



DEAR FELLOW SHAREHOLDERS,

With the close out of the 2015-2016 Altius financial year and a series of recent acquisition and financing agreements, we felt it a good time to provide you with a progress update with respect to our major strategic objectives.

Our Business

There are two main business lines within Altius that cover the opposite ends of the primary mining sector - namely, early stage generative exploration and capturing cash flow from mine production. We believe that the strategies we employ in pursuing these quite distinct businesses create symbiotic benefits to shareholders over full cycle investment timeframes.

For our exploration business we pursue a low-risk project generation (PG) strategy that involves passing on the projects that we originate to third parties that are financially and technically suited to advance them. This is done in exchange for minority equity or project interests and, of course, retained royalties. Our focus is on widely traded metal commodities for which many potential partners exist.

For the mine production related part of our business we pursue cash returns by owning royalty or royalty-like interests. We have no ambition to ever become a mine operator but we want to be exposed to revenue on mining assets that are run by top tier operators, have competitive margins at all parts of the cycle and that have long and expandable production lives. Our focus is primarily on base metals, bulk commodities and mined fertilizers with a broad goal of emulating the mix of commodity components of the major diversified mining houses.

Cyclical Flexibility

At the heart of our operating strategy lies a recognition that the entire minerals sector is highly cyclical and will likely always remain so. It is characterized by wonderfully alternating periods of mass investment euphoria (which leads to production growth and oversupply) and then by complete sector disdain

(which shuts off production growth and causes undersupply).

We believe that the secret to success is to take the opposite course of action to most companies in the sector - meaning that we don't stick our heads in the sand when it's "ugly out there" and that we don't become over confident when the sentiment is strong.

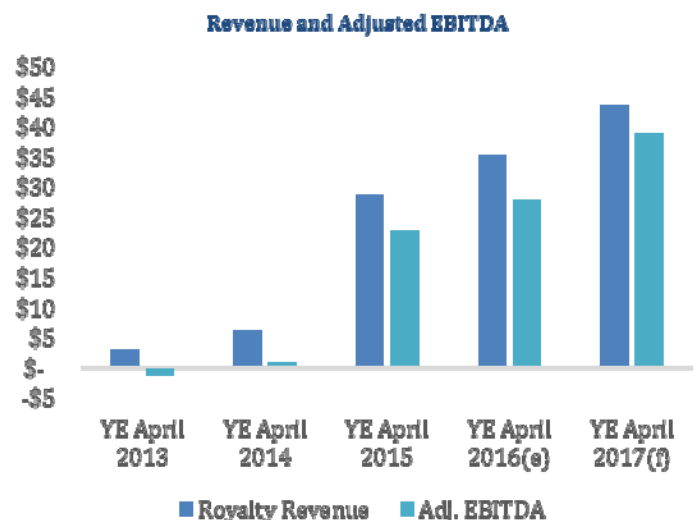
Now as we settle into our second cycle as a public company our contrarian conviction is stronger than ever.

Down Cycle Progress - Royalties

While there are signs that the worst may be behind us, the past 5 years have been absolutely brutal for the broader minerals sector.

Thankfully, we took a very strong balance sheet into this phase of the cycle that allowed us, beginning two years ago, to deploy capital and take advantage of dramatically reduced asset valuations and the bleak collective sentiment of competing capital sources.

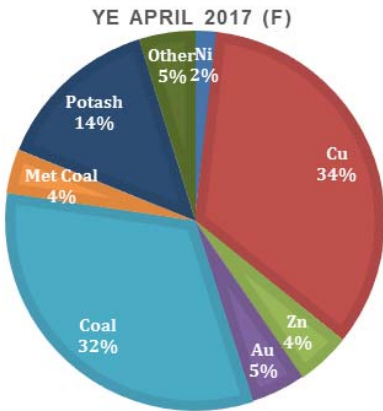
As a result, we have increased the number of production stage royalties held in our portfolio from one to fourteen while increasing royalty revenue from less than 10 cents to more than \$1 per share. Most of the acquired interests feature long remaining production lives and strong option value related to potential resource life expansions and increased production rates on a medium to long term basis, and higher cyclical commodity prices in the short to medium term.



Rather than belabor the details of the past two years of royalty purchases we think it sufficient to note that

we have achieved more than we had hoped for from the “other side” of the super-cycle in terms of our current level of commodity and asset diversity. The recently announced copper purchase agreement related to production from the Chapada Mine in Brazil punctuates this point well.

With the Chapada acquisition we were able to add another multi-cycle asset on a strongly accretive (per share) basis. It also brings better balance to the respective amounts of royalty revenue that stem from base metals, bulk commodities and fertilizers.



To finance this US\$60M acquisition we ultimately chose a balanced approach, consisting of existing cash together with new equity and debt in roughly equal parts for the remainder.

While we are always loathing to issue new equity, as evidenced by our still relatively low share count after 19 years as a public company, in this case we felt it made sense. Chapada has a long potential mine life and using equity only slightly reduced the pro-forma per share royalty revenue benefits while significantly improving both our debt level and liquidity profiles.

Down Cycle Progress – Project Generation

Project generation has not been forgotten during this two-year intense period of royalty acquisition.

The same conditions that have led to reasonable royalty valuations have caused extreme bargains in global mineral land acquisition. Producers have generally retrenched back to minesite-only exploration efforts while the juniors have had to focus capital on staying afloat and, for the luckier ones, to the maintenance of core holdings. In our 18-year history conditions have never been better for contrarian land assembly and we have been able to significantly grow and improve our portfolio of projects in top global jurisdictions.



Once cyclical capital returns to exploration we expect to be able to enter into many new agreements with partners to allow these lands to be revalued and royalties created. During the previous up-cycle we were able to generate excellent profits from exploration interests and we feel even more prepared, in terms of both portfolio quality and our seasoned strategy, to take similar advantage during the next up-cycle.

Current Cyclical View

There are certainly some fundamental and sentiment based signs that the cycle may finally be bottoming. If so, we will shift some gears accordingly. We are well prepared for this. Alternatively, if it is instead another false start, we’ll simply hold current course. We are also well prepared for this.

The key to the Altius strategy is that we remain nimble and ready to work hard with whatever set of circumstances and opportunities are presented to us.

We understand that the wild cyclical swings of our sector can be tough to endure for shareholders (and your management!) but we are always encouraged by your support for our full-cycle contrarian approach to long-term value creation. Thank you.

Sincerely,

Brian Dalton, President and CEO,
on behalf of the management and Board of Directors
of Altius Minerals Corporation