



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

TABLE OF CONTENTS

Condensed Consolidated Interim Balance Sheets	1
Condensed Consolidated Interim Statements of Loss	2
Condensed Consolidated Interim Statements of Comprehensive Earnings (Loss)	3
Condensed Consolidated Interim Statements of Cash Flows.....	4
Condensed Consolidated Interim Statements of Changes in Equity	5
Notes to the Condensed Consolidated Interim Financial Statements.....	6-23

Condensed Consolidated Interim Balance Sheets
(Unaudited - In thousands of Canadian dollars)
As at,

	Note #	October 31, 2015 \$	April 30, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	6 & 16	15,237	18,543
Accounts receivable and prepaid expenses	6	4,214	1,220
Income taxes receivable		305	383
		19,756	20,146
Non-current assets			
Royalty interests in mineral properties	6 & 10	80,668	22,567
Exploration and evaluation assets	5 & 6	31,934	36,349
Goodwill	6	27,400	-
Property and equipment		120	124
Interests in joint ventures	7	241,717	245,858
Investment in associates	8	6,245	9,532
Mining and other investments	6 & 9	34,919	17,085
Deferred income taxes	6 & 11	5,787	4,230
		428,790	335,745
TOTAL ASSETS		448,546	355,891
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	724	1,790
Income taxes payable		199	1,685
Current portion of debt	12	8,000	11,000
		8,923	14,475
Non-current liabilities			
Other liabilities	14	129	1,830
Long-term debt	12	59,770	63,386
Deferred income taxes	6 & 11	28,005	15,426
		96,827	95,117
EQUITY			
Shareholders' equity		351,719	260,774
TOTAL LIABILITIES AND EQUITY		448,546	355,891

see accompanying notes to the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Loss

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

	Note #	Three months ended		Six months ended	
		October 31,		October 31,	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		\$	\$	\$	\$
Revenue					
Royalty		2,767	355	5,754	859
Interest and investment		316	67	682	148
Other		2	20	2	41
		3,085	442	6,438	1,048
Expenses					
General and administrative	13	1,616	967	3,613	2,282
Share-based compensation (recovery)	15	(269)	(2,184)	165	(1,992)
Generative exploration		95	146	211	325
Exploration and evaluation assets abandoned or impaired	5	317	92	659	92
Mineral rights and leases		213	(25)	430	97
Interest on long-term debt		1,405	2,417	2,852	5,309
Amortization		1,738	32	3,574	87
		5,115	1,445	11,504	6,200
Earnings from joint ventures	7	3,561	4,310	6,904	8,378
Unrealized gain (loss) on fair value adjustment of derivatives		219	(1,102)	219	(2,401)
Gain (loss) on disposal of investments and impairment recognition	9	606	(791)	544	(1,513)
Dilution gain on issuance of shares by associates	8	-	46	-	74
Share of loss and impairment in associates	8	(2,697)	(29,543)	(3,287)	(36,084)
Loss before income taxes		(341)	(28,083)	(686)	(36,698)
Income tax (recovery) expense					
Current		1,293	(181)	3,205	1,680
Deferred		(494)	(2,582)	(2,209)	(4,924)
		799	(2,763)	996	(3,244)
Net loss		(1,140)	(25,320)	(1,682)	(33,454)
Net loss attributable to:					
Common shareholders		(1,140)	(25,348)	(1,682)	(33,449)
Non-controlling interest		-	28	-	(5)
		(1,140)	(25,320)	(1,682)	(33,454)
Net loss per share					
- basic and diluted	14	(0.03)	(0.78)	(0.04)	(1.05)

see accompanying notes to the condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Comprehensive Earnings (Loss)

(Unaudited - In thousands of Canadian dollars)

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Net loss	(1,140)	(25,320)	(1,682)	(33,454)
Other comprehensive earnings (loss) , net of tax				
To be reclassified subsequently to profit or loss:				
Currency translation adjustment (net of income taxes year to date of \$6 in 2014)	-	-	-	(34)
Net unrealized gain (loss) on available-for-sale investments (net of deferred income taxes year to date of \$273 (2014 - \$828))	1,759	(9,381)	(2,966)	(6,439)
Adjustment for realized gain on available-for-sale investments recognized in net loss (net of deferred income taxes year to date of \$5 (2014 - \$22))	63	152	31	150
Total comprehensive earnings (loss)	682	(34,549)	(4,617)	(39,777)
Total comprehensive earnings (loss) attributable to:				
Common shareholders	682	(34,221)	(4,617)	(39,474)
Non-controlling interest	-	(328)	-	(303)
	682	(34,549)	(4,617)	(39,777)

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>	For the six months	
		ended October 31,	
		<u>2015</u>	<u>2014</u>
		\$	\$
Operating activities			
Net loss		(1,682)	(33,454)
Adjustments for operating activities	16	(4,814)	27,261
		(6,496)	(6,193)
Changes in non-cash operating working capital	16	2,552	(9,318)
		(3,944)	(15,511)
Financing activities			
Payments to non-controlling interests		-	(152)
Proceeds from issuance of shares (net of issuance costs)		-	61,327
Repayment of long-term debt	12	(7,000)	(30,200)
Dividends paid		(2,396)	-
		(9,396)	30,975
Investing activities			
Proceeds from sale of investments	9	3,775	736
Proceeds from disposal of mineral properties	5	686	-
Net cash from Callinan acquisition (net of share issue costs of \$226)	6 & 14	22,654	-
Cash received from joint ventures	7	11,961	10,502
Acquisition of CDP		-	(21,000)
Investment in joint ventures	7	(916)	(30)
Generative exploration		(211)	(325)
Exploration and evaluation assets, net of recoveries	5	(1,061)	(429)
Reimbursement of acquisition costs	7	-	1,499
Acquisition of investments	9 & 6	(26,839)	(2,126)
Acquisition of property and equipment		(15)	(9)
		10,034	(11,182)
Net (decrease) increase in cash and cash equivalents		(3,306)	4,282
Cash and cash equivalents, beginning of period		18,543	6,972
Cash and cash equivalents, end of period		15,237	11,254

Supplemental cash flow information (Note 16)

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</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>(Loss)</u> <u>Earnings</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u> <u>Shareholders'</u> <u>Equity</u>	<u>Non-</u> <u>controlling</u> <u>interest</u>	<u>Total</u> <u>Equity</u>
	<u>#</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance, April 30, 2014	27,595,821	74,287	3,087	7,691	153,908	238,973	3,042	242,015
Net (loss) and comprehensive loss, May 1, 2014 to October 31, 2014	-	-	-	(6,025)	(33,449)	(39,474)	(303)	(39,777)
Payments to non-controlling interest (net of receipts)	-	-	-	-	-	-	(152)	(152)
Shares issued under offering (Note 14)	4,643,000	65,002	-	-	-	65,002	-	65,002
Share-issue costs	-	(3,345)	-	-	-	(3,345)	-	(3,345)
Shares issued under stock option plan	118,005	729	(676)	-	-	53	-	53
Balance, October 31, 2014	32,356,826	136,673	2,411	1,666	120,459	261,209	2,587	263,796
Net (loss) earnings and comprehensive loss, November 1, 2014 to April 30, 2015	-	-	-	(2,895)	3,238	343	(26)	317
Payments to non-controlling interest	-	-	-	-	-	-	(164)	(164)
Disposal of a subsidiary	-	-	-	-	-	-	(2,397)	(2,397)
Share issue costs	-	(130)	-	-	-	(130)	-	(130)
Dividends paid	-	-	-	-	(647)	(647)	-	(647)
Shares issued under stock option plan	-	(1)	-	-	-	(1)	-	(1)
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 October 31, 2015	-	-	-	(2,935)	(1,682)	(4,617)	-	(4,617)
Shares issued for acquisition (Note 6 & 14)	7,573,297	96,332	-	-	-	96,332	-	96,332
Share issue costs (Note 14)	-	(161)	-	-	-	(161)	-	(161)
Dividends paid	-	-	-	-	(2,396)	(2,396)	-	(2,396)
Share-based compensation (Note 15)	-	-	1,787	-	-	1,787	-	1,787
Shares issued under stock option plan	1,979	42	(42)	-	-	-	-	-
Balance, October 31, 2015	39,932,102	232,755	4,156	(4,164)	118,972	351,719	-	351,719

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, and 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 December 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 the Corporation’s 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 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 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).

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

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

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

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

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 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.

During the six-month period ended October 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 Corporation's exploration and evaluation assets. The proceeds on sale were applied against the Corporation's Credit Facility (Note 12).

The Corporation and Bitterroot Resources Ltd. ("Bitterroot") closed a strategic transaction under which the Corporation will finance future mineral exploration on Bitterroot's Voyageur Lands and Copper Range Lands in the Upper Peninsula of Michigan (the "Properties"). The Corporation has acquired a 50.1% interest in the Properties and has agreed to fund \$600,000 of exploration expenditures on the Properties before September 29, 2016. Following the Year 1 earn-in, the Corporation may acquire an additional 19.9% of the Properties by completing \$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



ALTIUS MINERALS CORPORATION

Notes to the unaudited condensed consolidated interim financial statements

October 31, 2015 and 2014

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

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

repurchase a 1% NSR held by a third party on the Copper Range Lands, both of which are subject to the Corporation funding the required Year 1 exploration expenditures.

Project	As at April 30, 2015	Additions/ Reclassifications, net of recoveries	Abandoned or impaired	Sold	As at October 31, 2015
	\$	\$	\$		\$
Labrador					
Natashquan River - Nickel	514	8	-	-	522
Trough Copper	-	34	(34)	-	-
Julienne Lake - Iron Ore	1,638	158	-	-	1,796
Other - Uranium/Nickel	13	43	(7)	-	49
Newfoundland					
Buchans	157	138	-	-	295
Taylor Brook - Nickel	276	-	-	-	276
Other	36	164	-	-	200
Quebec					
Fosse Gold	341	50	(391)	-	-
Grand Portage - Nickel/Copper	-	1	(1)	-	-
Alberta & Saskatchewan					
Coal (Note 10)	32,724	(8,995)	-	(686)	23,043
Potash	500	-	-	-	500
Manitoba					
Warbaby (Note 6)	-	4,555	-	-	4,555
United States					
	-	463	-	-	463
Security Deposits (Note 6)	150	311	(226)	-	235
Grand Total	36,349	(3,070)	(659)	(686)	31,934

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

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 (earnings) loss.

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

During the six months ended October 31, 2015, royalty revenues of \$4,892,000 (2014 - \$nil), general and administrative expenses of \$365,000 (2014 - \$nil), and amortization of royalty interest of \$3,338,000 (2014- \$nil) have been included in the Corporation’s financial results. Transaction costs of \$74,000 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).

During the three months ended July 31, 2015, \$1,090,000 in severance payments were made to Callinan employees and recorded in general and administrative expenses in the condensed consolidated statement of loss. During the three months ended October 31, 2015, it was determined that the severance paid was a liability at the date of purchase of Callinan and should be included in the purchase price equation. These severance liabilities have been included in the allocation of the purchase price and removed from the general and administrative costs of the Corporation on a year to date basis in the condensed consolidated statement of loss. Had the severance payments been included in the purchase price equation, the loss per share, basic and diluted, in the July 31, 2015 unaudited condensed consolidated interim financial statements would have been reduced from \$0.04 to \$0.01.

6. ACQUISITION OF CALLINAN ROYALTIES CORPORATION (CONTINUED)
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:

	Callinan	Fair Value and Other Adjustments	Net Total
	\$	\$	\$
Assets acquired:			
Cash and cash equivalents	32,312	-	32,312
Accounts receivable and prepaid expenses	7,836	-	7,836
Total current assets	40,148	-	40,148
Royalty interests in mineral properties (Note 10)	6,682	45,974	52,656
Exploration and evaluation assets (Note 5)	-	4,820	4,820
Mining and other investments (Note 9)	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 11)	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			<u>6,604</u>
			<u>112,716</u>
Goodwill			<u>27,400</u>

7. INTERESTS IN JOINT VENTURES

	<u>LNRLP</u>	<u>Mining Equity</u>	<u>Prairie</u> <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)
Balance April 30, 2015	6,794	-	239,064	-	245,858
Additions	-	916	-	-	916
Earnings (loss)	461	(916)	7,359	-	6,904
Cash receipts	(1,116)	-	(10,845)	-	(11,961)
Balance October 31, 2015	6,139	-	235,578	-	241,717

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 six months ended October 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)
Balance, April 30, 2015	9,532	-	-	9,532
Share of loss in associates	(1,592)	-	-	(1,592)
Impairment recognition	(1,695)	-	-	(1,695)
Balance, October 31, 2015	6,245	-	-	6,245

Fair value:

At April 30, 2015:	9,532
At October 31, 2015:	6,245

Percentage ownership:

At April 30, 2015:	24.9%
At October 31, 2015:	24.9%

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

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

During the quarter, management reviewed the investment in Alderon for impairment indicators, using the same criteria applied to available-for-sale investments which was outlined in the annual April 30, 2015 audited financial statements. The evaluation of whether there were impairment indicators present included consideration of a number of factors including an evaluation of the market, economic and legal environment in which Alderon operates; consideration of whether Alderon was in significant financial difficulty and, considerations relating to the existence of any contractual breaches of Alderon.

Based on the evaluation of the above-noted factors, and in particular the duration and amount of the decline in the share price of Alderon relative to the carrying value and combined with prolonged reduced iron ore prices, management has concluded that a reduction in the carrying value of Alderon to market value is appropriate at this time. An impairment of \$1,695,000 was recognized for the six months ended October 31, 2015 (2014 - \$33,752,000).

9. MINING AND OTHER INVESTMENTS

	<u>Investments</u>	Share Purchase <u>Warrants</u>	<u>Total</u>
	\$	\$	\$
Balance, April 30, 2014	55,391	2,634	58,025
Additions	3,215	76	3,291
Reclassification to available - for - sale investments	66	(66)	-
Disposal of subsidiary	(2,175)	-	(2,175)
Disposals and impairments	(29,466)	(104)	(29,570)
Revaluation	(9,946)	(2,540)	(12,486)
Balance, April 30, 2015	17,085	-	17,085
Additions (Note 6)	31,416	-	31,416
Disposals and impairments	(3,426)	-	(3,426)
Reclassification (Note 6)	(6,409)	-	(6,409)
Revaluation	(3,747)	-	(3,747)
Balance, October 31, 2015	34,919	-	34,919

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

The Corporation disposed of and reclassified investments having a carrying value of \$9,835,000 for gross cash proceeds of \$3,775,000 and non-cash proceeds of \$6,604,000 and recognized a gain on disposal of \$544,000 during the six months ended October 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 \$892,000 for gross cash proceeds of \$736,000 and non-cash proceeds of \$66,000 and recognized a loss on disposal of \$90,000 during the six months ended October 31, 2014. Included in the October 31, 2014 loss on disposal is an impairment of \$1,423,000.

The Corporation disposed of investments having a carrying value of \$2,479,000 for gross cash proceeds of \$3,085,000 and recognized a gain on disposal of \$606,000 during the three months ended October 31, 2015. The Corporation sold investments at a carrying value of \$853,000 for gross cash proceeds of \$729,000 and recognized a loss on disposal of \$124,000 during the three months ended October 31, 2014. Included in the October 31, 2014 loss on disposal is an impairment of \$667,000.

10. ROYALTY INTERESTS IN MINERAL PROPERTIES

	As at April 30, 2015	Additions / Reclassifications	As at October 31, 2015
	\$		\$
Royalty interests			
Rocanville	5,000	-	5,000
Esterhazy	3,000	-	3,000
Other potash	7,000	-	7,000
Coal & coal bed methane	8,000	-	8,000
777 Mine (Note 6)	-	47,356	47,356
Gunnison (Note 6)	-	5,300	5,300
Sheerness West (Note 5)	-	9,000	9,000
Balance, end of period	23,000	61,656	84,656
Accumulated amortization			
Rocanville	18	9	27
Esterhazy	15	8	23
Other potash	-	-	-
Coal & coal bed methane	400	200	600
777 Mine (Note 6)	-	3,338	3,338
Gunnison (Note 6)	-	-	-
Sheerness West (Note 5)	-	-	-
Balance, end of period	433	3,555	3,988
Net book value	22,567	58,101	80,668

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

11. INCOME TAXES

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

	October 31, <u>2015</u> \$	April 30, <u>2015</u> \$
Temporary differences related to exploration and evaluation assets	640	453
Tax values of property and equipment and interests in joint ventures in excess of carrying values	10	9
Non capital and net capital loss carryforwards	2,171	1,874
Carrying value of investments less than (in excess of) tax values	1,075	(285)
Deferred partnership income	(74)	(396)
Deferred and deductible share-based compensation	456	531
Share and debt issue costs	1,509	1,618
Carrying values in excess of tax values on purchase price allocation of Callinan (Note 6)	(13,185)	-
Carrying values in excess of tax values on purchase price allocation of CDP	(14,820)	(15,000)
	(22,218)	(11,196)
	October 31, <u>2015</u> \$	April 30, <u>2015</u> \$
Deferred tax liabilities	(28,005)	(15,426)
Deferred tax assets	5,787	4,230
	(22,218)	(11,196)

12. DEBT

	October 31, <u>2015</u> \$	April 30, <u>2015</u> \$
At amortized cost		
Long-term debt	67,770	74,386
Current	8,000	11,000
Non-current	59,770	63,386
	67,770	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 acquisitions. The Credit Facility is repayable over a five year period with quarterly principal repayments of \$2,000,000, commencing October 31, 2014, bearing interest at fixed rates ranging from 6.5% to 8.85% based on the principal balance of debt.

The Credit Facility allows for optional prepayments of principal upon notice. 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 net costs of \$2,230,000 (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 7.769%. During the three months ended October 31, 2015, \$188,000 (2014 - \$77,000) of the costs were recognized in the statement of loss. During the six months ended October 31, 2015, \$384,000 (2014 - \$141,000) of the costs were recognized in the statement of loss.

In accordance with the terms of the Credit Facility, the Corporation has repaid \$7,000,000 during the six-month period ended October 31, 2015, of which \$4,000,000 was required quarterly principal repayments.

As at October 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	8,000
2017	8,000
2018	8,000
2019	46,000
	<u>70,000</u>
Less: unamortized debt costs	2,230
	<u>67,770</u>

13. GENERAL AND ADMINISTRATIVE

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Salaries and benefits	633	240	1,971	771
Office and administrative	310	243	558	495
Professional and consulting fees	526	337	832	797
Travel and accommodations	147	147	252	219
	1,616	967	3,613	2,282

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 which have a revised strike price of \$14.58. The May 4, 2015 closing price per common share of the Corporation was \$12.72, valuing the issuance of the common shares at \$96,332,338. The Corporation has paid share issuance costs of \$226,000, which are recorded against equity and reported net of deferred tax of \$65,000.

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 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.

During the three and six months ended October 31, 2015, the warrants were revalued using the Black-Scholes option pricing model. The revaluation resulted in a reduction of the other liability and an unrealized gain on fair value adjustment of derivatives of \$219,000 is included in the statement of loss.

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

14. SHARE CAPITAL (CONTINUED)
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.

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Weighted average number of shares:				
Basic and diluted	39,932,102	32,309,186	39,726,284	31,946,024

Other equity reserves

Other equity reserves consist of share based payment reserves of \$1,745,000 and contributed surplus of \$2,411,000 for a total of \$4,156,000. Share based payment reserves include stock options, deferred share units ("DSUs"), share appreciation rights units ("SARs") and restricted share units ("RSUs").

15. SHARE-BASED COMPENSATION

The Corporation has implemented a new Long Term Incentive Plan ("LTIP") during the period, as approved by shareholders on September 16, 2015. Under the terms of the LTIP, DSUs were amended from being cash settled to equity or cash settled at the Corporation's option; RSUs were implemented and are equity or cash settled at the Corporation's option; and the stock option plan remains unchanged. The annual consolidated financial statements for the year ended April 30, 2015 describe the accounting policies on treatment of equity versus cash settled instruments.

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

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$		\$	\$
Stock option expense	66	-	216	-
Share appreciation rights expense (recovery)	28	(175)	(296)	(150)
Directors' deferred share unit (recovery) expense	(454)	(2,009)	123	(1,842)
Restricted share unit expense	91	-	122	-
	(269)	(2,184)	165	(1,992)

15. SHARE-BASED COMPENSATION (CONTINUED)

A summary of the status of the Corporation's stock option plan as of October 31, 2015 is as follows:

	October 31, 2015	Weighted Average Exercise Price	April 30, 2015	Weighted Average Exercise Price
	Number of Options	Exercise Price	Number of Options	Exercise Price
		\$		\$
Outstanding, beginning of year	10,000	10.13	250,000	7.13
Granted	159,027	14.25		
Exercised	(10,000)	10.13	(240,000)	7.00
Outstanding, end of period	159,027	14.25	10,000	10.13
Exercisable, end of period	31,807	14.25	10,000	10.13

A summary of the status of the Corporation's SARs, RSUs and DSUs as of October 31, 2015 is as follows:

	Number of SARs	Number of RSUs	Number of DSUs
Outstanding, April 30, 2014	700,000	-	86,892
Granted	-	-	17,367
Settled	466,666	-	-
Outstanding, April 30, 2015	233,334	-	104,259
Granted	-	44,010	31,789
Settled	233,334	-	-
Outstanding, end of period	-	44,010	136,048
Exercisable, end of period	-	-	115,612

During the quarter ended October 31, 2015, 233,334 (2014 – 466,666) SARs were cash settled for \$208,000 (2014 – \$331,000) and the Corporation reclassified \$1,237,000 relating to DSUs from other liability to share based payment reserve.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>Note #</u>	Six months ended	
		October 31,	
		<u>2015</u>	<u>2014</u>
		\$	\$
Adjustments for operating activities:			
Generative exploration		211	325
Exploration and evaluation assets abandoned or impaired		659	92
Share-based compensation (recovery)		165	(1,992)
Cash-settled stock appreciation rights		(208)	(331)
Amortization		3,574	87
Interest on long-term debt		2,852	5,309
Interest paid		(2,468)	(5,273)
(Gain) loss on disposal of investments and impairment recognition		(544)	1,513
Unrealized (gain) loss on fair value adjustment of derivatives		(219)	2,401
Earnings from joint ventures		(6,904)	(8,378)
Share of loss and impairment in associates		3,287	36,084
Dilution gain on issuance of shares by associates		-	(74)
Income taxes (recovery)		996	(3,244)
Income taxes paid		(6,215)	742
		(4,814)	27,261
Changes in non-cash operating working capital:			
Accounts receivable and prepaid expenses	6	4,842	9
Accounts payable and accrued liabilities	6	(2,290)	(9,327)
		2,552	(9,318)
Cash and cash equivalents consist of:			
Deposits with banks		10,206	11,254
Short-term investments		5,031	-
		15,237	11,254

17. RELATED PARTY TRANSACTIONS

During the six months ended October 31, 2015, the Corporation billed Mining Equity (a joint venture investment – see Note 7) for the reimbursement of exploration and consulting assistance totaling \$141,000 (2014 - \$131,000) of which \$140,000 is included in the accounts receivable balance as at October 31, 2015.

During the six months ended October 31, 2015, the Corporation paid Alderon, an Associate (see Note 8), \$119,600 for consulting services (2014 - \$nil).

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

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Salaries and benefits	362	451	1,116	727
Share-based compensation	(269)	(2,184)	165	(1,992)
	93	(1,733)	1,281	(1,265)

These transactions are in the normal course of operations and are measured at the fair value amount, which is the amount of consideration established and agreed to by the related parties. During the quarter ended October 31, 2015, SARs were cash settled for \$208,000 (2014 - \$331,000). As at October 31, 2015, an amount of \$272,000 was accrued for executive bonuses for key management personnel.

18. 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:

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
As at October 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>TOTAL</u>
	\$	\$	\$	\$
FINANCIAL ASSETS				
Short-term investments in cash equivalents (Note 16)	5,031	-	-	5,031
Mining and other investments (Note 9)	34,788	-	-	34,788
TOTAL FINANCIAL ASSETS	39,819	-	-	39,819
FINANCIAL LIABILITIES				
	-	129	-	129

As at April 30, 2015:

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

Risk Management

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

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