joint ventures                               | 7             | <b>3,343</b>              | 4,068       |
| Unrealized loss on fair value adjustment of derivatives    |               | -                         | (1,299)     |
| Loss on disposal of investments and impairment recognition | 9             | <b>(62)</b>               | (722)       |
| Dilution gain on issuance of shares by associates          | 8             | -                         | 28          |
| Share of loss and impairment in associates                 | 8             | <b>(590)</b>              | (6,541)     |
| Loss before income taxes                                   |               | <b>(1,435)</b>            | (8,615)     |
| <b>Income tax (recovery) expense</b>                       |               |                           |             |
| Current  |               | <b>1,912</b>              | 1,862       |
| Deferred   |               | <b>(1,715)</b>            | (2,342)     |
|  |               | <b>197</b>                | (480)       |
| <b>Net loss</b>  |               | <b>(1,632)</b>            | (8,135)     |
| <b>Net loss attributable to:</b>                           |               |                           |             |
| Common shareholders  |               | <b>(1,632)</b>            | (8,102)     |
| Non-controlling interest                                   |               | -                         | (33)        |
|  |               | <b>(1,632)</b>            | (8,135)     |
| <b>Net loss per share</b>                                  |               |                           |             |
| - basic and diluted  | 14            | <b>(0.04)</b>             | (0.26)      |

see accompanying notes to the condensed consolidated interim financial statements

**Condensed Consolidated Interim Statements of Comprehensive Loss**

 (Unaudited - In thousands of Canadian dollars)
 

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|  | <b>Three months ended</b> |                    |
|--|---------------------------|--------------------|
|  | <b>July 31,</b>           |                    |
|  | <u><b>2015</b></u>        | <u><b>2014</b></u> |
|  | <b>\$</b>                 | <b>\$</b>          |
| <b>Net loss</b>  | <b>(1,632)</b>            | (8,135)            |
| <b>Other comprehensive loss (earnings), net of tax</b>   |                           |                    |
| <b>To be reclassified subsequently to profit or loss:</b>  |                           |                    |
| Currency translation adjustment<br>(net of income taxes year to date of \$5 in 2014 )  | -                         | (34)               |
| Net unrealized (loss) gain on available-for-sale investments<br>(net of deferred income taxes year to date of \$143 (2014 - \$400))                                    | <b>(4,725)</b>            | 2,942              |
| Adjustment for realized (loss) on available-for-sale<br>investments recognized in net loss (net of deferred income tax<br>recovery year to date of \$5 (2014 - \$nil)) | <b>(32)</b>               | (2)                |
| <hr/> <b>Total comprehensive loss</b> <hr/>  | <b>(6,389)</b>            | (5,229)            |
| <br><b>Total comprehensive (loss) earnings attributable to:</b>  |                           |                    |
| Common shareholders  | <b>(6,389)</b>            | (5,254)            |
| Non-controlling interest   | -                         | 25                 |
| <hr/> <b>Total comprehensive (loss) earnings attributable to:</b> <hr/>  | <b>(6,389)</b>            | (5,229)            |

see accompanying notes to the condensed consolidated interim financial statements

**Condensed Consolidated Interim Statements of Cash Flows**
**(Unaudited - In thousands of Canadian dollars)**

|  | <u>Note #</u> | <b>For the three months<br/>ended July 31,</b> |                   |
|--|---------------|--|-------------------|
|  |               | <u>2015</u><br>\$                              | <u>2014</u><br>\$ |
| <b>Operating activities</b>  |               |  |                   |
| Net loss   |               | (1,632)  | (8,135)           |
| Adjustments for operating activities                                   | 15            | (4,167)  | 4,349             |
|  |               | (5,799)  | (3,786)           |
| Changes in non-cash operating working capital                          | 15            | 3,276  | (7,168)           |
|  |               | (2,523)  | (10,954)          |
| <b>Financing activities</b>  |               |  |                   |
| Payments to non-controlling interests                                  |               | -  | (77)              |
| Proceeds from issuance of shares (net of issuance costs)               |               | -  | 61,139            |
| Repayment of long-term debt  | 12            | (2,686)  | (28,200)          |
| Dividends paid   |               | (1,198)  | -                 |
|  |               | (3,884)  | 32,862            |
| <b>Investing activities</b>  |               |  |                   |
| Proceeds from sale of investments                                      | 9             | 690  | 7                 |
| Proceeds from disposal of mineral properties                           | 5             | 686  | -                 |
| Net cash from Callinan acquisition (net of share issue costs of \$221) | 6 & 14        | 22,659   | -                 |
| Cash received from joint ventures                                      | 7             | 6,342  | 1,883             |
| Acquisition of CDP   |               | -  | (21,000)          |
| Investment in joint ventures   | 7             | (916)  | (30)              |
| Generative exploration   |               | (116)  | (179)             |
| Exploration and evaluation assets, net of recoveries                   | 5             | (236)  | (140)             |
| Acquisition of investments   | 9             | (25,767)                                       | (1,504)           |
| Acquisition of property and equipment                                  |               | (1)  | (5)               |
|  |               | 3,341  | (20,968)          |
| Net (decrease) increase in cash and cash equivalents                   |               | (3,066)  | 940               |
| Cash and cash equivalents, beginning of period                         |               | 18,543   | 6,972             |
| <b>Cash and cash equivalents, end of period</b>                        |               | <b>15,477</b>                                  | <b>7,912</b>      |

Supplemental cash flow information (Note 15)

see accompanying notes to the unaudited condensed consolidated interim financial statements

**Condensed Consolidated Interim Statements of Changes in Equity**
**(Unaudited - In thousands of Canadian dollars, except share amounts)**

|   | <u>Common Shares</u> |                | <u>Other Equity Reserves</u> | <u>Accumulated Other Comprehensive (Loss) Earnings</u> | <u>Retained Earnings</u> | <u>Total Shareholders' Equity</u> | <u>Non-controlling interest</u> | <u>Total Equity</u> |
|---|----------------------|----------------|------------------------------|--|--------------------------|-----------------------------------|---------------------------------|---------------------|
|   | #                    | \$             | \$                           | \$   | \$                       | \$                                | \$                              | \$                  |
| Balance, April 30, 2014   | 27,595,821           | 74,287         | 3,087                        | 7,691  | 153,908                  | 238,973                           | 3,042                           | 242,015             |
| Net (loss) earnings and comprehensive loss,<br>May 1, 2014 to July 31, 2014 | -                    | -              | -                            | 2,848  | (8,102)                  | (5,254)                           | 25                              | (5,229)             |
| Payments to non-controlling interest (net of receipts)                      | -                    | -              | -                            | -  | -                        | -                                 | (77)                            | (77)                |
| Shares issued under offering (Note 14)                                      | 4,643,000            | 65,002         | -                            | -  | -                        | 65,002                            | -                               | 65,002              |
| Share-issue costs   | -                    | (3,441)        | -                            | -  | -                        | (3,441)                           | -                               | (3,441)             |
| Shares issued under stock option plan                                       | 1,508                | 8              | (8)                          | -  | -                        | -                                 | -                               | -                   |
| <b>Balance, July 31, 2014</b>   | <b>32,240,329</b>    | <b>135,856</b> | <b>3,079</b>                 | <b>10,539</b>  | <b>145,806</b>           | <b>295,280</b>                    | <b>2,990</b>                    | <b>298,270</b>      |
| Net loss and comprehensive loss,<br>August 1, 2014 to April 30, 2015        | -                    | -              | -                            | (11,768)   | (22,109)                 | (33,877)                          | (354)                           | (34,231)            |
| Payments to non-controlling interest  | -                    | -              | -                            | -  | -                        | -                                 | (239)                           | (239)               |
| Disposal of a subsidiary  | -                    | -              | -                            | -  | -                        | -                                 | (2,397)                         | (2,397)             |
| Share issue costs   | -                    | (34)           | -                            | -  | -                        | (34)                              | -                               | (34)                |
| Dividends paid  | -                    | -              | -                            | -  | (647)                    | (647)                             | -                               | (647)               |
| Shares issued under stock option plan                                       | 116,497              | 720            | (668)                        | -  | -                        | 52                                | -                               | 52                  |
| <b>Balance, April 30, 2015</b>  | <b>32,356,826</b>    | <b>136,542</b> | <b>2,411</b>                 | <b>(1,229)</b>   | <b>123,050</b>           | <b>260,774</b>                    | <b>-</b>                        | <b>260,774</b>      |
| Net loss and comprehensive loss,<br>May 1, 2015 to July 31, 2015            | -                    | -              | -                            | (4,757)  | (1,632)                  | (6,389)                           | -                               | (6,389)             |
| Shares issued for acquisition (Note 6 & 14)                                 | 7,573,297            | 96,332         | -                            | -  | -                        | 96,332                            | -                               | 96,332              |
| Share issue costs (Note 14)   | -                    | (157)          | -                            | -  | -                        | (157)                             | -                               | (157)               |
| Dividends paid  | -                    | -              | -                            | -  | (1,198)                  | (1,198)                           | -                               | (1,198)             |
| Share-based compensation  | -                    | -              | 178                          | -  | -                        | 178                               | -                               | 178                 |
| Shares issued under stock option plan                                       | 1,979                | 42             | (42)                         | -  | -                        | -                                 | -                               | -                   |
| <b>Balance, July 31, 2015</b>   | <b>39,932,102</b>    | <b>232,759</b> | <b>2,547</b>                 | <b>(5,986)</b>   | <b>120,220</b>           | <b>349,540</b>                    | <b>-</b>                        | <b>349,540</b>      |

**1. NATURE OF OPERATIONS AND CORPORATE INFORMATION**

Altius Minerals Corporation (“Altius” or the “Corporation”) is a diversified mining royalty company with royalty interests in 13 producing mines located in Canada. The royalty interests include mining operations that produce thermal (electrical) and metallurgical coal, potash, nickel, copper, zinc, cobalt, gold and silver. The Corporation also holds other significant pre-development stage royalty interests that include a 3% gross sales royalty (“GSR”) on Alderon Iron Ore Corp’s (“Alderon”) Kami iron ore project, a 2% GSR on production from Paladin Energy Ltd’s Central Mineral Belt uranium project, as well as several other earlier stage royalties.

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 unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on September 9, 2015.

**2. BASIS OF PRESENTATION**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using the same accounting policies and methods of computation as our most recent annual consolidated financial statements, except as noted in Note 4. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended April 30, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

**3. 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 unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. These unaudited condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim condensed consolidated financial statements, and may require accounting adjustments based on future occurrences.

In preparing these unaudited condensed consolidated interim 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 were the same as those that applied to the audited consolidated financial statements for the year ended April 30, 2015.



#### 4. ACCOUNTING POLICIES AND NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The accounting policies applied in the Corporation's unaudited condensed consolidated interim financial statements are consistent with those of the annual audited consolidated financial statements as at and for the year ended April 30, 2015.

##### *Goodwill*

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 amounts 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. Determining whether goodwill is impaired requires an estimation of the higher of value in use or fair value less costs of disposal of the cash-generating units to which goodwill has been preliminarily allocated (Note 6). 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment will be tested annually.

##### *New and future accounting pronouncements*

The following standards and amendments to standards are effective for annual periods beginning on or after January 1, 2016 or later, with earlier adoption permitted.

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

*IFRS 9 - Financial Instruments* - A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has been issued and is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition. This new standard supersedes all prior versions of IFRS 9.

*IFRS 11 - Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11). The standard is 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*

#### **4. ACCOUNTING POLICIES AND NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

*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).

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

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

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

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

#### **5. EXPLORATION AND EVALUATION ASSETS**

The Corporation acquires exploration and evaluation assets through staking and from third party vendors. In addition, the Corporation sells 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. Alliance/earn in agreements are described in greater detail in the consolidated annual financial statements for the year ended April 30, 2015.

On July 10, 2015 the Corporation completed a royalty agreement to transfer certain of its Carbon Development Partnership (“CDP”) 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. CDP is a wholly owned subsidiary of Altius Prairie Royalties Corp. and was acquired in May 2014 as part of the acquisition of a portfolio of coal and potash royalties from Sherritt International Corporation.

During the three-month period ended July 31, 2015, a parcel of land in Alberta was sold for proceeds of \$686,000. There was no gain or loss recorded on this disposition. The disposition was recorded against the exploration and evaluation assets which were recorded based on fair values on the acquisition of CDP. The proceeds on sale were applied against the Corporation’s Credit Facility (Note 11).



# ALTIUS MINERALS CORPORATION

Notes to the unaudited condensed consolidated interim financial statements

July 31, 2015 and 2014

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

## 5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

| Project                           | As at<br>April 30, 2015 | Additions/<br>Reclassifications,<br>net of recoveries | Abandoned or<br>impaired | Sold         | As at<br>July 31, 2015 |
|-----------------------------------|-------------------------|---|--------------------------|--------------|------------------------|
|                                   | \$                      | \$  | \$                       |              | \$                     |
| <b>Labrador</b>                   |                         |   |                          |              |                        |
| Natashquan River - Nickel         | 514                     | 2   | -                        | -            | 516                    |
| Trough Copper                     | -                       | 2   | -                        | -            | 2                      |
| Julienne Lake - Iron Ore          | 1,638                   | 11  | -                        | -            | 1,649                  |
| Other - Uranium/Nickel            | 13                      | 80  | -                        | -            | 93                     |
| <b>Newfoundland</b>               |                         |   |                          |              |                        |
| Buchans                           | 157                     | 81  | -                        | -            | 238                    |
| Taylor Brook - Nickel             | 276                     | -   | -                        | -            | 276                    |
| Other                             | 36                      | 41  | -                        | -            | 77                     |
| <b>Quebec</b>                     |                         |   |                          |              |                        |
| Fosse Gold                        | 341                     | -   | (341)                    | -            | -                      |
| Grand Portage - Nickel/Copper     | -                       | 1   | (1)                      | -            | -                      |
| <b>Alberta &amp; Saskatchewan</b> |                         |   |                          |              |                        |
| Coal (Note 10)                    | 32,724                  | (9,000)   | -                        | (686)        | 23,038                 |
| Potash                            | 500                     | -   | -                        | -            | 500                    |
| <b>Manitoba</b>                   |                         |   |                          |              |                        |
| Warbaby & other (Note 6)          | -                       | 4,266   | -                        | -            | 4,266                  |
| <b>Security Deposits (Note 6)</b> | 150                     | 267   | -                        | -            | 417                    |
| <b>Grand Total</b>                | <b>36,349</b>           | <b>(4,249)</b>  | <b>(342)</b>             | <b>(686)</b> | <b>31,072</b>          |

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

**6. ACQUISITION OF CALLINAN ROYALTIES CORPORATION**

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

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

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

The net purchase price of the acquisition of Callinan, before acquisition costs, has been allocated based on the estimated fair value of the net assets acquired from Callinan. The Corporation is completing a comprehensive analysis of all net assets, specifically royalty interests and exploration and evaluation properties, that have been acquired and, as a result, the purchase price allocation is preliminary. An amount of \$14,027,000 has been recognized as a deferred tax liability as a result of the book value of the royalty and exploration and evaluation assets being in excess of the tax carrying value of such assets. Goodwill of \$26,533,000 was recognized as the difference between the acquisition date fair value of the consideration transferred and the preliminary values assigned to the assets acquired and liabilities assumed. Goodwill consists of anticipated mine life extension on the 777 mine and related royalty and realization of royalties on War Baby claims, as well as anticipation of other non-producing royalty interests being realized as paying royalties in the future. Goodwill is not amortized and is not deductible for tax purposes.

During the three months ended July 31, 2015, royalty revenues of \$2,531,000 (2014 - \$nil), general and administrative expenses of \$1,369,000 (2014 - \$nil), and amortization of royalty interest of \$1,719,000 (2014- \$nil) have been included in the Corporation’s financial results. Transaction costs of \$33,000 have been expensed in the current period (2014 - \$nil) relating to the acquisition of Callinan. This excludes any share issuance costs which are recorded directly against equity (Note 14).

**6. ACQUISITION OF CALLINAN ROYALTIES CORPORATION (CONTINUED)**
**Preliminary allocation of net purchase price of Callinan**

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

|  | <b>Callinan</b> | <b>Fair Value<br/>and Other<br/>Adjustments</b> | <b>Net Total</b> |
|--|-----------------|---|------------------|
|  | \$              | \$  | \$               |
| <b>Assets acquired:</b>                            |                 |   |                  |
| 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 10)  | 6,682           | 45,974  | 52,656           |
| Exploration and evaluation assets (Note 5)         | -               | 4,515   | 4,515            |
| Mining and other investments (Note 9)              | 4,850           | (273)   | 4,577            |
| Property and equipment                             | 74              | (74)  | -                |
|  | <u>51,754</u>   | <u>50,142</u>                                   | <u>101,896</u>   |
| <b>Liabilities assumed:</b>                        |                 |   |                  |
| Accounts payable and accrued liabilities           | 134             | -   | 134              |
| Income taxes payable                               | 1,228           | 324   | 1,552            |
| Total current liabilities                          | 1,362           | 324   | 1,686            |
| Deferred taxes (Note 11)                           | 922             | 13,105  | 14,027           |
|  | <u>2,284</u>    | <u>13,429</u>                                   | <u>15,713</u>    |
| <b>Fair value of net assets, as at May 5, 2015</b> |                 |   | <u>86,183</u>    |
| <b>Total consideration paid</b>                    |                 |   | <u>112,716</u>   |
| <b>Goodwill</b>                                    |                 |   | <u>26,533</u>    |

**7. INTERESTS IN JOINT VENTURES**

|                               | <u>LNRLP</u> | <u>Mining Equity</u> | <u>Prairie</u><br><u>Royalties</u> | <u>CDP</u> | <u>Total</u>   |
|-------------------------------|--------------|----------------------|------------------------------------|------------|----------------|
|                               | \$           | \$                   | \$                                 | \$         | \$             |
| Balance April 30, 2014        | 7,553        | 175                  | 245,308                            | 21,007     | 274,043        |
| Additions                     | -            | 60                   | 305                                | -          | 365            |
| Earnings (loss)               | 1,169        | (235)                | 16,097                             | -          | 17,031         |
| Cash receipts                 | (1,928)      | -                    | (21,147)                           | -          | (23,075)       |
| Reclassification              | -            | -                    | -                                  | (21,007)   | (21,007)       |
| Recovery of acquisition costs | -            | -                    | (1,499)                            | -          | (1,499)        |
| <b>Balance April 30, 2015</b> | <b>6,794</b> | <b>-</b>             | <b>239,064</b>                     | <b>-</b>   | <b>245,858</b> |
| Additions                     | -            | 916                  | -                                  | -          | 916            |
| Earnings (loss)               | 328          | (916)                | 3,931                              | -          | 3,343          |
| Cash receipts                 | (564)        | -                    | (5,778)                            | -          | (6,342)        |
| <b>Balance July 31, 2015</b>  | <b>6,558</b> | <b>-</b>             | <b>237,217</b>                     | <b>-</b>   | <b>243,775</b> |

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

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 three months ended July 31, 2015, the Corporation invested an additional \$916,000 in Mining Equity. The Corporation may choose to invest an additional \$1,182,000 over the next year in order to maintain its 49% ownership interest.

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

**8. INVESTMENT IN ASSOCIATE**

|   | <u>Alderon</u> | <u>Sparkfly</u> | <u>Synodon</u> | <u>Total</u> |
|---|----------------|-----------------|----------------|--------------|
|   | \$             | \$              | \$             | \$           |
| Balance April 30, 2014                            | 52,590         | 3,104           | 1,793          | 57,487       |
| Share of loss in associates                       | (3,226)        | (419)           | (137)          | (3,782)      |
| Impairment recognition                            | (39,832)       | -               | -              | (39,832)     |
| Foreign currency translation adjustment           | -              | 457             | -              | 457          |
| Dilution gain on issuance of shares by associates | -              | 117             | 46             | 163          |
| Disposal of subsidiary                            | -              | (3,259)         | (1,702)        | (4,961)      |
| <b>Balance April 30, 2015</b>                     | <b>9,532</b>   | <b>-</b>        | <b>-</b>       | <b>9,532</b> |
| Share of loss in associates                       | (590)          | -               | -              | (590)        |
| <b>Balance July 31, 2015</b>                      | <b>8,942</b>   | <b>-</b>        | <b>-</b>       | <b>8,942</b> |
| <b>Fair value:</b>                                |                |                 |                |              |
| At April 30, 2015:                                | 9,532          |                 |                |              |
| <b>At July 31, 2015:</b>                          | <b>6,574</b>   |                 |                |              |
| <b>Percentage ownership:</b>                      |                |                 |                |              |
| At April 30, 2015:                                | 24.9%          |                 |                |              |
| <b>At July 31, 2015:</b>                          | <b>24.9%</b>   |                 |                |              |

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

The Corporation currently holds 32,869,006 shares in Alderon or 24.9% (April 30, 2015 - 24.9%) of the total shares outstanding. The Corporation also retains a 3% gross sales royalty relating to any potential future mining operations on the Kami property.

**9. MINING AND OTHER INVESTMENTS**

|  | Share Purchase |          | Total         |
|--|----------------|----------|---------------|
|  | Investments    | Warrants |               |
|  | \$             | \$       | \$            |
| Balance, April 30, 2014                                | 55,391         | 2,634    | 58,025        |
| Additions  | 3,215          | 76       | 3,291         |
| Reclassification to available - for - sale investments | 66             | (66)     | -             |
| Disposal of subsidiary                                 | (2,175)        | -        | (2,175)       |
| Disposals and impairments                              | (29,466)       | (104)    | (29,570)      |
| Revaluation  | (9,946)        | (2,540)  | (12,486)      |
| <b>Balance, April 30, 2015</b>                         | <b>17,085</b>  | <b>-</b> | <b>17,085</b> |
| Additions (Note 6)                                     | 30,344         | -        | 30,344        |
| Disposals and impairments                              | (948)          | -        | (948)         |
| Reclassification (Note 6)                              | (6,409)        | -        | (6,409)       |
| Revaluation  | (4,905)        | -        | (4,905)       |
| <b>Balance, July 31, 2015</b>                          | <b>35,167</b>  | <b>-</b> | <b>35,167</b> |

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

The Corporation disposed of and reclassified investments having a carrying value of \$7,357,000 for gross cash proceeds of \$690,000 and non-cash proceeds of \$6,605,000 and recognized a loss on disposal of \$62,000 during the three months ended July 31, 2015. Included in these amounts is the reclassification of 2,901,000 shares in Callinan in accordance with IFRS 3 (Note 6). The Corporation sold investments at a carrying value of \$39,000 for gross cash proceeds of \$7,000 and non-cash proceeds of \$66,000 and recognized a gain on disposal of \$34,000 during the three months ended July 31, 2014. Included in the July 31, 2014 loss on disposal is an impairment of \$756,000.





# ALTIUS MINERALS CORPORATION

Notes to the unaudited condensed consolidated interim financial statements

July 31, 2015 and 2014

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

## 10. ROYALTY INTERESTS IN MINERAL PROPERTIES

|                                 | As at April 30,<br>2015 | Additions /<br>Reclassifications | As at July 31,<br>2015 |
|---------------------------------|-------------------------|----------------------------------|------------------------|
|                                 | \$                      |                                  | \$                     |
| <b>Royalty interests</b>        |                         |                                  |                        |
| Rocanville                      | 5,000                   | -                                | 5,000                  |
| Esterhazy                       | 3,000                   | -                                | 3,000                  |
| Other potash                    | 7,000                   | -                                | 7,000                  |
| Coal & coal bed methane         | 8,000                   | -                                | 8,000                  |
| 777 Mine (Note 6)               | -                       | 47,356                           | 47,356                 |
| Excelisor (Note 6)              | -                       | 5,300                            | 5,300                  |
| Sheerness West (Note 5)         | -                       | 9,000                            | 9,000                  |
| <b>Balance, end of period</b>   | <b>23,000</b>           | <b>61,656</b>                    | <b>84,656</b>          |
| <b>Accumulated amortization</b> |                         |                                  |                        |
| Rocanville                      | 18                      | 5                                | 23                     |
| Esterhazy                       | 15                      | 4                                | 19                     |
| Other potash                    | -                       | -                                | -                      |
| Coal & coal bed methane         | 400                     | 100                              | 500                    |
| 777 Mine (Note 6)               | -                       | 1,719                            | 1,719                  |
| Excelisor (Note 6)              | -                       | -                                | -                      |
| Sheerness West (Note 5)         | -                       | -                                | -                      |
| <b>Balance, end of period</b>   | <b>433</b>              | <b>1,828</b>                     | <b>2,261</b>           |
| <b>Net book value</b>           | <b>22,567</b>           | <b>59,828</b>                    | <b>82,395</b>          |

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



# ALTIUS MINERALS CORPORATION

Notes to the unaudited condensed consolidated interim financial statements

July 31, 2015 and 2014

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

## 11. INCOME TAXES

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

|   | <b>July 31,<br/>2015</b> | April 30,<br>2015 |
|---|--------------------------|-------------------|
|   | \$                       | \$                |
| Temporary differences related to exploration and evaluation assets                                    | <b>601</b>               | 453               |
| Tax values of property and equipment and interests in joint ventures in excess of carrying values     | <b>43</b>                | 9                 |
| Non capital and net capital loss carryforwards  | <b>2,200</b>             | 1,874             |
| Carrying value of investments in excess of tax values   | <b>103</b>               | (285)             |
| Deferred partnership income   | -                        | (396)             |
| Deferred and deductible share-based compensation  | <b>604</b>               | 531               |
| Share issue and debt costs  | <b>1,615</b>             | 1,618             |
| Carrying values in excess of tax values on preliminary purchase price allocation of Callinan (Note 6) | <b>(13,613)</b>          | -                 |
| Carrying values in excess of tax values on purchase price allocation of CDP                           | <b>(14,849)</b>          | (15,000)          |
|   | <b>(23,296)</b>          | (11,196)          |
|   | <b>July 31,<br/>2015</b> | April 30,<br>2015 |
|   | \$                       | \$                |
| Deferred tax liabilities  | <b>(28,366)</b>          | (15,426)          |
| Deferred tax assets   | <b>5,070</b>             | 4,230             |
|   | <b>(23,296)</b>          | (11,196)          |

## 12. DEBT

|                   | <b>July 31,<br/>2015</b> | April 30,<br>2015 |
|-------------------|--------------------------|-------------------|
|                   | \$                       | \$                |
| At amortized cost |                          |                   |
| Long-term debt    | <b>71,896</b>            | 74,386            |
| Current           | <b>10,314</b>            | 11,000            |
| Non-current       | <b>61,582</b>            | 63,386            |
|                   | <b>71,896</b>            | 74,386            |

**12. DEBT (CONTINUED)**

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

The Credit Facility allows for optional prepayments of principal at the end of each calendar month. The Corporation and its subsidiaries, other than Minera Altius Chile, Limitada, and Consultora Altius Chile Limitada, act as guarantors under the Credit Facility (the “Credit Parties”). The lenders under the Credit Facility have taken a secured charge against all real property of the Credit Parties and share pledges of all the equity interests in each of the Credit Parties. The security has been registered in all jurisdictions required by the lender.

The Corporation has recorded costs of \$2,418,000 (April 30, 2015- \$2,614,000) that are directly attributable to securing the Credit Facility, against the balance of the debt and will amortize these fees and calculated interest using an effective interest rate of 7.763%. During the period, \$196,000 (\$205,000) of the costs were recognized in the statement of loss.

There is a required repayment of \$60,000,000 on the Credit Facility on or before April 28, 2016, of which \$57,686,000 has been repaid to date. As at October 31, 2014, quarterly principal repayments commenced in accordance with the terms of the Credit Facility and \$2,000,000 was repaid during the three-month period ended July 31, 2015.

As at July 31, 2015, the Corporation is in compliance with all debt covenants.

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

|                              |               |
|------------------------------|---------------|
|                              | \$            |
| 2016                         | 10,314        |
| 2017                         | 8,000         |
| 2018                         | 8,000         |
| 2019                         | 48,000        |
|                              | <u>74,314</u> |
| Less: unamortized debt costs | 2,418         |
|                              | <u>71,896</u> |

**13. GENERAL AND ADMINISTRATIVE**

|                                  | <b>Three months ended</b> |                    |
|----------------------------------|---------------------------|--------------------|
|                                  | <b>July 31,</b>           |                    |
|                                  | <u><b>2015</b></u>        | <u><b>2014</b></u> |
|                                  | \$                        | \$                 |
| Salaries and benefits            | <b>2,427</b>              | 531                |
| Office and administrative        | <b>219</b>                | 251                |
| Professional and consulting fees | <b>306</b>                | 460                |
| Travel and accommodations        | <b>135</b>                | 73                 |
|                                  | <b>3,087</b>              | 1,315              |

**14. SHARE CAPITAL**

On May 5, 2015, the Corporation issued 7,573,297 common shares to the shareholders of Callinan under the Arrangement as described in Note 6. In addition, there are 326,000 common shares reserved for outstanding Callinan warrants in the event the warrants are exercised. The May 4, 2015 closing price per common share of the Corporation was \$12.72, valuing the issuance at \$96,332,338. In addition, the warrants were assigned a fair value of \$347,725 using the Black Scholes option pricing model. This amount is included as an other liability, instead of in shareholders equity, on the consolidated balance sheet as a result of the underlying exchange metrics that the shares, if issued, would be subject to. The Callinan warrants, if exercised, will be subject to the same terms and conditions that the common shares of Callinan have under the Arrangement. The Callinan warrants expire March 16, 2016 and will be fair valued at the end of each reporting period until expiry. The Corporation has paid share issuance costs of \$221,000, which are recorded against equity and reported net of deferred tax of \$64,000.

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

*Net loss per share*

Basic and diluted net loss per share were calculated using the weighted average number of common shares for the respective periods.

|                                    | <b>Three months ended</b> |                    |
|------------------------------------|---------------------------|--------------------|
|                                    | <b>July 31,</b>           |                    |
|                                    | <u><b>2015</b></u>        | <u><b>2014</b></u> |
| Weighted average number of shares: |                           |                    |
| Basic and diluted                  | <b>39,520,463</b>         | 31,582,860         |

**14. SHARE CAPITAL (CONTINUED)**
*Other equity reserves*

Other equity reserves consist of share based payment reserve of \$136,000 and contributed surplus of \$2,411,000, for a total of \$2,547,000.

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

|  | <u>Note #</u> | <b>Three months ended</b> |                |
|--|---------------|---------------------------|----------------|
|  |               | <b>July 31,</b>           |                |
|  |               | <u>2015</u>               | <u>2014</u>    |
|  |               | \$                        | \$             |
| <b>Adjustments for operating activities:</b>               |               |                           |                |
| Generative exploration                                     |               | 116                       | 179            |
| Exploration and evaluation assets abandoned or impaired    |               | 342                       | -              |
| Share-based compensation                                   |               | 434                       | 192            |
| Amortization   |               | 1,836                     | 55             |
| Interest on long-term debt                                 |               | 1,447                     | 2,892          |
| Interest paid  |               | (1,251)                   | (2,934)        |
| Loss on disposal of investments and impairment recognition |               | 62                        | 722            |
| Unrealized loss on fair value adjustment of derivatives    |               | -                         | 1,299          |
| Earnings from joint ventures                               |               | (3,343)                   | (4,068)        |
| Share of loss and impairment in associates                 |               | 590                       | 6,541          |
| Dilution gain on issuance of shares by associates          |               | -                         | (28)           |
| Income taxes (recovery)                                    |               | 197                       | (480)          |
| Income taxes paid  |               | (4,597)                   | (21)           |
|  |               | <b>(4,167)</b>            | <b>4,349</b>   |
| <b>Changes in non-cash operating working capital:</b>      |               |                           |                |
| Accounts receivable and prepaid expenses                   | 6             | 4,624                     | 61             |
| Accounts payable and accrued liabilities                   | 6             | (1,348)                   | (7,229)        |
|  |               | <b>3,276</b>              | <b>(7,168)</b> |
| <b>Cash and cash equivalents consist of:</b>               |               |                           |                |
| Deposits with banks  |               | 14,472                    | 7,912          |
| Short-term investments                                     |               | 1,005                     | -              |
|  |               | <b>15,477</b>             | <b>7,912</b>   |

**16. RELATED PARTY TRANSACTIONS**

During the three months ended July 31, 2015, the Corporation billed Mining Equity (a joint venture investment – see Note 7) for the reimbursement of exploration and consulting assistance totaling \$131,000 (2014 - \$76,000) which is included in the accounts receivable balance as at July 31, 2015.

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

|                          | <b>Three months ended</b> |             |
|--------------------------|---------------------------|-------------|
|                          | <b>July 31,</b>           |             |
|                          | <u>2015</u>               | <u>2014</u> |
|                          | \$                        | \$          |
| Salaries and benefits    | 754                       | 276         |
| Share-based compensation | 434                       | 192         |
|                          | <u>1,188</u>              | <u>468</u>  |

These transactions are in the normal course of operations and are measured at the fair value amount, which is the amount of consideration established and agreed to by the related parties. As at July 31, 2015, an amount of \$158,000 was accrued for executive bonuses for key management personnel.

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

Level 3 – valuation techniques with significant unobservable market inputs.

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

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**
**As at July 31, 2015:**

|  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>TOTAL</u>  |
|--|----------------|----------------|----------------|---------------|
|  | \$             | \$             | \$             | \$            |
| <b>FINANCIAL ASSETS</b>                              |                |                |                |               |
| Short-term investments in cash equivalents (Note 15) | <b>1,005</b>   | -              | -              | <b>1,005</b>  |
| Mining and other investments (Note 9)                | <b>35,167</b>  | -              | -              | <b>35,167</b> |
| <b>TOTAL FINANCIAL ASSETS</b>                        | <b>36,172</b>  | -              | -              | <b>36,172</b> |
| <b>FINANCIAL LIABILITIES</b>                         |                |                |                |               |
|  | <b>1,422</b>   | <b>1,010</b>   | -              | <b>2,432</b>  |

**As at April 30, 2015:**

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

***Risk Management***

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

A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are included in the April 30, 2015 annual consolidated financial statements.