



# ALTIUS MINERALS CORPORATION

Management's Discussion and Analysis of Financial Conditions and Results of Operations

Year ended December 31, 2019

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019 and related notes. This MD&A has been prepared as of March 11, 2020.*

*Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risks and uncertainties, many of which are beyond the Corporation's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Additional information regarding the Corporation, including the Corporation's continuous disclosure materials, is available on the Corporation's website at [www.altiusminerals.com](http://www.altiusminerals.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).*

## Description of Business

The Corporation's diversified royalties and streams generate revenue from 15 operating mines located in Canada (14) and Brazil (1) that produce copper, zinc, nickel, cobalt, potash, iron ore, thermal (electrical) and metallurgical (steel making) coal (see Appendix 1: Summary of Producing Royalties and Streaming Interests). The portfolio also includes development stage royalties related to renewable energy generation, along with a host of pre-production stage royalties covering a wide spectrum of mineral commodities in various jurisdictions. Additional information on the status of these royalty interests is available in Appendix 2: Summary of Exploration and Pre-Production Stage Royalties of this MD&A.

The Corporation's other business, which operates under the name Project Generation, creates royalty and public equity holdings through mineral exploration initiatives which are well diversified by commodity and geography.

## Strategy

The Corporation's strategy is to grow a diversified portfolio of royalties related to commodities and assets that benefit most from the sustainability linked, macro-scale structural trends of fossil fuel to renewable based electrical generation conversion; transportation electrification; lower emission steel making; and agricultural yield growth.

The Corporation gives priority to royalty interests in projects with large potential resource lives in order to maximize future option value realization potential. The long average resource lives that remain for most of our current portfolio of royalties is a key strategic differentiator for Altius within the broader resource royalty sector. Large resources are excellent predictors of project capacity expansions. Such occurrences typically require capital investments by the mine operator, but as royalty holders we pay no share of the cost incurred to gain these potential incremental benefits.

Altius also grows its portfolio of paying royalties by originating mineral projects and then retaining royalties upon their transfer to mining/development companies. This approach is the core function of our Project Generation business and is another unique strategic differentiator for Altius. In addition, the Project Generation business has a strong track record of earning substantial profits from the eventual sale of junior equities that are often received in project deals over and above the retained royalties. These profits can then be used for further royalty acquisitions, as was the case when previous up-cycle profits were leveraged to provide the majority of our royalty acquisition financing during the following cycle trough.

More recently, Altius expanded its focus on growing its royalty portfolio to benefit from sustainability-based macro trends by forming Altius Renewable Royalties ("ARR") as a subsidiary. ARR seeks to provide royalty based financing to renewable energy project originators and developers and to then retain royalties once these projects are sold on to ultimate project sponsors.

Finally, whether considering M&A type royalty acquisitions or its organic Project Generation business, Altius exercises rigorous counter-cyclical discipline. Commodity markets are notoriously cyclical and individual asset valuations can change dramatically in accordance with commodity prices and sentiment. Our mining royalty and mineral property acquisitions are primarily made during periods of low cyclical valuations, while operator funded organic growth and equity gains / liquidity events typically become more pronounced during periods of better cyclical valuations.

## Outlook

The Corporation announced on January 22, 2020 that it anticipates full year attributable royalty revenue of \$75,000,000 - \$80,000,000 in 2020 (see non-IFRS measures) . This guidance was based upon prevailing commodity prices at that time and incorporates information received from mine operators with regards to expected production volumes (where provided) and assumptions based upon historical production rates and other publicly available information in other cases.

The degree of uncertainty related to this estimate is considered higher than during any period since the Corporation began providing revenue guidance owing to the uncertainty that has since emerged concerning the impacts to commodity pricing and production volumes that will result from the COVID-19 outbreak. Moreover, we wish to highlight that several of the operators of the mines from which our revenues are generated

have provided similar cautionary statements. The information provided below regarding expectations for production volumes and prices should therefore be considered as being provided largely in the absence of factoring for various potential COVID-19 impacts as they might relate to economic growth, supply chain disruptions and government stimulus efforts, amongst many other possible variables..

Base metal production volumes in 2020, specifically those at 777 and Chapada, are expected to be relatively consistent; however prices have declined thus far during the year. We do not expect a meaningful short-term contribution to revenue from the Gunnison royalty in 2020 as extraction processes have only recently commenced and production at the in-situ copper operation is expected to ramp up over several years. Royalty revenue at Voisey's Bay is expected to continue to yield subdued production levels while the underground mine construction progresses, with expected completion in 2021.

The Iron Ore Company of Canada ("IOC") mining complex in Labrador is continuing to benefit from strong market and pricing for its high-quality iron ore concentrates and pellets as a result of persistent global supply challenges and resilient demand. Iron ore prices have retreated from levels earlier this year but remain healthy, particularly for high grade, lower polluting product inputs such as those produced by IOC.

Forecasts for long-term global potash demand growth remain positive and rationalization of production to low cost and recently expanded operations such as Rocanville and Esterhazy are expected to continue to positively reflect in volumes attributable to Altius, given our higher weighted exposure to these lower cost operations. Nutrien Ltd. and The Mosaic Company, operators of Altius's potash royalty mines, both curtailed production during Q4 2019 in response to inventory build-ups resulting largely from weather related, weaker than expected planting conditions experienced in North America early in the year. This measure is expected to be short term and both operators have reaffirmed a positive outlook for potash demand in 2020, as well as for medium to long term potash supply / demand fundamentals.

The utility companies that operate Alberta's thermal coal-fired electricity generation, and pay coal tonnage-based royalties to the Corporation, continue to consider options regarding the potential for and timing of gas-based conversion of their various coal fired plants given the legislated ban on coal fired electricity generation after 2030. The strategy of the utility companies appears to involve building in optionality around co-firing of the generating units to allow additional flexibility to choose the most cost advantageous fuel option, considering factors such as gas pricing, pipeline costs & availability and carbon taxes. Meanwhile, Altius continues to advance litigation against the governments of Alberta and Canada related to the effective expropriation of its royalties payable after 2030.

The Corporation continues to make strong progress in innovating the creation of royalties on renewable energy projects that are intended, as a minimum objective, to progressively replace royalties on coal fired electrical generation within its portfolio. It completed one royalty financing agreement with a significant US based renewable developer in 2019 and another subsequent to year end. These are described in more detail below.

Within the Project Generation business, we continue to work closely with the management teams of our various junior equity portfolio investment companies to find ways to add value through the provision of technical and various other supports where deemed helpful. Several of these exploration companies are also demonstrating success in attracting investment from strategic investors. Public market alternatives remain weak although have improved considerably for precious metal focused explorers. The Project Generation business is once again increasing its efforts to add new early stage mineral prospects to its portfolio, after having successfully vended the majority of its project inventory.

Given the general recovery of commodity markets since 2016 to levels that have translated into positive margins and cash flow for most established operators, Altius foresees less opportunity for high quality mining royalty acquisitions in the near term. This is being more than offset however by the improved confidence of operators to sanction organic asset level investments to build, extend or expand operations at several of the mines that are subject to our existing royalties. The Corporation is also witnessing growth in opportunities relating to the renewables royalty business and is considering various capital sourcing means to meet the growing opportunity to provide royalty financing to this rapidly emerging business sector.

## Annual Highlights

### Selected annual information

IN THOUSANDS OF CANADIAN DOLLARS (except per share amounts)

	Year ended December 31, 2019		Year ended December 31, 2018		Eight months ended December 31, 2017	
<b>Revenue</b>						
Attributable royalty	\$	78,105	\$	67,047	\$	46,747
Project generation		99		1,353		654
Attributable revenue <sup>(1)</sup>		78,204		68,400		47,401
Adjust: joint venture revenue		(16,979)		(19,165)		(17,144)
IFRS revenue per consolidated financial statements		61,225		49,235		30,257
Total assets	\$	566,874	\$	558,981	\$	534,202
Total liabilities		166,913		174,720		134,077
Cash dividends declared & paid to shareholders		8,117		6,899		4,323
Adjusted EBITDA <sup>(1)</sup>		62,568		52,990		38,225
Adjusted operating cash flow <sup>(1)</sup>		44,077		34,721		23,541
Net earnings		18,338		1,938		18,218
Attributable revenue per share <sup>(1)</sup>	\$	1.83	\$	1.58	\$	1.08
Adjusted EBITDA per share <sup>(1)</sup>		1.46		1.23		0.88
Adjusted operating cash flow per share <sup>(1)</sup>		1.03		0.80		0.54
Net earnings per share, basic and diluted		0.41		0.03		0.42

(1) See non-IFRS measures section for definition and reconciliation

Attributable royalty revenue on a full year basis grew by more than 16%, with increased prices for high quality iron ore products resulting in the largest gain. This is the 5th consecutive year of strong royalty revenue growth, which furthered Altius' ability to execute on long-term capital allocation priorities supported by the steady increase of adjusted operating cash flows, which grew by 29% and 48% respectively.

### Capital allocation

Capital allocation priorities during the year included growth investments in royalties expected to benefit from the trend of transportation electrification and the transition towards renewable energy sources (e.g. copper, lithium, renewable energy royalties). The Corporation balanced these growth initiatives by returning value to shareholders through continuing its share repurchases, increasing its common share dividend, while at the same time continuing to repay debt. Net earnings have been impacted by non-cash impairment charges and other gains and losses relating to associates in the current year and a disposition of a royalty interest.

During the year ended December 31, 2019 the Corporation repaid \$20,000,000 in scheduled payments on its term credit facility and \$11,000,000 on its revolving facility, paid a cash dividend of \$0.19 cents per common share (\$8,117,000) and repurchased for cancellation 802,000 of its common shares on the open market at a total cost of \$9,273,000. The balance of free cash flow was used to invest in royalty related investments as described in investing activities. On January 28, 2019 the Corporation completed a draw down on its revolving facility for approximately \$25,200,000 to acquire mining and other investments, specifically additional shares in LIORC.

### Altius Renewable Royalties

On February 7, 2019 the Corporation announced a multi-project renewable energy royalty financing transaction with leading Texas-based wind energy developer TriGlobal Energy LLC ("TriGlobal" or "TGE"). Under the terms of the agreement, Altius will receive a 3% gross revenue royalty ("GRR") on each individual project sold until a target minimum total royalty valuation threshold is achieved. Prior to closing the TGE transaction the Corporation also acquired all of the outstanding shares of a private company, Great Bay Renewables, Inc. ("GBR"), which holds a paying royalty on the 4.7 MW Clyde River hydroelectric/solar facility located in Vermont.

In H2 2019, Altius, through subsidiary ARR, achieved two major royalty milestones when Tri Global Energy LLC (“TGE”) sold the 360 megawatt Canyon Wind Project and the 400 megawatt Woodford Wind Project to two private investment companies in separate transactions. Under the terms of the investment agreement, ARR is entitled to a 3% gross revenue royalty on these projects. These asset sales and the meeting of other criteria under Altius’ royalty investment with TGE also triggered the availability of the second tranche of funding (US\$6.5 million) to TGE bringing the total amount deployed to US \$14 million of the total US\$30 million it expects to invest under its agreement with TGE.

Subsequent to year end, on March 10, 2020, ARR entered into a US\$35 million royalty investment agreement with Apex Clean Energy (“Apex”) to obtain future royalties related to a broad portfolio of wind and solar energy development projects located across North America.

Apex is one of the largest renewable energy developers in the U.S. and has commercialized over 5 gigawatts (GW) of clean energy projects since inception in 2009. Its current portfolio includes approximately 21 GW (12.5GW wind, 8.5GW solar) of development projects. Apex typically sells these projects to utilities, infrastructure funds and other institutional investors prior to construction. The royalty financing provided by ARR will allow Apex to accelerate the advancement and ultimate sale of wind and solar energy projects existing in the portfolio and to add new projects to its portfolio.

Apex is committing its current portfolio of renewable energy development projects, and any newly acquired projects that it develops, to this new royalty investment structure with ARR, excluding certain later stage portfolio projects that are already subject to sale, financing or construction commitments. As individual projects from within the development portfolio reach commercial production, ARR will receive gross revenue royalties for wind energy and solar energy projects until such time as a sufficient number have been conveyed to meet a minimum royalty vesting threshold. Each individual project royalty, once created, will encompass the full life of the project including any extensions or enhancements that might occur.

Upon achieving certain milestones related to the vending of projects in Apex’s development pipeline, mutual options become exercisable to provide continuing US\$10 million tranches of royalty investment. Altius intends to fund the investment using its revolving credit facility.

#### ***LIORC Initiatives and Additions***

In 2019, Altius increased its ownership position in LIORC from 5.5% to 5.9% or 3,781,600 shares.

Early in the year the Corporation continued efforts to voice its preference that Labrador Iron Ore Royalty Corporation (LIORC) both maximize the flow through of cash flows as dividends, in accordance with previous practice and stated policy, and consider an economic segregation of its royalty assets from its equity ownership assets. LIORC subsequently expressed its commitment to not pursuing alternative capital allocation strategies in favor of the maximization of the pass through of cash flows as dividends. With respect to the potential separation of its equity and royalty asset class holdings it has indicated that it does not see sufficient merit to undertake a detailed evaluation of the concept. LIORC declared dividends of \$4.00 per share for the year ended December 31, 2019 (\$15,480,000 to Altius), which included amounts that it chose to withhold in 2018.

#### ***Curipamba Acquisition***

On January 21, 2019 the Corporation entered into an agreement to acquire a 2% net smelter return (“NSR”) royalty covering the Curipamba copper-gold-zinc project (the “Curipamba Project”) from Resource Capital Fund VI L.P. and RCF VI SRL LLP (collectively, “RCF”) for US\$10,000,000 in cash. The Curipamba Project, located in central Ecuador, is being developed under a 75:25 partnership between Adventus Zinc Corporation (“Adventus”) and Salazar Resources Ltd. Altius also holds 15.51% of the outstanding shares of Adventus.

## Financial Performance and Results of Operations

IN THOUSANDS OF CANADIAN DOLLARS (except per share amounts)

	Three months ended			Year ended		
	December 31, 2019	December 31, 2018	Variance	December 31, 2019	December 31, 2018	Variance
<b>Revenue</b>						
Attributable royalty	\$ 17,497	\$ 17,615	\$ (118)	\$ 78,105	\$ 67,047	\$ 11,058
Project generation	60	297	(237)	99	1,353	(1,254)
Attributable revenue <sup>(1)</sup>	17,557	17,912	(355)	78,204	68,400	9,804
Adjust: joint venture revenue	(4,172)	(4,545)	373	(16,979)	(19,165)	2,186
IFRS revenue per consolidated financial statements	13,385	13,367	18	61,225	49,235	11,990
Total assets	\$ 566,874	\$ 558,981	\$ 7,893	\$ 566,874	\$ 558,981	\$ 7,893
Total liabilities	166,913	174,720	(7,807)	166,913	174,720	(7,807)
Cash dividends declared & paid to shareholders	2,123	1,718	405	8,117	6,899	1,218
Adjusted EBITDA <sup>(1)</sup>	13,624	13,383	241	62,568	52,990	9,578
Adjusted operating cash flow <sup>(1)</sup>	9,442	9,776	(334)	44,077	34,721	9,356
Net earnings	8,976	(12,381)	21,357	18,338	1,938	16,400
Attributable revenue per share <sup>(1)</sup>	\$ 0.41	\$ 0.42	\$ (0.01)	\$ 1.83	\$ 1.58	\$ 0.25
Adjusted EBITDA per share <sup>(1)</sup>	0.32	0.31	0.01	1.46	1.23	0.23
Adjusted operating cash flow per share <sup>(1)</sup>	0.22	0.23	(0.01)	1.03	0.80	0.23
Net earnings per share, basic and diluted	0.21	(0.29)	0.50	0.41	0.03	0.38

<sup>(1)</sup> See non-IFRS measures section for definition and reconciliation

Attributable revenue (see non-IFRS measures) was \$78.1 million (\$1.83 per share) in 2019, which was 16% higher than the \$67.0 million (\$1.58 per share) recorded in 2018, mainly as a result of higher yearly average potash prices and iron ore dividends. Fourth quarter revenue was consistent with 2018's fourth quarter but lower than that received during the third quarter as a result of lower potash prices and volumes resulting from weather and other issues that caused an unfavorable inventory build up in the sector, and base metal prices that were pressured by trade and other geopolitical concerns.

Adjusted EBITDA in 2019 of \$62,568,000 (\$1.46 per share) was 18% greater than \$52,990,000 (\$1.23 per share) for the prior year. The current year was impacted by positive changes to revenues and partially offset by costs and expenses discussed below. Fourth quarter adjusted EBITDA was consistent with 2018 however was lower than the third quarter which is consistent with royalty revenue trends. The annual EBITDA margin of 80% for 2019 is 3% higher than 2018.

Adjusted operating cash flow was \$44.1 million (\$1.03 per share), which was 29% higher than the \$34.7 million (\$0.80 per share) generated in 2018 as a result of higher attributable revenue and EBITDA without any significant increase in costs. In addition, during 2019 the number of portfolio holdings in our Project Generation business was reduced from 27 to 18, resulting in \$16,800,000 in net cash proceeds after accounting for new or incremental investments that totaled \$2,400,000.

Net earnings during the year were \$18.4 million (\$0.41 per share) compared to \$1.9 million (\$0.03 per share) recorded in 2018, mainly as a result of higher revenue from our diversified royalty portfolio and the negative impact to 2018 net earnings from impairment charges, unrealized losses on derivatives and associates. Fourth quarter net earnings in 2018 were negatively impacted by impairment charges recorded on goodwill and royalty interests.

Total assets net of total liabilities increased by approximately \$17 million over the year as a result of increasingly profitable results from the royalty business, the monetization of investments in the Project Generation business resulting in gains on disposition, and general improvement in the market value of investments. These increases were partially offset by mineral property write downs and other one-off items, which are described in further detail below.

## Costs and Expenses

IN THOUSANDS OF CANADIAN DOLLARS

Costs and Expenses	Three months ended			Year ended		
	December 31, 2019	December 31, 2018	Variance	December 31, 2019	December 31, 2018	Variance
General and administrative	\$ 2,622	\$ 2,749	\$ (127)	\$ 9,594	\$ 8,552	\$ 1,042
Cost of sales - copper stream	1,077	1,152	(75)	5,135	4,971	164
Share-based compensation	382	327	55	2,015	1,902	113
Generative exploration	44	58	(14)	119	177	(58)
Exploration and evaluation assets abandoned or impaired	35	195	(160)	9,039	784	8,255
Mineral rights and leases	45	89	(44)	434	574	(140)
Amortization and depletion	4,014	3,495	519	15,629	14,589	1,040
	\$ 8,219	\$ 8,065	\$ 154	\$ 41,965	\$ 31,549	\$ 10,416

General and administrative expenses for the year ended December 31, 2019 were \$1.0 million higher than the prior year. The creation of ARR has resulted in increased employee and office costs of approximately \$1,630,000 of which \$469,000 was incurred in the fourth quarter. In future periods it is expected that the higher costs will be offset by asset growth and higher revenues as renewable energy royalty investments are completed and projects subject to royalty begin to commission. The prior year included higher professional and consulting fees which were related to the Corporation's acquisition of its increased ownership in Potash Royalty Limited Partnership ("PRLP"), its acquisition of the Curipamba royalty and the vending of exploration projects. Fourth quarter general and administrative costs are 5% lower than the prior year's quarter, reflective of decreased professional fees.

A significant component of general and administrative expenses of the Corporation relate to the administration and staffing of its Project Generation segment. During the three months and the year ended December 31, 2019 this amounted to \$815,000 (December 31, 2018 - \$876,000) and \$3,445,000 (December 31, 2018 - \$3,119,000) respectively. This business creates long term royalty development opportunities and also receives public equity positions in exchange for mineral projects and cash investments. Net cash from equity sales and purchases completed by the PG business generated \$16,800,000 in 2019. In considering the portion of general and administrative costs that relates to the Project Generation segment, and its negative impact on adjusted EBITDA and EBITDA margin, it is important to note that equity sales are not included as a revenue contribution but are instead recorded as gains in the statement of comprehensive earnings.

Increased cost of sales for the Chapada copper stream are proportional to increased copper stream revenue over the prior year, also consistent with the decrease for the quarter. Under the streaming agreement the Corporation purchases 3.7% of the payable copper at 30% of the spot copper price. Amortization and depletion are higher for the year ended December 31, 2019 in comparison to the year ended December 31, 2018 which is related to higher production volumes, similarly with lower amortization and lower volumes during the three months ended December 31. However, included in the fourth quarter 2019 was amortization related to the Corporation's intangibles which were acquired in 2019.

The Corporation recorded an impairment of \$9,000,000 on its Tower export thermal coal mineral property for the year ended December 31, 2019, which relates to the value that was recorded when it was acquired as part of a larger portfolio transaction in 2014.



IN THOUSANDS OF CANADIAN DOLLARS

Other items	Three months ended			Year ended		
	December 31, 2019	December 31, 2018	Variance	December 31, 2019	December 31, 2018	Variance
Earnings from joint ventures	\$ 2,463	\$ (566)	\$ 3,029	\$ 6,403	\$ 10,389	\$ (3,986)
Gain on disposal of investments	-	-	-	103	92	11
Interest on long-term debt	(2,018)	(2,038)	20	(8,127)	(7,974)	(153)
Foreign exchange loss	(22)	642	(664)	(642)	347	(989)
Dilution gain on issuance of shares of an associate	-	257	(257)	2,313	2,282	31
Gain on disposition of royalty interest	4,250	-	4,250	4,250	-	4,250
Impairment on goodwill and royalty interest	-	(10,810)	10,810	-	(10,810)	10,810
Unrealized gain (loss) on fair value adjustment of derivatives	(54)	(4,098)	4,044	616	(4,440)	5,056
Share of (loss) gain in associates	(751)	(1,390)	639	(3,757)	(1,556)	(2,201)
Income tax recovery (expense)	58	(319)	377	2,081	4,078	(1,997)

Other factors which contributed to the change in the Corporation's earnings are:

- Earnings from joint ventures were lower for the year ended December 31, 2019 as a result of an impairment loss recorded by the Coal Royalty Limited Partnership ("CRLP") relating to the Cardinal River steelmaking coal operation in the quarter ended June 30, 2019. The operator, Teck Resources Limited ("Teck"), announced that it will not proceed with an extension at the Cardinal River steelmaking coal operation and that existing operations are expected to close in the second half of 2020. The Corporation's share of the resulting impairment loss was \$4,090,000. 2018 reflected only one quarter of PRLP included as earnings in joint venture. Effective March 23, 2018 the Corporation began reporting PRLP's revenue and costs on a 100% basis within the statement of earnings on a consolidated basis. At December 31, 2018 Genesee Royalty Limited Partnership ("GRLP") recorded an impairment on its royalty interests in relation to the renegotiation of one of its royalty rates. The Corporation's share of the impairment loss was \$3,533,000 which resulted in lower earnings in the fourth quarter of 2018 compared to the current year quarter.
- The Corporation equity accounts for its shareholdings in Alderon Iron Ore Corporation ("Alderon") and Adventus and has recorded its share of loss in associate of \$3,757,000 (December 31, 2018 - \$1,556,000). The share of loss was higher for the year ended December 31, 2019 than in the prior year and will fluctuate based on the net earnings (losses) of these companies. The Corporation recorded a dilution gain of \$2,313,000 (December 31, 2018 - \$2,282,000) in relation to the issuance of shares by Adventus during the year ended December 31, 2019. Fourth quarter losses in associates were lower than the comparable quarter in 2018 again due to fluctuations in their results. There were no dilution gains in the three months ended December 31, 2019 as compared to the prior year period in which dilution was recorded based on the underlying share issuances at the associate level.
- An unrealized gain on the fair value of derivatives, which include the revaluation of share purchase warrants, was recorded for the year ended December 31, 2019. The prior year included a loss on the revaluation of a convertible debenture which was converted to common shares at December 31, 2018. The fourth quarter in 2019 had a decrease of \$4,044,000 from the three months ended December 31, 2018 which was also reflective of the revaluation of a convertible debenture.
- In December 2019 the Corporation completed the sale of its 2% gross sales royalty on the Michelin uranium project in Labrador to Uranium Royalty Corporation ("URC") in return for 2,833,332 common shares and 2,833,332 common share purchase warrants which were issued at \$1.50 per unit as part of URC's initial public offering dated December 6, 2019. The royalty interest had no carrying value, and a gain of \$4,250,000 on disposition of royalty interest was recognized as a result of this transaction.
- For the quarter and year ended December 31, 2018 the Corporation recorded goodwill and royalty interest impairment of \$10,810,000. The amount included a \$9,000,000 impairment charge on the Sheerness West exploration stage royalty interest and a \$1,810,000 goodwill impairment charge relating to the 777 mine. There were no such charges in 2019.
- On June 28, 2019 Alberta announced a decrease to the substantially enacted corporate tax rates resulting in a \$2.6 million recovery of deferred taxes in the year ended December 31, 2019.

## Segment Performance

### Royalties

A summary of the Corporation's attributable royalty revenue and key highlights is as follows:

IN THOUSANDS OF CANADIAN DOLLARS

Summary of attributable royalty revenue	Three months ended			Year ended		
	December 31, 2019	December 31, 2018	Variance	December 31, 2019	December 31, 2018	Variance
Revenue						
<b>Base metals</b>						
777 Mine	2,425	\$ 2,855	\$ (430)	\$ 9,646	\$ 11,275	\$ (1,629)
Chapada	3,753	3,942	(189)	17,632	16,992	640
Voisey's Bay	337	622	(285)	1,255	973	282
<b>Metallurgical Coal</b>						
Cheviot	308	859	(551)	3,199	3,227	(28)
<b>Thermal (Electrical) Coal</b>						
Genesee	1,746	1,171	575	5,275	5,922	(647)
Paintearth	196	61	135	616	433	183
Sheerness	1,258	1,292	(34)	5,599	5,516	83
Highvale	327	540	(213)	1,035	1,248	(213)
<b>Potash</b>						
Cory	219	253	(34)	1,051	674	377
Rocanville	1,811	1,946	(135)	10,626	8,882	1,744
Allan	69	166	(97)	596	676	(80)
Patience Lake	140	135	5	415	222	193
Esterhazy	642	1,161	(519)	3,772	3,410	362
Vanscoy	18	71	(53)	153	192	(39)
Lanigan	5	5	-	18	10	8
<b>Iron ore <sup>(1)</sup></b>	3,971	2,097	1,874	15,480	5,911	9,569
<b>Other</b>						
Renewables	76	-	76	482	-	482
Coal bed methane	178	240	(62)	492	659	(167)
Interest and investment	18	199	(181)	763	825	(62)
<b>Attributable royalty revenue</b>	<b>\$ 17,497</b>	<b>\$ 17,615</b>	<b>\$ (118)</b>	<b>\$ 78,105</b>	<b>\$ 67,047</b>	<b>\$ 11,058</b>

See non-IFRS measures section of this MD&A for definition and reconciliation of attributable revenue

<sup>(1)</sup> LIORC dividends received

Summary of attributable royalty volumes and average prices	Three months ended				Year ended			
	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
	Tonnes	Average price <sup>(1)</sup>	Tonnes	Average price <sup>(1)</sup>	Tonnes	Average price <sup>(1)</sup>	Tonnes	Average price <sup>(1)</sup>
Chapada copper <sup>(3)</sup>	493	\$2.61 US / lb	473	\$2.90 US / lb	2,198	\$2.74 US / lb	2,014	\$2.96 US / lb
777 copper <sup>(4)</sup>	2,921	\$2.79 US / lb	3,893	\$2.80 US / lb	12,998	\$2.76 US / lb	12,635	\$2.96 US / lb
777 zinc <sup>(4)</sup>	7,783	\$1.04 US / lb	7,393	\$1.19 US / lb	28,816	\$1.15 US / lb	36,384	\$1.33 US / lb
Potash <sup>(5,7)</sup>	328,508	\$353 / tonne	414,837	\$358 / tonne	1,697,293	\$378 / tonne	1,649,607	\$335 / tonne
Metallurgical coal <sup>(6)</sup>	45,754	\$175 / tonne	90,101	\$235 / tonne	352,339	\$215 / tonne	318,408	\$247 / tonne
Thermal (electrical) coal <sup>(2,5)</sup>	754,179	N/A	764,461	N/A	2,546,169	N/A	2,952,812	N/A

<sup>(1)</sup> Average prices are in CAD unless noted

<sup>(2)</sup> Inflationary indexed rates

<sup>(3)</sup> Copper stream; quantity represents actual physical copper received

<sup>(4)</sup> 4%NSR; production figures shown represent 100% of production subject to the royalty

<sup>(5)</sup> Various production royalties; quantities represent tonnes subject to the royalties at each respective mine (royalty tonnes only)

<sup>(6)</sup> Represents portion of production at Teck's Cheviot mine subject to the royalty (50%)

<sup>(7)</sup> 2018 tonnes reflect 52.369% of volumes until March 23, 2018 acquisition

## **Base Metals**

### **Chapada Copper Stream**

At Chapada, fourth quarter copper production was higher than the comparable quarter last year, a function of greater throughput and improved recoveries, while weaker realized copper prices led to a 5% decrease in revenue from the same quarter a year prior. Delivered pounds of copper attributable to Altius were up 4% and 9% for the quarter and year ended December 31, 2019 respectively, when compared to the same periods in 2018. This equated to growth in revenues from Chapada of 4% year over year notwithstanding the 7% decline in the realized copper price over that same period.

On July 5, 2019 Lundin Mining Corp. ("Lundin Mining") closed the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio S/A, which owns the Chapada copper-gold mine, from Yamana Gold Inc. Lundin has publicly stated that they intend to carry out throughput expansion studies once the near-mine upside potential is better understood through further exploration.

### **Voisey's Bay Nickel-Copper-Cobalt Royalty**

Production from Voisey's Bay of 8.0 kt nickel in Q4 2019 represents a decrease of 4% from Q3 2019 and a decrease of 28% from the same quarter in 2018 due to scheduled maintenance at Long Harbour in the month of October. Total nickel production at Voisey's Bay for the year was down 8% from 2018. Total Copper production for the year was 25,000 tonnes, a 2.7% decrease from the prior year. Overall, annual revenues to Altius were 29% higher than the same period in the previous year on higher realized nickel prices and based upon the timing of a settlement with Vale as to the litigation surrounding the calculation of the royalty.

Vale continues to advance the \$1.7 billion development of an underground mine and associated facilities, which is intended to extend the Voisey's Bay mine life to at least 2034. Vale expects the underground mine to begin production in 2021 and to ramp up over four years, while the current open pit mining of the Ovoid deposit is expected to progressively decommission through 2022. During this transition period we expect subdued production levels and revenues from our royalty interest.

### **Cardinal River Royalty**

Metallurgical coal prices were weaker in 2019, resulting in a 13% decrease in revenue from 2018 despite an 11% increase in tonnes sold.

On May 30, 2019 Teck announced that it will not proceed with the MacKenzie Redcap extension at Cardinal River and that existing operations are expected to close in the second half of 2020. Neither Altius nor the partnership that holds the Cheviot royalty (CRLP) will incur any share of reclamation costs associated with the closure.

### **Alberta Electrical Coal Royalties**

Attributable production volumes during the quarter were consistent with those of the prior year period, but 14% lower year over year due to planned and unplanned maintenance and technical issues at the Genesee Mine, which have since been resolved. Revenue from operations at Paintearth benefited during the fourth quarter and the year from increased production on royalty attributable lands. Operations from Altius royalty lands at Highvale declined this quarter and overall for the year, in line with operator provided guidance.

Altius continues to advance the lawsuit filed against both the Government of Alberta and the Government of Canada related to the Genesee Royalty Limited Partnership, of which Altius is the general partner. This suit claims \$190 million in damages, while describing actions that it feels were tantamount to expropriation of its royalty interest in the Genesee mine, which is integrated with the Genesee power plant in Alberta, Canada.

### **Saskatchewan Potash Royalties**

Revenue from potash operations on which Altius holds royalties were higher for the year ended December 31, 2019 compared to the same period in 2018 as a result of stronger average annual prices, production volume growth and a shift of tonnage from high cost operations to lower-cost mines such as Rocanville, for which our royalty rates are generally higher. Revenues were lower on a quarter over quarter basis as production curtailments were initiated at several of the mines subject to Altius royalties. Excess inventories were related to a weak planting season in North America that was brought on by flooding events in key agricultural regions. Saskatchewan potash operations of both Nutrien

Ltd. (“Nutrien”) and The Mosaic Company (“Mosaic”), where Altius has exposure to six producing mines, reported tonnage from these operations totalling 11.5 million tonnes in 2019, a decline of approximately 24% from 2018 levels. The impact of the decline in production volumes was mitigated by our relatively higher exposure to the very low cost Rocanville Mine which maintained strong production throughout the period.

Nutrien has publicly stated that it expects to return to previous sales levels in 2020 as North American growers make up for lost production. Nutrien also provided 3-year guidance, which indicated steadily increasing production to meet growing global food demands while also pointing to their ability to grow capacity further through brownfield expansion at relatively low capital cost in comparison to greenfield development.

In the fourth quarter of 2019, Mosaic announced the acceleration of development at the Esterhazy K3 potash mine by a full year. The new plan would result in the closure of higher cost K1 and K2, and the elimination of brine management costs by the middle of 2022. When operating at full capacity, the Esterhazy K3 mine will produce 7.1 million tonnes of potash per year, making it the world’s largest potash mine. Esterhazy K3 project is expected to reach full operational capacity by 2024.

### ***Iron Ore***

Altius continued to capitalize on its exposure to high-grade pellet and concentrate iron ore products through its equity stake in LIORC throughout 2019. LIORC operates as a passive flow-through vehicle for proceeds from a 7% gross overriding royalty and a 15.1% equity position held by LIORC in the IOC operations in Labrador, Canada. Production of pellets and concentrate at the IOC mine in 2019 was 18 percent higher than 2018 and came in at 17.1 million tonnes.

In December, LIORC announced cash dividends for the fourth quarter of \$1.05 per share, composed of a regular dividend of \$0.25 per share and a special dividend of \$0.80 per share. Revenue for the quarter from LIORC was 89% higher than the same period in 2018, as a result of a lower dividend payout ratio in the previous corresponding period. For the year ended December 31, 2019 Altius recorded revenue of \$15.5 million from its LIORC ownership position, up from \$5.9 million the previous year. This increase is the result of strong realized prices and premiums, a higher ownership level, a higher LIORC dividend payout ratio in this period and the negative impacts of a labour stoppage in the previous comparable period.

### ***777 Copper-Zinc-Gold-Silver Royalty***

Royalty revenues from Hudbay’s 777 Mine were approximately 15% lower than in 2018 on a comparative quarterly and annual basis. While the amount of ore processed was higher quarter over quarter and year over year by 10% and 15% respectively, zinc ore grades were 27% lower in 2019 and, in general, realized zinc prices were also lower.

During the year ended December 31, 2019 Hudbay Minerals Inc. reported the extension of the 777 mine life to the second quarter of 2022 from the end of 2021, based on its most recent estimate of mineral reserves.

### ***Pre-Production Royalties & Junior Equities Portfolio Highlights***

The Corporation’s junior equities portfolio had a market value of \$54,100,000 at December 31, 2019. This amount excludes the market value of LIORC and the book value of privately held investments, which stood at \$93,103,000 and \$25,108,000 respectively. During the year ended December 31, 2019 the Corporation generated positive cash proceeds from sales, net of new investments, totaling \$16,800,000 of which \$600,000 was generated in the fourth quarter.

### ***Altius Renewable Royalties***

Early in the year ARR agreed to an investment of US\$30 million in renewable energy development company TGE that gave ARR royalty exposure to a large portfolio of US based renewable energy projects. Late in the year TGE sold two large (360 MW and 400MW) wind projects in Texas and Illinois to sponsors who expect to complete construction and become operational in 2021. The sales triggered the creation of a 3% gross revenue royalty on each project in favour of ARR under its portfolio-based royalty financing agreement with TGE.

ARR continued to advance due diligence investigations and negotiations with several other renewable energy operators and developers around additional potential royalty financing transactions.

### ***Gunnison***

At the end of 2019 Excelsior Mining Corp. ("Excelsior") completed construction of the Gunnison copper mine in Arizona, USA and subsequently began commissioning of the project. Excelsior's in situ copper operation located in Arizona has an initial targeted production rate of 25 million pounds of copper per year with a long-term objective of 125 million pounds of copper per year. Altius holds a 1.625% gross revenue royalty on this mine.

### ***Advanced Project Stage Investments***

#### ***Adventus Mining Corporation***

Adventus Mining Corporation ("Adventus") continued to rapidly advance its Ecuadorian projects during the year. These include the advanced stage Curipamba polymetallic deposit and additional earlier stage copper porphyry targets. During the year Adventus published both a positive resource estimate and preliminary economic assessment update report for Curipamba while also continuing to attract significant capital investments from strategic shareholders. Subsequent to year end, Adventus also announced the execution of an agreement that will see South32 Limited explore its Rathkeale, Kingscourt and Fermoy projects in the Republic of Ireland, each of which are subject to 2% NSR royalties in favour of Altius. Altius's equity ownership in Adventus is approximately 15.51% and Altius holds a 2% NSR on the Curipamba Project.

#### ***Adia Resources Inc.***

In late November 2019, Adia released microdiamond results from its 3-hole drilling campaign in the winter of 2019 at its Lynx Project, Manitoba. The initial three hole drill program has confirmed that the Eastern Bay diamond-bearing ultramafic unit extends for more than two kilometers and that the unit contains extensive numbers of micro diamonds. The work was partially funded under an agreement with De Beers Canada Inc. These results will be utilized to guide a follow-up drill program in winter 2020, which is currently underway. The goal of the 2020 drill program is to further expand the unit and identify parts of the sequence with the best diamond size distribution characteristics and thus identify the most promising area to bulk sample. Altius is the majority founding partner of Adia.

#### ***Alderon Iron Ore***

Alderon undertook efforts during the year to attract either project finance or a strategic partner to develop the Kami high-grade iron ore project, in respect of which Altius holds a 3% gross sales royalty. Near year end Alderon completed an agreement with Sprott Resource Lending ("Sprott") to extend the term of a US\$14 million loan facility to February 14, 2020. Subsequent to year end, the loan was extended to March 31, 2020 and Alderon signed a letter of intent with Hong Kong based Tungshu Group to sell a portion of the limited partnership that holds the Kami project for cash consideration. The parties intend to conclude the definitive agreement by March 15, 2020 and close the transaction by April 30, 2020. Altius is a syndicate member of the Sprott loan facility and holds 52,526,206 shares of Alderon.

#### ***Other***

Altius holds other mineral rights targeting base, precious metals and diamond exploration opportunities in Canada (Newfoundland & Labrador, Manitoba, Alberta, Saskatchewan), and the United States (Michigan), for which it is seeking capable partners.

The technical information contained in this MD&A has been reviewed and approved by Lawrence Winter, Ph.D., P.Geo., Vice-President of Exploration, a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Readers are encouraged to visit the corporate website at [www.altiusminerals.com](http://www.altiusminerals.com) to gain added insight into the exploration activities and projects of the Corporation.

## Cash Flows, Liquidity and Capital Resources

IN THOUSANDS OF CANADIAN DOLLARS

Summary of Cash Flow s	Year ended	
	December 31, 2019	December 31, 2018
Operating activities	\$ 27,395	\$ 15,375
Financing activities	(25,291)	29,043
Investing activities	(8,368)	(78,008)
Net (decrease) in cash and cash equivalents	(6,264)	(33,590)
Cash and cash equivalents, beginning of year	28,392	61,982
Cash and cash equivalents, end of year	\$ 22,128	\$ 28,392

### Operating Activities

Royalty and stream revenue growth, without a proportionate increase in corporate costs, resulted in higher cash flows from operations during the year ended December 31, 2019. These cash flows were partially offset by higher interest paid on long term debt and higher general and administrative costs as a result of expansion into the renewable royalty business.

### Financing Activities

In March 2018 the Corporation completed a draw-down of \$65,000,000 on its revolving credit facility, which was used to fund the acquisition of our increased ownership of potash royalties. On June 29, 2018, the Corporation amended its credit facility to refinance its existing term and revolver debt. The debt balance outstanding of \$125,000,000 was transferred to a new term facility with a maturity date of June 2023. The Corporation incurred costs on the amendment of its existing credit facility of \$2,595,000. During the year ended December 31, 2019 the Corporation completed a draw-down of \$25,208,000 on this revolving credit facility which was used to fund various acquisitions. The Corporation has repaid \$20,000,000 (December 31, 2018 - \$66,750,000) during the year ended December 31, 2019 on its term facility in addition to repaying approximately \$10,647,000 (December 31, 2018 - \$74,433,000) on its revolving facility.

A distribution on the Corporation's preferred securities of \$5,000,000 (December 2018 - \$4,931,000) was also completed during the year ended December 31, 2019.

The Corporation distributed \$1,301,000 (2018 - \$816,000) to a non-controlling interest in PRLP during the year ended December 31, 2019. Proceeds from issuance of shares of \$3,895,000 was received during the year ended December 31, 2019 from non-controlling interests in two subsidiaries, Adia and ARR.

The Corporation declared and paid dividends of \$8,117,000 (December 2018 - \$6,899,000) to its shareholders in the year ended December 31, 2019.

In the year ended December 31, 2019, the Corporation repurchased and cancelled 802,000 (December 2018 - 369,500) common shares under its normal course issuer bid for a total cost of \$9,273,000 (December 2018 - \$4,533,000).

### Investing Activities

The Corporation acquired mining royalty interests at a cost of \$13,787,000 (December 31, 2018 - \$6,621,000) during the year, including the 2% NSR on the Curipamba copper project for \$13,441,000, with the balance used to acquire incremental potash royalty interests totaling \$346,000. In the prior year the Corporation acquired an additional 44.935% ownership in potash royalties for net cash consideration of \$63,437,000.

Joint venture-based royalty cash flow decreased to \$16,682,000 in the current year ended December 31, 2019 from \$19,346,000 in December 31, 2018. In the prior year period, the Corporation had distributions from PRLP and since the acquisition of control in 2018 the Corporation no longer accounts for these receipts as distributions from joint ventures.

The Corporation used \$30,459,000 (December 31, 2018 - \$27,451,000) in cash to acquire investments during the year ended December 31, 2019, of which \$12,742,000 (December 31, 2018 - \$8,673,000) was used to add to the LIORC position, \$13,836,000 (US \$10,500,000) was

used by ARR to acquire the TGE investment, \$1,000,000 (December 31, 2018 - \$8,400,000) was used to acquire an indirect interest in a royalty in association with Lithium Royalty Corporation (“LRC”) and the balance was used for a number of other small investments. The comparable prior period included \$5,075,000 which was used to acquire an additional 18,797,454 common shares of Alderon concurrent with its acquisition of PRLP partnership units from the same seller. The Corporation also participated in a US\$14 million credit facility by providing US\$2,000,000 (CAD\$2,625,000) to Alderon and received 687,290 common shares in the prior year as partial consideration for its participation in the loan facility.

During the year ended December 31, 2019 the Corporation, through its subsidiary ARR, acquired Great Bay Renewables, Inc. for \$6,153,000 (US\$5,000,000) net of cash assumed.

The Corporation received \$27,585,000 from the sale of investments for the year ended December 31, 2019 (December 31, 2018 - \$4,332,000) consisting mostly of proceeds from the sale of Champion Iron shares of \$16,792,000 and LIORC shares of \$8,393,000.

### **Liquidity**

At December 31, 2019 the Corporation had current assets of \$37,886,000, consisting of \$22,128,000 in cash and cash equivalents and \$11,648,000 primarily in accounts receivable, loan receivable and prepaid expenses, with the remainder in income taxes receivable. Current liabilities of \$26,803,000 include the current portion of long-term debt obligations of \$20,000,000, which are paid quarterly. The Corporation’s major sources of free cash flow are from royalty income and streaming revenue, cash receipts from royalty partnership interests, sales of direct and indirect exploration investments, and investment income. During the year ended December 31, 2019 the Corporation made a discretionary payment on its revolving credit facility of approximately \$11,000,000. The Corporation monetized certain portfolio investments during the current year and generated \$16,800,000 in cash net of reinvestments. At December 31, 2019 the Corporation has approximately \$85,000,000 of available liquidity under its revolving credit facility and intends to draw on this facility to fund the US\$35,000,000 Apex royalty investment announced on March 10, 2020 (see Annual Highlights section of this MD&A).

### **Summary of Quarterly Financial Information**

The table below outlines select financial information related to the Corporation’s attributable revenue, adjusted EBITDA, net (loss) earnings and net (loss) earnings per share for the most recent eight quarters. The financial information is extracted from the Corporation’s condensed consolidated financial statements and should be read in conjunction with those statements and the annual audited consolidated financial statements.



IN THOUSANDS OF CANADIAN DOLLARS (except per share amounts)

	December 31, 2019		September 30, 2019		June 30, 2019		March 31, 2019	
Attributable revenue <sup>(1)</sup>	\$	17,557	\$	19,256	\$	19,538	\$	21,853
Adjusted EBITDA <sup>(1)</sup>		13,624		15,241		16,344		17,359
Adjusted operating cash flow <sup>(1)</sup>		9,442		14,368		11,849		8,418
Net earnings (loss) attributable to common shareholders		8,842		4,450		(2,068)		6,248
Attributable revenue per share <sup>(1)</sup>	\$	0.41		0.45		0.46		0.51
Adjusted EBITDA per share <sup>(1)</sup>		0.32		0.35		0.38		0.41
Adjusted operating cash flow per share <sup>(1)</sup>		0.22		0.33		0.28		0.20
Net earnings (loss) per share - basic and diluted		0.21		0.10		(0.05)		0.15
	December 31, 2018		September 30, 2018		June 30, 2018		March 31, 2018	
Attributable revenue <sup>(1)</sup>	\$	17,912	\$	17,634	\$	16,757	\$	16,097
Adjusted EBITDA <sup>(1)</sup>		13,383		13,381		13,032		12,694
Adjusted operating cash flow <sup>(1)</sup>		9,776		7,355		9,489		8,101
Net earnings attributable to common shareholders		(12,578)		6,025		5,291		2,530
Attributable revenue per share <sup>(1)</sup>	\$	0.42	\$	0.40	\$	0.39	\$	0.37
Adjusted EBITDA per share <sup>(1)</sup>		0.32		0.32		0.30		0.29
Adjusted operating cash flow per share <sup>(1)</sup>		0.23		0.17		0.21		0.19
Net earnings per share - basic and diluted		(0.29)		0.14		0.12		0.06

(1) Non-IFRS measures are reconciled and described in the Non-IFRS Measures section of this MD&A

(2) Condensed period (2 months) due to change in fiscal year

EBITDA is derived primarily from the high margin royalty business, which includes attributable royalty and streaming revenue from our 15 producing mines, all net of G&A and operating costs. Attributable royalty revenue is contingent on many factors including commodity prices, mine production levels, mine sequencing, maintenance schedules and the timing of concentrate shipments, which in some cases are affected by seasonality and outside events. Adjusted EBITDA is proportionate with royalty revenue while earnings have been impacted by non-cash impairments, unrealized losses and gains. Adjusted operating cash flow is derived from cash flow from operations and adjusted to include distributions from joint ventures on the basis that the joint venture cash flows form part of our royalty business. The changes in adjusted operating cash flow is consistent with royalty revenue. During the quarter, royalty revenue was impacted by base metal prices being under pressure from geopolitical concerns, and by potash prices and volumes being lower due to weather related demand issues, planned mine maintenance and a rail strike in Canada.

Net earnings are affected primarily by revenue net of operating expenses as noted above but are also affected by the realization of both cash and non-cash gains or losses on the Corporation's investments, mineral properties and mineral exploration alliances and the equity accounting of some investments. The quarter was positively impacted by royalty revenues and gain on disposition of a royalty interest offset by loss in associates.

### Commitments and Contractual Obligations

The Corporation has obtained various mineral rights in Canada, the United States, Australia and Ireland by staking claims and paying refundable security deposits. On these lands, certain expenditures are required on an annual basis from the date of license issuance in order to maintain the licenses in good standing, and for security deposits thereon. On or before the anniversary date of license issuance, and if the required expenditures are not met, the Corporation has the option of reducing claims on a property, posting a refundable security bond for the deficient amount or electing to allow title of the license to be cancelled. In aggregate, the Corporation is required to spend an additional \$591,000 by December 30, 2020 in order to maintain its various licenses in good standing.

As at December 31, 2019 the following principal repayments for the Corporation's credit facilities are required over the next 4 years:



IN THOUSANDS OF CANADIAN DOLLARS

	Term	Revolver	Total
2020	\$ 20,000	\$ -	\$ 20,000
2021	20,000	-	20,000
2022	20,000	-	20,000
2023	35,000	14,317	49,317
	\$ 95,000	\$ 14,317	\$ 109,317

The Corporation has committed to pay, on the anniversary date of November 1, a limited royalty to McChip Resources Inc. of \$500,000 per year for the next eight years based on a minimum production and grade threshold at the Rocanville mine. During the year ended December 31, 2019 the threshold was achieved, and the Corporation paid \$500,000 (December 31, 2018 - \$500,000) on the anniversary date.

The Corporation has committed to investing, in tranches, a total of US\$30,000,000 over the next two years as requested by TGE as they achieve certain renewable energy project advancement milestones. As at December 31, 2019, US\$10,500,000 has been funded and the Corporation funded an additional US\$3,500,000 subsequent to year end.

### Related Party Transactions

During the year ended December 31, 2019 the Corporation billed a joint venture \$201,000 (December 31, 2018 - \$114,000) and was billed \$24,700 by an associate (December 31, 2018 - billed to an associate \$25,700) for general administrative expenses.

Digbee Ltd., which is owned by director Jamie Strauss, was paid \$4,000 (December 31, 2018 - \$nil) for consulting services during the year ended December 31, 2019.

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 consist of members of the Corporation's Board of Directors and five corporate officers, including the Corporation's Executive Chairman, Chief Executive Officer and Chief Financial Officer, as well as two Vice Presidents reporting directly to a corporate officer.

During the year ended December 31, 2019 the Corporation paid compensation to key management personnel and directors of \$3,095,000 (December 31, 2018 - \$2,766,000) related to salaries and benefits and incurred \$2,015,000 (December 31, 2018 - \$1,902,000) in share-based compensation costs. During the year ended December 31, 2019, restricted share units ("RSUs") were cash settled for \$513,000 (December 31, 2018 - \$593,000).

These related party transactions are in the normal course of operations and are measured at fair value, which is the amount of consideration established and agreed to by the related parties. It is management's estimation that these transactions were undertaken under the same terms and conditions as would apply to transactions with non-related parties.

### Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management estimates include business combinations, rates for amortization and depletion of the royalty and streaming interests, deferred income taxes, the carrying value and assessment of impairment of mining and other investments, investments in joint ventures and royalty interests, the assumptions used in the determination of the fair value of share based compensation, the assessment of impairment of goodwill and the assumptions used in the determination of the fair value of derivatives for which there is no publicly traded market.

## **New Accounting Policies**

The Corporation adopted IFRS 16 Leases ("IFRS 16") effective January 1, 2019. IFRS 16 introduced significant changes to the lessee accounting by removing the distinction between operating and capital leases and requiring the recognition of right-of-use assets and lease liabilities at the lease commencement for all leases, except for short-term leases and leases of low value assets. Applying IFRS 16 for all leases except for short term leases and leases of low-value assets, the Corporation will (i) recognize 'right-of-use' assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments; (ii) recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of earnings; and (iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Corporation opts to recognize a lease expense on a straight-line basis as permitted by IFRS 16. The Corporation has taken the exemptions related to short-term and low value asset leases. Exploration and evaluation assets and mineral leases are not in the scope of this standard. The adoption of IFRS 16 did not have a material impact on the consolidated financial statements.

## **Internal Control over Financial Reporting**

Management is responsible for the establishment and maintenance of a system of internal control over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The certifying officers have evaluated the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2019 and have concluded that such controls are adequate and effective to ensure accurate and complete financial reporting in public filings. The consolidated financial statements have been prepared by management in accordance with IFRS and in accordance with accounting policies set out in the notes to the consolidated financial statements for the year ended December 31, 2019. There has been no change in the Corporation's internal control over financial reporting during the Corporation's year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## **Evaluation and Effectiveness of Disclosure Controls and Procedures**

The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of December 31, 2019 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in public filings.

There are inherent limitations in all control systems and no disclosure controls and procedures can provide complete assurance that no future errors or fraud will occur. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **Risk Factors and Key Success Factors**

An investment in securities of the Corporation involves a significant degree of risk that should be considered prior to making an investment decision. In addition to discussions of key success factors and business issues elsewhere in this MD&A, the investor should consider the following risk factors:

### ***Unforeseen Catastrophic Risk***

The global demand for commodities is a major driver of revenues for the Corporation. Any global slowdown may have an adverse effect on the profitability and outlook for the royalty business and may also negatively impact the value of the Project Generation business portfolio. The effects of global economic crisis, such as an epidemic or natural disaster, may adversely affect the demand for commodities, and ultimately our financial condition, results and cash flows. This may also require our royalty revenue guidance to be adjusted accordingly, if the effect is significantly pronounced. Altius continues to monitor the global economic situation, in particular the impact of COVID-19, and will inform the markets of any material departure from our current outlook.

### ***Operational and Development Risk***

The Corporation has both direct and indirect risk exposure, with indirect operating and development risk exposure as its royalty counterparties operate mines and processing facilities. Mining operations are exposed to multiple environmental, safety and social opposition risks that could result in injuries and fatalities, unexpected downtime, regulator-imposed shutdowns, unauthorized water or waste discharges to the environment and other events which could have adverse material impacts on the operator's results, which in turn could result in material reductions or cessations of royalty payments to the Corporation.

Although the Corporation does not engage in any mining operations, and therefore is limited to indirect operating risk exposure, the Corporation does engage in exploration activity, which implicitly involves a high degree of risk caused by limited chances of discovery of an economic deposit and eventual mine development. The Corporation mitigates this risk by cost-sharing with exploration partners and by continuously evaluating the economic potential of each mineral property at every stage of its life cycle. Advanced exploration activity including drilling often carries higher safety, environmental and social impact risk and is typically not performed by Altius' technical team directly. The objective of the Project Generation business is to attract exploration partners at a pre-drilling stage, exchanging exploration land for equity in juniors and an associated royalty.

### ***Development Stage Projects***

Profits from commercial operations will depend on a significant number of factors, including economic feasibility, changing market conditions, aboriginal engagement and support, environmental and governmental regulations, labour availability, the cost of and the ability to attract external financial capital, and the ability to attract partners with sufficient technical expertise and relevant industry experience to further develop the various projects. Any failure to meet one or a combination of these factors may result in project delays or potential cancellation and the Corporation's future operating results may be adversely affected. Development stage projects upon which the Corporation has royalties include the Kami iron ore project, Curipamba copper-zinc-precious metals project, and the Gunnison ISL copper project, expected to produce first copper in 2020. In 2019, the Corporation also acquired development stage royalties on wind energy projects through its investment agreement with TGE, namely Canyon Wind and Woodford projects. The Corporation mitigates development stage risk by maintaining a diversified royalty portfolio including both producing and non-producing royalties. The renewable royalty risk is mitigated by entering into agreements on a portfolio of projects, with a guaranteed return on royalties that are based on the actual performance shortly after commercial operations.

### ***Dependence on Third Party Property Owners and Operators***

The revenue derived from the Corporation's royalty portfolio is based on production by third party property owners and operators. These owners and operators are responsible for determining the manner in which the properties underlying the royalties are exploited, including decisions to expand, continue or reduce production from a property, and decisions to advance exploration efforts and conduct development of non-producing properties. The Corporation will have little or no input on such matters. The interests of third party owners and operators and those of the Corporation on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interest of the Corporation to advance development and production on properties as rapidly as possible in order to maximize near term cash flow to mitigate the risk, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Corporation to control the operations for the properties in which it has a royalty interest may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition.

### ***Exposure to Mineral Price Fluctuations***

The revenue derived by the Corporation from its royalty portfolio and investments could be affected by changes in the market price of the commodities that underlie those royalties and other investments, which can affect production levels to which its royalty portfolio is tied. The Corporation's revenue will be particularly sensitive to changes in the price of copper and potash, as the revenue from these commodities represents the majority of the cash flow expected to be derived in the near future. Commodity prices, including those to which the Corporation is exposed, fluctuate on a daily basis and are affected by numerous factors beyond the control of the Corporation, including levels of supply and demand, industrial development levels, inflation and the level of interest rates. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from royalties or working interests applicable to one or more relevant commodities. Moreover, the broader commodity market tends to be cyclical, and a general downturn in overall commodity prices could result in a significant decrease in overall revenue. Any such price decline may result in a material and adverse effect on the Corporation's profitability, results of operation, financial condition and dividend policy. The Corporation mitigates this risk through monitoring of prices as well as ensuring asset and commodity diversification.

#### ***Limited Access to Data and Disclosure for Royalty / Stream Portfolio***

The Corporation neither serves as the mine property owner or operator for the properties underlying its royalty portfolio, and the Corporation has no input into how the operations are conducted. Consequently, the Corporation has varying access to data on the operations or to the actual properties themselves. This could affect its ability to assess the value of the royalty interest or enhance the royalty's performance. This could also result in delays in cash flow from that anticipated by the Corporation based on the stage of development of the applicable properties underlying its royalty portfolio. The Corporation's royalty payments may be calculated by the royalty payors in a manner different from the Corporation's projections and the Corporation may or may not have rights of audit with respect to such royalty interests. In addition, some royalties may be subject to confidentiality arrangements that govern the disclosure of information with regard to royalties and as a result the Corporation may not be in a position to publicly disclose non-public information with respect to certain royalties. The limited access to data and disclosure regarding the operations of the properties in which the Corporation has an interest may restrict the Corporation's ability to assess the value or enhance its performance, which may result in a material and adverse effect on the Corporation's profitability, results of operation and financial condition. The Corporation mitigates this risk by building relationships with various operators and counterparties to encourage information sharing.

#### ***Dependence on Payment from Operators***

The Corporation will be dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the properties underlying its royalty and streaming portfolio. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, recovery by the operators of expenses, the establishment by the operators of mineral reserves for such expenses or the bankruptcy, insolvency or other adverse financial condition of the operator. The Corporation's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of a security interest over property that the Corporation could readily liquidate. This inhibits the Corporation's ability to collect outstanding royalties upon a default. In the event of a bankruptcy, insolvency or other arrangement of an operator or owner, the Corporation will be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. The Corporation mitigates this risk by having formal legal agreements with royalty payors which would allow the Corporation to exert legal rights and enforce royalty contracts, if required.

#### ***Unknown Defects and Impairments***

A defect in a streaming transaction under a copper purchase agreement may arise to defeat or impair the claim of the Corporation to such streaming transaction, which may have a material adverse effect on the Corporation. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount. Any impairment estimates, which are based on applicable key assumptions and sensitivity analysis, are based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Corporation. Any impairment charges on the Corporation's carrying value could have a material adverse effect on the Corporation.

#### ***Security over Underlying Assets***

There is no guarantee that the Corporation will be able to effectively enforce any guarantees, indemnities or other security interests it may have. Should a bankruptcy or other similar event related to a mining operator occur that precludes a party from performing its obligations under the copper purchase agreement, the Corporation would have to enforce its security interest. In the event that the mining operator has insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Corporation. In addition, bankruptcy

or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Corporation.

The Corporation's security interests may be subject to enforcement and insolvency laws of foreign jurisdictions that differ significantly from those in North America, and the Corporation's security interests may not be enforceable as anticipated. Further, there can be no assurance that any judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. If the Corporation is unable to enforce its security interests, there may be a material adverse effect on the Corporation.

#### ***The Ability to Attract Partners for Exploration***

The probability of successfully progressing early stage projects is dependent on an ability to attract exploration partners to share project expenditures and to provide additional technical expertise required to develop projects. If the Corporation is unable to attract partners to cost-share project expenditures and to provide additional technical expertise, the level of exploration the Corporation could perform with limited personnel may be adversely impacted. This could affect the likelihood of discovering future commercially feasible projects. To mitigate this risk, the Corporation monitors the market cycles and adjusts our business development approach for the changes. Marketing and business development are ongoing throughout all stages.

#### ***Credit Facility and Associated Covenants***

The Credit Facility is subject to certain restrictive conditions that limit the discretion of management with respect to certain business matters, including financial covenants that require the Corporation to meet certain financial ratios, financial condition tests and other restrictive covenants. A failure to comply with the obligations in the Credit Facility could result in a default which, if not cured or waived, could result in a termination of the Credit Facility. The Corporation monitors this risk by analysis of financial results and covenant calculations as well as ongoing communications with creditors.

#### ***Leverage Risk***

The Corporation's degree of leverage, could have adverse consequences for the Corporation, including: limiting the Corporation's ability to obtain additional financing for working capital, debt service requirements, acquisitions and general corporate or other purposes; restricting the Corporation's flexibility and discretion to operate its business; having to dedicate a portion of the Corporation's cash flows from operations to the payment of interest on its existing indebtedness and not having such cash flows available for other purposes including expenditures that are important to its growth and strategies; exposing the Corporation to increased interest expense on borrowings at variable rates; limiting the Corporation's ability to adjust to changing market conditions; and placing the Corporation at a competitive disadvantage compared to its competitors that have less debt. At December 31, 2019, the Corporation had debt of \$109 million, cash of \$22 million, and public equities valued at \$147.2 million being mainly shares of LIORC and the publicly traded junior equities portfolio. In addition, the Corporation has outstanding \$100 million in 5% preferred securities owned by Fairfax. The Corporation mitigates risk associated with leverage by maintaining a level of debt that is conservative relative to the Corporation's yearly cash flows and level of cash and equities. The Corporation's net debt-to-EBITDA levels have declined significantly since 2016 reflecting growth in EBITDA and the Corporation continues to ensure that working capital requirements are maintained by budgeting, monitoring cash flow and ensuring capital allocation strategies are a priority.

#### ***Dividends***

The ability to pay dividends will be dependent on the financial condition of the Corporation. Payment of dividends on the Corporation's common shares is within the discretion of the Board and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. Although the Corporation currently pays a regular dividend, there can be no assurance that it will be in a position to declare dividends due to the occurrence of one or more of the risks described herein.

#### ***Debt and Equity Financing***

Because of their size and scale, the success of some resource-based projects depends on the ability of the Corporation, its partners or its investments to raise the financial capital required to successfully construct and operate a project. This ability may be affected by general economic and market conditions, including the perceived threat or actual occurrence of an economic recession or liquidity issues. If market conditions are not favorable, major resource-based projects could be cancelled or delayed, or the expected rate of return to the Corporation

may be significantly diminished. The Corporation mitigates this risk by asset and commodity diversification to protect and cover if one market is unfavorable.

### ***Government Regulations***

The Corporation's operations are subject to extensive governmental regulations with respect to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production or export, price controls and tax increases; aboriginal land claims; and expropriation of property in the jurisdictions in which it operates. Compliance with these and other laws and regulations may require the Corporation to make significant capital outlays which may slow its growth by diverting its financial resources. The enactment of new adverse regulations or regulatory requirements, such as the announcement by the Government of Alberta regarding the phase out of its coal fueled electrical generation capacity by 2030 or more stringent enforcement of current regulations or regulatory requirements may increase costs, which could have an adverse effect on the Corporation. As a result of these regulations, there is the possibility of operators converting coal fired electrical generation to gas generation prior to 2030 which could have an adverse effect on the Corporation's thermal coal royalties. The Corporation cannot give assurances that it will be able to adapt to these regulatory developments on a timely or cost-effective basis. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions. The Corporation mitigates this risk through not doing business in unstable countries and within stable countries, the Corporation follows all laws and regulations and engages legal counsel to ensure compliance, if necessary.

### ***Key Employee Attraction and Retention***

The Corporation's continued success is highly dependent on the retention of key personnel who possess business and technical expertise and are well versed in the various projects underway and under consideration. The number of persons skilled in the acquisition, exploration and development of natural resource and mining projects is limited and competition for such persons is intense. As the Corporation's business activity grows, additional key financial, administrative and operations personnel as well as additional staff may be required. Although the Corporation believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Corporation is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected. Additionally, should any key person decide to leave, then the success of one or more of the projects underway or under consideration could be at risk.

Although safety and health factors are considered integral to all aspects of the Corporation, mineral exploration is an inherently risky business. In the event of an accident or an unforeseen circumstance, the Corporation has emergency succession plans in place for both the Executive Chairman and the CEO of the Corporation as well as for other members of senior management.

### ***Exploration Alliances***

The Corporation's objective is to create joint ventures or corporate structures related to the opportunities it generates, which results in the Corporation carrying minority and non-operating project or equity interests and/or royalty interests. In certain circumstances the Corporation must rely on the decisions and expertise regarding operational matters for properties, equity interests and other assets including: whether, when and how to commence permitting; feasibility analysis; facility design and operation, processing, plant and equipment matters; and the temporary or permanent suspension of operations. In some of these instances, it may difficult or impossible for the Corporation to ensure that the properties and assets are operated in its best interest. To mitigate this risk, the Corporation participates in cost-sharing with exploration partners. As well, there is continuous evaluation of economic potential of each property at every stage of its life cycle. The Corporation will undertake ongoing monitoring and relationship building with appropriate government officials in order to have input into possible regulatory changes and to better plan for what these changes might mean financially and operationally to the Corporation.

### ***Legal Claims***

Altius may become party to legal claims arising in the ordinary course of business, including as a result of activities of joint ventures in which it has an interest. There can be no assurance that any such legal claims will not result in significant costs to Altius. To mitigate this risk, there are ongoing communications with the parties to whom it does business and are aware of any legal issues and potential operational and financial impacts. The Corporation works diligently with counterparties to limit legal issue exposure.

### ***Title to Mineral Properties Cannot Be Assured***

The acquisition of title to mineral properties is a very detailed and time consuming process. Title to, and the area of, mineral rights may be disputed and additional amounts may have to be paid to surface rights owners in connection with any development of mining activity. The properties may also be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects. Although Altius believes it has taken reasonable measures to ensure that title to its properties are in good standing, there is no guarantee that title to its properties will not be challenged or impaired by third parties, or that such rights and title interests will not be revoked or significantly altered to the detriment of the Corporation.

### ***Financial Instrument Risk***

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

A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted below.

#### ***Credit risk***

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

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

#### ***Foreign currency risk***

Certain royalty and streaming revenues are exposed to foreign currency fluctuations, which are denominated and paid in US dollars. The Corporation does not enter into any derivative contracts to reduce this exposure since the receivable is short-term in nature and the expected receivable amount cannot be predicted reliably. The Corporation has a portion of its debt and cash denominated in US dollars. The Corporation does not enter into any derivative contracts to reduce this exposure and has the ability to offset debt with certain US dollar revenues.

#### ***Liquidity risk***

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

#### ***Other price risk***

The value of the Corporation's mining and mineral related investments is exposed to fluctuations in the quoted market price depending on a number of factors, including general market conditions, company-specific operating performance and the market value of the commodities that the companies may focus on. The Corporation does not utilize any derivative contracts to reduce this exposure. Royalty interests are exposed to fluctuations in commodity prices as well as fluctuations in foreign currency, specifically the US dollar. The Corporation may be unable to sell its entire interest in an investment without having an adverse effect on the fair value of the security due to low trading volumes on some investments. The Corporation does not enter into any derivative contracts to reduce this exposure.

#### ***Interest rate risk***

The Corporation has debt and is therefore exposed to interest rate risk on liabilities. The Corporation manages this risk by monitoring debt balances, entering into hedging transactions and making discretionary payments. The Corporation entered into a floating to fixed interest rate



swap to manage the interest rate risk on a portion of its debt balance (December 2019 - \$70 million). The Corporation's cash and cash equivalents may fluctuate in value depending on the market interest rates and the time to maturity of the instruments. The Corporation manages this risk by limiting the maximum term to maturity on invested funds or holding the investments to maturity.

## **Environmental, Social and Governance (ESG) Risks**

### ***Tailings and waste management***

Tailings and waste management are an important part of mining operations and are analyzed carefully as part of the initial due diligence Altius conducts on potential royalty acquisitions. Operators of the mines for which Altius has royalties are subject to tailings disposal regulation which varies by country, and by principal jurisdiction of the operator. For example, Canadian companies operating internationally often adhere to Canadian Dam Association construction standards or standards modeled on that template, even if their permitting jurisdiction requires a lesser standard. The 3.7% copper stream at the Chapada Mine in Brazil is one of Altius's largest revenue contributors, where tailings disposal represents a material risk as a dam breach could cause operations to shut down for a period of time either from a regulatory order or from Lundin Mining making the decision for environmental containment reasons. Although such an event has not occurred, Altius continues to monitor the operator's Technical Reports. None of the mining operations on which Altius holds royalties have experienced a shutdown or prolonged stoppage for tailings dam failures or other significant environmental events.

### ***Clean-up and Reclamation***

Reclamation is the responsibility of the mine operator and in some cases Altius is responsible for early stage exploration reclamation. Reclamation of mining operations is part of the due diligence review for royalty and stream acquisitions through site visits and discussions with the mine operators. In addition, Altius ensures any reclamation of mineral properties vended to third parties is the responsibility of the acquirer. The Corporation carefully selects the acquirers to ensure they are committed to and have the capability of complying with responsibilities for reclamation of the properties.

Although Altius has no mining operations, it has an active exploration history. Since the early 2000's, Altius has been an industry leader with respect to minimizing its environmental footprint and to developing and maintaining reclamation processes and strategies for exploration activity. For example, in 2012, Altius was the first to establish a voluntary clean-up initiative (ROLES) for abandoned drill sites in Newfoundland and Labrador, which received industry-wide participation and resulted in the capture and safe removal of ' more than 14,000 litres of diesel fuel, 406 fuel drums, and 25 large propane cylinders from 13 different high and medium priority sites.

### ***Biodiversity***

Mining typically disturbs the surrounding biodiversity with the requirement for earth moving, and the footprint of an operating mine and infrastructure. This may result in impacts to local flora and fauna, including species at risk. The risk to a royalty holder is that a potential mine fails to achieve construction permits because of an inability to mitigate biodiversity impacts. This risk factor has greater application to non-paying royalties, in our case, as all of our paying royalties are in jurisdictions and on mines that have established operating history, and no material unmitigated biodiversity concerns. Altius's development stage or exploration stage royalties are more exposed to this potential risk, particularly in jurisdictions that are new to mining like Ecuador (Curipamba) or newly emerged from a long moratorium like Maine (Pickett Mountain). The operators of these development projects continue to demonstrate high standards of oversight and commitment to respecting the areas of impact as they advance their projects through environmental baseline work, and we as royalty holders are kept informed of potential issues, and are evaluating participating as a sponsor in specific environmental and social investment projects, consistent with our ESG objectives.

### ***Climate Change***

Governments worldwide have introduced regulation to limit greenhouse gas emissions ("GHG"), including the phasing out of coal-fired power as the highest polluting form of power generation. As a royalty company, Altius has no operating mines, and as such does not have significant GHG emissions with a leased office in St John's, Newfoundland, and two smaller shared office spaces in Toronto, Ontario and New Hampshire, US. Although the leased premises of these offices do not currently capture and report actual GHG emissions or water use data to tenants, we



have requested the data pertaining to our occupancy from our main Newfoundland headquarters, and have been informed that such data should be available for disclosure in 2020 or 2021.

Climate change risk negatively impacted Altius when legislation ending coal-fired power generation was introduced in Canada in 2015, after Altius had purchased a portfolio of coal royalties based on existing regulations at the time of purchase. This is expected to result in reduced royalty cash flows to Altius, as the Genesee coal fired plant that is now scheduled to decommission by 2030 was originally expected to be decommissioned in 2055, the end of its federally regulated life. Further risk exists that coal fired plants will be converted to natural gas earlier than expected, depending on the economics of gas supply versus coal. Altius has commenced legal action against the Alberta and Canadian governments, following the example of the impacted Alberta utilities which were awarded compensation to convert their coal fired plants to gas (see Risk Factor "Government Regulations"). Altius has committed to reinvest thermal coal cash flows into renewable energy royalties, with a first renewable energy royalty transaction announced in Q1 2019 and another in Q1 2020.

Other climate change related risks exist when extreme weather events disrupt mining operations or end user markets for products that are mined or produced. For example, in 2019, US potash and other fertilizer application was reduced as an extremely wet planting season prevented crops from being planted. This impacted Altus royalty operators Nutrien and Mosaic, who both curtailed operations due to inventory build-up resulting from this extreme weather event in the US and an inability to make up for the domestic sales by shipping more through Canpotex. Longer term, these climate events support the thesis that potash and other fertilizers will continue to be in demand as agriculture industries respond to negative impacts to food production by continuing to employ fertilizer and other yield enhancement technologies or methods to a diminishing quota of arable land.

### **Cyber Security**

The Corporation and its royalty or streaming counterparties are dependent on Information Technology (IT) infrastructure consisting of various hardware equipment, software and network systems. Unauthorized parties may attempt to gain access to these systems at Altius or at Altius counterparty operations through fraud or other means. Failure of information systems at Altius or its counterparty operations could result in network disruption, reputational risk, risk of lawsuits for privacy violations or loss of funds that are then vulnerable to recovery processes and timeframes. Although to date, Altius has not experienced material losses relating to cyber security breaches, cyber security incidents have been rising globally and Altius continues to invest in network infrastructure and monitoring capacity, along with employee training and Code of Conduct obligations concerning the protection of confidential information.

### **Outstanding Share Data**

At March 11, 2020 the Corporation had 41,810,296 common shares outstanding, 7,070,000 warrants outstanding and 739,358 stock options outstanding.

### **Non-IFRS Measures**

Attributable royalty and other revenue ("attributable revenue"), adjusted EBITDA and adjusted operating cash flow are intended to provide additional information only and does not have any standardized meaning prescribed under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently. For a reconciliation of these measures to various IFRS measures, please see the Corporation's MD&A disclosure below. Tabular amounts are presented in thousands of Canadian dollars.

1. Attributable revenue is defined by the Corporation as total revenue and other income from the consolidated financial statements plus the Corporation's proportionate share of gross royalty revenue in the joint ventures. The Corporation's key decision makers use attributable royalty revenue and related attributable royalty expenses as a basis to evaluate the business performance. The attributable royalty revenue amounts, together with amortization of royalty interests, general and administrative costs and mining tax, are not reported gross in the consolidated statement of earnings (loss) since the royalty revenues are being generated in a joint venture and IFRS 11 Joint Arrangements requires net reporting as an equity pick up. The reconciliation to IFRS reports the

elimination of the attributable revenues and reconciles to the revenues recognized in the consolidated statements of earnings (loss). Attributable revenue per share is derived by using the basic weighted average number of shares for the period as the denominator.

2. Adjusted operating cash flow is defined as cash provided (used) in operations adjusted for inclusion of the cash distributions received from joint ventures. Adjusted operating cash flow is a useful measure to assess the ability of the Corporation to generate cash from its operations. Adjusted operating cash flow per share is derived by using the basic weighted average number of shares for the period as the denominator.
3. Adjusted EBITDA is defined by the Corporation as net earnings (loss) before taxes, amortization, interest, non-recurring items, non-cash amounts such as impairment, losses and gains, and share based compensation. The Corporation also adjusts earnings in joint ventures to reflect EBITDA on those assets which exclude amortization of royalty interests as well as adjusting for any one time items. Adjusted EBITDA is a useful measure of the performance of our business, especially for demonstrating the impact that EBITDA in joint ventures have on the overall business. Adjusted EBITDA identifies the cash generated in a given period that will be available to fund the Corporation's future operations, growth opportunities, shareholder dividends and to service debt obligations. Adjusted EBITDA per share is derived by using the basic weighted average number of shares for the period as the denominator.

Below are the eight most recent quarter reconciliations.

IN THOUSANDS OF CANADIAN DOLLARS

Reconciliation to IFRS measures Attributable revenue	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue				
Attributable royalty	\$ 17,497	\$ 19,231	\$ 19,533	\$ 21,844
Project generation	60	25	5	9
Attributable revenue	17,557	19,256	19,538	21,853
Adjust: joint venture revenue	(4,172)	(3,674)	(4,353)	(4,780)
IFRS revenue per consolidated financial statements	\$ 13,385	\$ 15,582	\$ 15,185	\$ 17,073
Reconciliation to IFRS measures Attributable revenue	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue				
Attributable royalty	\$ 17,615	\$ 17,084	\$ 16,543	\$ 15,805
Project generation	297	550	214	292
Attributable revenue	17,912	17,634	16,757	16,097
Adjust: joint venture revenue	(4,545)	(3,953)	(3,965)	(6,702)
IFRS revenue per consolidated financial statements	\$ 13,367	\$ 13,681	\$ 12,792	\$ 9,395

IN THOUSANDS OF CANADIAN DOLLARS

Adjusted operating cash flow	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Adjusted operating cash flow	\$ 9,442	\$ 14,368	\$ 11,849	\$ 8,418
Adjust: distributions to (from) joint ventures	(3,550)	(4,319)	(4,698)	(4,115)
IFRS operating cash flows	\$ 5,892	\$ 10,049	\$ 7,151	\$ 4,303
Adjusted operating cash flow	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Adjusted operating cash flow	\$ 9,776	\$ 7,355	\$ 9,489	\$ 8,101
Adjust: distributions from joint ventures	(3,601)	(3,966)	(4,744)	(7,035)
IFRS operating cash flows	\$ 6,175	\$ 3,389	\$ 4,745	\$ 1,066

## IN THOUSANDS OF CANADIAN DOLLARS

Reconciliation to IFRS measures Adjusted EBITDA	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Earnings (loss) before income taxes	\$ 9,034	\$ 6,166	\$ (2,881)	\$ 8,100
Addback(deduct):				
Amortization and depletion	4,014	4,061	3,801	3,753
Exploration and evaluation assets abandoned or impaired	35	-	9,004	-
Share based compensation	382	544	663	426
Interest on long-term debt	2,018	1,982	2,092	2,035
Gain on disposal of investments	-	-	-	(103)
Unrealized (gain) loss on fair value adjustment of derivatives	54	(60)	(955)	345
Dilution gain on issuance of shares in associates	-	(1,114)	(1,199)	-
Share of (earnings) loss in associates	751	884	903	1,219
(Earnings) loss from joint ventures	(2,463)	(869)	673	(3,744)
LNRLP EBITDA <sup>(1)</sup>	219	291	202	237
Prairie Royalties EBITDA <sup>(2)</sup>	3,808	3,313	4,093	4,462
Impairment of goodwill & royalty interest	-	-	-	-
Foreign currency (gain) loss	22	43	(52)	629
Gain on disposal of royalty interest	(4,250)	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 13,624</b>	<b>\$ 15,241</b>	<b>\$ 16,344</b>	<b>\$ 17,359</b>
<b>(1) LNRLP EBITDA</b>				
Revenue	\$ 337	\$ 369	\$ 252	\$ 297
Mining taxes	(63)	(78)	(50)	(60)
Admin charges	(55)	-	-	-
LNRLP Adjusted EBITDA	\$ 219	\$ 291	\$ 202	\$ 237
<b>(2) Prairie Royalties EBITDA</b>				
Revenue	\$ 3,835	\$ 3,305	\$ 4,101	\$ 4,483
Operating expenses	(27)	8	(8)	(21)
Prairie Royalties Adjusted EBITDA	\$ 3,808	\$ 3,313	\$ 4,093	\$ 4,462

IN THOUSANDS OF CANADIAN DOLLARS

Reconciliation to IFRS measures Adjusted EBITDA	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Earnings before income taxes	\$ (12,701)	\$ 7,746	\$ 6,647	\$ 4,324
Addback(deduct):				
Amortization	3,495	4,239	3,805	3,050
Exploration and evaluation assets abandoned or impaired	195	576	4	9
Share based compensation	327	505	774	296
Interest on long-term debt	2,038	2,058	2,634	1,244
Gain on disposal of investments & impairment recognition	-	-	-	(92)
Unrealized (gain) loss on fair value adjustment of derivatives	4,098	56	(1,897)	2,183
Dilution gain on issuance of shares by associates	(257)	(2,025)	-	-
Share of loss and impairment in associates	1,390	(316)	150	332
(Earnings) loss from joint ventures	566	(2,734)	(3,006)	(5,215)
LNRLP EBITDA (1)	278	22	(103)	(195)
Prairie Royalties EBITDA (2)	3,786	3,601	3,964	6,676
Impairment of goodwill	10,810	-	-	-
Foreign currency loss	(642)	153	60	82
<b>Adjusted EBITDA</b>	<b>\$ 13,383</b>	<b>\$ 13,881</b>	<b>\$ 13,032</b>	<b>\$ 12,694</b>
<b>(1) LNRLP EBITDA</b>				
Revenue	\$ 622	\$ 351	\$ -	\$ -
Mining taxes	(124)	(70)	-	-
Admin charges	(220)	(259)	(103)	(195)
<b>LNRLP Adjusted EBITDA</b>	<b>\$ 278</b>	<b>\$ 22</b>	<b>\$ (103)</b>	<b>\$ (195)</b>
<b>(2) Prairie Royalties EBITDA</b>				
Revenue	\$ 3,923	\$ 3,602	\$ 3,965	\$ 6,702
Operating expenses	(137)	(1)	(1)	(26)
<b>Prairie Royalties Adjusted EBITDA</b>	<b>\$ 3,786</b>	<b>\$ 3,601</b>	<b>\$ 3,964</b>	<b>\$ 6,676</b>

## Appendix 1 – Summary of Producing Royalties and Streaming Interests

Mine / Project	Primary Commodity	Operator	Revenue Basis
Chapada	Copper	Lundin Mining	3.7% of payable copper stream
777	Zinc, Copper, Gold & Silver	Hudbay Minerals	4% Net smelter return ("NSR")
Genesee	Coal (Electricity)	Westmoreland/Capital Power Corporation	Tonnes x indexed multiplier
Sheerness	Coal (Electricity)	Westmoreland/ATCO/TransAlta	Tonnes x indexed multiplier
Paintearth	Coal (Electricity)	Westmoreland/ATCO	Tonnes x indexed multiplier
Highvale	Coal (Electricity)	TransAlta	Tonnes x indexed multiplier
Cheviot	Metallurgical Coal	Teck	2.5% effective net revenue
Rocanville	Potash	Nutrien	Revenue
Cory	Potash	Nutrien	Revenue
Allan	Potash	Nutrien	Revenue
Patience Lake	Potash	Nutrien	Revenue
Esterhazy	Potash	Mosaic	Revenue
Vanscoy	Potash	Nutrien	Revenue
Voisey's Bay	Nickel, Copper, Cobalt	Vale	0.3% NSR
IOC	Iron	Iron Ore Company of Canada	7% Gross Overriding Royalty ("GOR")*
Carbon Development	Potash, other	Various	Revenue
Clyde River	Renewable Energy	Gravity Renewables	Revenue
Gunnison	Copper	Excelsior Mining Corp.	1.625% GSR

\* Held indirectly through common shares of Labrador Iron Ore Royalty Corporation

## Appendix 2 – Summary of Exploration and Pre-Development Stage Royalties

PRE-FEASIBILITY/FEASIBILITY/DEVELOPMENT				
Property	Primary Commodity	Explorer/Developer	Royalty Basis	Status
Kami (Labrador)	Iron	Alderon Iron Ore Corp	3% GSR	Updated feasibility study
Curipamba (Ecuador)	Copper	Adventus Mining Corporation	2% NSR	PEA completed
Tres Quebradas (3Q) (Argentina)	Lithium	Neo Lithium Corp.	0.1% GSR	PEA completed
Telkwa (British Columbia)	Met Coal	Allegiance Coal Limited	1.5-3% price based sliding scale GSR	Definitive feasibility study completed and permitting underway
ADVANCED EXPLORATION				
Property	Primary Commodity	Explorer/Developer	Royalty Basis	Status
Viking (Newfoundland)	Gold	Anaconda Mining Inc	2% NSR, plus 1-1.5% royalties on surrounding lands	Advanced Exploration; inactive
Central Mineral Belt (Labrador)	Copper	Paladin Energy Ltd	2% NSR on all minerals except uranium	Advanced Exploration; inactive
Grota de Cirilo (Brazil)	Lithium	Sigma Lithium Resources	0.1% GOR*	Advanced exploration
Stellar (Alaska)	Copper	PolarX Ltd	2% NSR on gold; 1% NSR on base metals	Resource delineation
Silicon (Nevada)	Gold	Renaissance Gold Inc / Anglo Gold Ashanti NA	1.5% NSR	Advanced Exploration
Pickett Mountain (Maine, USA)	Zinc, lead, copper, silver	Wolf den Resources Corp	1.35% GSR	43-101 Resource recently published

\* net of mandatory government and social contribution deductions from gross sales

EXPLORATION				
Property	Primary Commodity	Explorer or Developer	Royalty Basis	Status
Llano del Nogal (Mexico)	Copper	Evrin Resources Corp	1.5% NSR on PM; 1.0% NSR on BM	Early-stage exploration
Cuale (Mexico)	Copper	Evrin Resources Corp	1.5% NSR on PM; 1.0% NSR on BM	Early-stage exploration
Jupiter (Nevada)	Gold	Renaissance Gold Inc	1.0% NSR	Early-stage exploration
Kingscourt, Rathkeale (Republic of Ireland)	Zinc	Adventus Mining Corporation	2% NSR on each Project	Exploration
Arcas, Lia, Timon, Quiltro (Chile)	Copper	Rio Tinto	0.98% GSR	Exploration
Cape Ray (Newfoundland)	Gold	Cape Ray Mining Limited	2.0% NSR	Exploration
Lismore, Fermoy (Republic of Ireland)	Zinc	BMEEx Ltd	2% NSR on each project	Exploration
Gibson (British Columbia)	Gold	Canex Metals Inc	Option to acquire a 1.5% NSR	Exploration
Echo, Fulton, Red (British Columbia)	Gold	Canex Metals Inc	2% NSR	Exploration
Buchans (Newfoundland)	Zinc	Canstar Resources Inc	2% NSR on each Project	Exploration
Daniel's Harbour (Newfoundland)	Zinc	Canstar Resources Inc	2% NSR	Exploration
Vidalita, Jotahues (Chile)	Gold	Emu NL	0.49% NSR	Exploration
West Cork (Republic of Ireland)	Copper	First Quantum Minerals Ltd	2% NSR	Exploration
Saint Patrick (Spain)	Cobalt	LRH Resources Ltd	2% GSR	Exploration
Mythril (Quebec)	Copper, Gold	Midland Exploration Inc	1% NSR	Exploration
Elrond, Gondor, Helm's Deep, Minas Tirith, Fangorn (Quebec)	Gold	Midland Exploration Inc	1% NSR	Exploration
Moria (Quebec)	Nickel	Midland Exploration Inc	1% NSR	Exploration

EXPLORATION				
Property	Primary Commodity	Explorer or Developer	Royalty Basis	Status
Shire (Quebec)	Zinc	Midland Exploration Inc	1% NSR	Exploration
Copper Range (Michigan)	Copper	N/A	Option to acquire 1% NSR held by a third party	Exploration
Voyageur (Michigan)	Nickel	N/A	2% NSR	Exploration
Loro en el Hombro (Chile)	Copper	Revelo Resources Corp	0.98% NSR on gold; 0.49% NSR on base metals	Exploration
Moosehead (New foundland)	Gold	Sokoman Minerals Corp	2% NSR	Exploration
Iron Horse (Labrador)	Iron	Sokoman Minerals Corp	1% GSR; option to acquire additional 1.1% GSR	Exploration
Suleman, Buckingham, Smoky (Australia)	Zinc	Teck Australia Pty	1% GSR	Exploration
Point Leamington (New foundland)	Zinc	Callinex Mines Inc.	2% NSR	Exploration
Goethite Bay (Labrador)	Iron Ore	High Tide Resources Corp.	2.75% GSR on iron ore; 2.75% NSR on all other minerals	Exploration
Sheerness West - CDP (Alberta)	Thermal Coal	Westmoreland Coal Company	Tonnes x indexed multiplier	Exploration