Altius Renewable Royalties Corp.

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Altius Renewable Royalties Corp.

Opinion

We have audited the consolidated financial statements of Altius Renewable Royalties Corp. (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of loss, comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Interest in Joint Venture — Fair value determination of renewable royalty interests and investments in renewable royalties - Refer to Note 2, 4 and 9 to the financial statements

Key Audit Matter Description

The Corporation's joint venture has renewable royalty interests and holds investments in renewable royalties, which are accounted for as financial instruments held at fair value through other comprehensive income. The Corporation's methodology to determine the fair value of the investments at the reporting date is based on complex models and unobservable inputs. The valuation of these investments is subjective and include several assumptions that are required to determine the fair value. The judgments with the highest degree of subjectivity and impact on the fair values are the determination of an appropriate valuation methodology, expected timing of cashflow from royalties, discount rates, power purchase agreement prices and merchant power pricing, and timing of commercial operations.

Given the significant judgments made by management to estimate the fair value of the renewable royalty interests and investments in renewable royalties, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the determination of an appropriate valuation methodology, expected timing of cashflow from royalties, discount rates, power purchase agreement prices and merchant power pricing, and timing of commercial operations required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value determination of the renewable royalty interests and investments in renewable royalties included the following, among others:

- Evaluated the reasonableness of management's expected timing of cashflow from royalties, power purchase agreement prices and merchant power pricing, and timing of commercial operations by comparing management's forecasts to:
    - Contractual terms;
    - Historical forecasts;
    - Internal communications to management and the Board of Directors; and
    - Forecasted information included in the Corporation's press releases, as well as analyst and industry reports for the Corporation and third-party information.
- With the assistance of fair value specialists, evaluated the reasonableness of:
    - The valuation methodology and the mathematical accuracy of the calculations.
    - The discount rates by testing the source information underlying the determination of the discount rate and developed a range of independent estimates for the discount rate and compared to the discount rate selected by management.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Paul Fletcher.

/s/ Deloitte LLP

Chartered Professional Accountants
St. John's, Newfoundland
March 3, 2022

CONSOLIDATED BALANCE SHEETS

Expressed in United States Dollars, rounded to the nearest hundred	Note		As at December 31, 2021		As at December 31, 2020
ASSETS					
Current assets					
Cash and cash equivalents		$	49,304,200	$	19,200
Accounts receivable and prepaid expenses			121,600		279,900
		$	49,425,800	$	299,100
Non-current assets					
Interest in joint venture	4		116,139,600		71,234,400
		$	116,139,600	$	71,234,400
TOTAL ASSETS		$	165,565,400	$	71,533,500
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities			511,400		259,900
Income tax payable	5		1,852,000		-
Related party loan	8		-		164,500
		$	2,363,400	$	424,400
Non-current liabilities					
Deferred tax liability	5		4,146,100		840,000
		$	4,146,100	$	840,000
TOTAL LIABILITIES		$	6,509,500	$	1,264,400
EQUITY					
Shareholders' equity			159,055,900		70,269,100
		$	159,055,900	$	70,269,100
TOTAL LIABILITIES AND EQUITY		$	165,565,400	$	71,533,500

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF LOSS

Expressed in United States Dollars, rounded to the nearest hundred, except per share amounts	Note	Year ended December 31, 2021	Year ended December 31, 2020
Revenue and other income			
Interest		$ 81,600	$ 2,400
Royalty revenue		-	163,200
Management fee		-	18,000
		$ 81,600	$ 183,600
Costs and Expenses			
Office and administrative		544,500	69,200
Management fees	8	513,400	-
Professional fees		508,000	217,600
Share based compensation	7	290,200	2,301,800
Salaries and director fees		278,300	712,700
Amortization of intangible asset		-	395,500
Amortization of renewable royalty interests	4	-	83,300
Travel and accommodations		-	26,400
Foreign exchange (gain) loss		(245,100)	800
		$ 1,889,300	$ 3,807,300
Loss before the following		(1,807,700)	(3,623,700)
Dilution gain on issuance of equity in joint venture	4	462,500	226,600
Gain on loss of control of subsidiary	4	-	638,100
Share of loss in joint venture	4	(1,533,900)	(273,500)
Loss before income taxes		(2,879,100)	(3,032,500)
Income tax expense (recovery)	5	536,500	(1,057,100)
Net loss		$ (3,415,600)	$ (1,975,400)
Loss per share			
Basic and diluted		$ (0.14)	$ (0.15)

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Expressed in United States Dollars, rounded to the nearest hundred	Note	Year Ended December 31, 2021	Year Ended December 31, 2020
Net loss		$ (3,415,600)	$ (1,975,400)
Other comprehensive earnings			
To not be classifed subsequently to profit or loss			
Unrealized gain on investments			
Gross amount	4	-	5,066,500
Tax effect		-	(1,470,300)
Net amount		$ -	$ 3,596,200
Share of revaluation of investments held in joint venture			
Gross amount	4	5,042,300	1,471,000
Tax effect		(1,146,600)	(426,800)
Net amount		$ 3,895,700	$ 1,044,200
Share of realized gains of investments held in joint venture			
Gross amount	4	13,053,700	-
Tax effect		(3,475,000)	-
Net amount		$ 9,578,700	$ -
Total other comprehensive earnings		$ 13,474,400	$ 4,640,400
Total comprehensive earnings		$ 10,058,800	$ 2,665,000

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in United States Dollars, rounded to the nearest hundred	Note	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating activities			
Net loss		$ (3,415,600)	$ (1,975,400)
Adjustments for operating activities:			
Share based compensation	7	290,200	2,301,800
Income tax epense (recovery)	5	536,500	(1,057,100)
Gain on loss of control of subsidiary	4	-	(638,100)
Gain on dilution of joint venture	4	(462,500)	(226,600)
Share of loss of joint venture	4	1,533,900	273,500
Amortization of intangible asset	4	-	395,500
Amortization of renewable royalty interests	4	-	83,300
		1,898,100	1,132,300
Changes in non-cash operating working capital:			
Decrease in accounts receivables and prepaid expenses		158,300	104,000
Decrease in accounts payable and accrued liabilities		(6,600)	(64,100)
Changes in non-cash operating working capital		151,700	39,900
		$ (1,365,800)	$ (803,200)
Financing activities			
Proceeds on issuance of common shares (net of share issuance costs of $6,629,200)	6	78,695,800	50,070,000
(Repayment) proceeds from related party loan	8	(164,500)	428,300
		$ 78,531,300	$ 50,498,300
Investing activities			
Investment in joint ventures	4	(27,880,500)	-
Investment in TGE		-	(13,686,300)
Investment in Apex Clean Energy		-	(35,458,300)
Loss of control of subsidiary	4	-	(727,400)
		$ (27,880,500)	$ (49,872,000)
Net increase (decrease) in cash and cash equivalents		49,285,000	(176,900)
Cash and cash equivalents, beginning of year		19,200	196,100
Cash and cash equivalents, end of year		$ 49,304,200	$ 19,200

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in United States Dollars, except per share amounts	Note	Common Shares Number	Common Shares Amount	Other Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2020		4,063,775	$ 16,188,700	$ -	$ -	$ (1,510,900)	$ 14,677,800
Net (loss) and comprehensive earnings		-	-	-	4,640,400	(1,975,400)	2,665,000
Common shares issued	6	12,656,114	50,624,500	-	-	-	50,624,500
Share-based compensation	6	-	-	1,346,500	-	-	1,346,500
Warrants issued	6	-	-	955,300	-	-	955,300
Balance, December 31, 2020		16,719,889	$ 66,813,200	$ 2,301,800	$ 4,640,400	$ (3,486,300)	$ 70,269,100
Net (loss) and comprehensive earnings		-	-	-	13,474,400	(3,415,600)	10,058,800
Common shares issued	6	9,794,000	85,325,000	-	-	-	85,325,000
Share issuance costs	6	-	(6,887,200)	-	-	-	(6,887,200)
Share-based compensation	6	-	-	290,200	-	-	290,200
Balance, December 31, 2021		26,513,889	$ 145,251,000	$ 2,592,000	$ 18,114,800	$ (6,901,900)	$ 159,055,900

See accompanying notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Altius Renewable Royalties Corp. ("ARR" or "the Corporation") is a renewable energy royalty company whose investments result in the creation of gross revenue royalties and royalty like payments related to development through operating stage wind, solar and other types of renewable energy projects. The Corporation was created on November 13, 2018 as Blue Sky Renewable Royalties Corp. and subsequently changed its name on February 2, 2019.

Currently, ARR indirectly holds interests in a portfolio of 695 MW of operational wind, hydro-electric, and solar energy projects located in Texas, Kansas and Vermont as well as royalty interests related to a portfolio of 2,845 MW of development stage wind energy projects located in Texas, Indiana and Illinois. As at December 31, 2021, TSX listed Altius Minerals Corporation ("Altius" or "the Parent") owned 59% of the Corporation.

ARR is incorporated and domiciled in Canada. The head office of the Corporation is located at 2nd Floor, 38 Duffy Place, St. John's, Newfoundland and Labrador A1B 4M5. Its registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 3, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's significant accounting policies are as follows:

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on an historical cost basis except for financial assets classified at fair value through other comprehensive income ("FVTOCI"). All amounts are expressed in US dollars, unless otherwise stated. Tabular amounts are presented in US dollars, rounded to nearest hundred with the exception of per share amounts.

Basis of consolidation

The consolidated financial statements include the financial statements of the Corporation and any entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The Corporation reassesses whether or not it controls an investee at each reporting date if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Corporation has less than a majority of the voting rights of an investee, it is deemed to have power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Corporation, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The consolidated financial statements include all subsidiaries in the accounts of the Corporation for the periods presented. The Corporation has one subsidiary, Altius GBR Holdings Inc.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Corporation had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture. The Corporation applies a "full-gain recognition" approach in accounting for a loss of control of a former subsidiary. The application of the IFRS 10 full-gain approach would result in recognition of the fair value of investment in joint venture and any gain or loss recorded in the consolidated statement of loss. As the Corporation's underlying ownership interest changes as a result of external financings completed by the associate or joint venture with third parties, the Corporation's investment is adjusted to reflect any dilution effect which is recorded in the consolidated statement of loss.

Joint arrangements

Interest in joint ventures are accounted for using the equity method (Note 4). Under this method, the Corporation's share of the joint venture's earnings or losses is included in the consolidated statement of loss and other comprehensive earnings and the carrying amount of the investment is adjusted by a like amount. The joint venture follows the same accounting policies as described herein.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash with maturities of three months or less at the time of purchase.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of unused tax losses, unused tax credits, and differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Deferred income tax assets are recognized to the extent it is probable they will be utilized.

Foreign currency translation

The presentation currency and the functional currency of the Corporation and its subsidiary is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses on translation of monetary assets and liabilities are included in the determination of net loss and comprehensive earnings for the period.

Earnings (loss) per share

Basic and diluted net earnings per share is calculated using the weighted average number of common shares outstanding for the respective periods. The diluted net earnings per share is calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options and warrants. For loss periods, the diluted loss per share is calculated using weighted average number of common shares outstanding for the respective periods without giving effect to dilutive stock options and warrants since their inclusion would be anti-dilutive.

Diluted earnings per share is calculated using the treasury stock method, whereby it is assumed that proceeds received on the exercise of in-the-money stock options and warrants are used to repurchase the Corporation's shares at the average market price during the period.

Leases

The Corporation accounts for its leases by (i) recognizing 'right-of-use' assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments discounted at the incremental borrowing rate; (ii) recognizing depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of loss; and (iii) separating 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 recognizes a lease expense on a straight-line basis as permitted by IFRS 16.

Segment reporting

The Corporation manages its business under one operating segment consisting of the acquisition and management of renewable energy investments and royalties in North America. The Corporation's principal asset, a 50% interest in joint venture, is located in Delaware, USA, while the executive and head office are located in Canada. The reportable segment is consistent with the internal reporting structure of the Corporation which is provided to the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") who fulfill the role of the chief operating decision-maker ("CODM"). The CODM are responsible for assessing performance of the Corporation's operating segment.

Impairment of interest in joint ventures

At each reporting date the carrying amounts of the Corporation's interests in joint ventures are reviewed to determine whether there is any indication that those assets are impaired. If an impairment indicator exists, the Corporation then must determine its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of loss. If an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in impairment in the consolidated statement of loss.

Investments

Under IFRS 9 – Financial Instruments, on initial recognition, the Corporation may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive earnings. The cumulative gain or loss is not reclassified to the consolidated statement of loss on disposal of the equity investments, instead it is transferred within another component of equity.

Impairment of renewable royalty interests

At each reporting date the carrying amounts of renewable royalty interests are reviewed to determine whether there is any indication that those assets are impaired. If an impairment indicator exists, the Corporation then must determine its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of loss and comprehensive loss. If an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in impairment in the consolidated statement of loss and comprehensive loss.

Revenue recognition

Royalty and investment income is recognized when (i) the underlying renewable asset receives payment for generated energy and other revenue streams of the asset subject to the royalty or such amount can be measured with reliability, and (ii) the amount of royalty income is determined and reasonably expected to be paid in accordance with the payment terms of the royalty or investment agreement. Interest income is recognized on an accrual basis. Management fee revenue for office administration and support is recognized when a customer obtains control of promised services in an amount that reflects the consideration the Corporation expects to receive in exchange for those goods and services. The Corporation determined that royalty income is not in scope of IFRS 15 as it does not meet the criteria for contract with a customer.

Intangible assets – renewable royalty interests

Renewable royalty interests acquired are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. These intangible assets are also recognized when acquired individually or with a group of other assets. Royalty interests are initially recorded at their estimated fair value. Intangible assets with a finite life are amortized on a straight-line basis over their useful economic lives of 17-25 years as appropriate with the amortization expense included in the consolidated statements of loss and comprehensive loss. Intangible assets that are not yet ready for use are not amortized until available for use. All intangible assets are reviewed for impairment indicators at each reporting period. The useful lives are reviewed at each reporting period to ensure no adjustments are needed. The Corporation has no identifiable intangible assets for which the expected useful life is indefinite.

Intangible asset – other

Other intangible assets are initially recorded at their estimated fair value based on consideration paid to acquire the asset or recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. These intangible assets have finite lives and are amortized over their useful economic lives on a straight-line basis over four years, the term of the non-competition agreement. The amortization expense is included in the consolidated statements of loss and comprehensive loss. All intangible assets are reviewed for impairment indicators at each reporting period. The useful lives are reviewed at each reporting period to ensure no adjustments are needed.

Share-based compensation

The compensation cost for options granted to employees and directors is determined based on the estimated fair value of those instruments at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Corporation are credited to share capital. At each reporting date the Corporation revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to reserves.

The Corporation also has a deferred share unit ("DSU") plan and a restricted share unit ("RSU") plan, which are accounted for as equity instruments. Each unit awarded under the plans represents a unit with an underlying value equal to the value of one common share of the Corporation. The units awarded vest over a specified service period in accordance with the plan and can be equity or cash settled at the discretion of the Corporation. The units expected to be settled through the issuance of shares are recorded as share-based compensation through the share-based payments reserve and are expensed over the vesting period. For those units expected to be settled in cash, the Corporation records the estimated liability at each reporting date and the amount is expensed over the vesting period.

Warrants

Warrants issued without consideration or for goods and services provided are considered equity and not recorded until exercised by the holder and do not violate the fixed for fixed concept. The Corporation then recognizes the proceeds and issuance of shares. Warrants issued for goods or services received are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise. Warrants exercised for settlement of financial liabilities results in the extinguishment and derecognition of the liability and the issuance of common shares.

Business combinations and goodwill

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of royalty interests and other intangible assets acquired generally require a high degree of judgment, and include estimates of expected production levels, future prices, useful lives and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Acquisition related costs are recognized in the statements of loss and comprehensive loss in the year of acquisition.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated goodwill impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in net loss and comprehensive earnings. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Estimates and assumptions are continually evaluated and are based on historical experience, current and future economic conditions and other factors, including expectations of events that are believed to be reasonable under the circumstances. In preparing these consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies, basis of consolidation and the key sources of estimation uncertainty include but are not limited to the following:

Income taxes

The Corporation has available unused operating losses and temporary timing differences as disclosed in Note 5 to the consolidated financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Interest in joint ventures

The Corporation has the ability to jointly control the relevant activities of these joint arrangements and has classified these investments as joint ventures (Note 4). The Corporation's joint venture holds renewable royalty interests and investments in renewable royalties. The amortization of renewable royalty interests is recorded straight line over the expected life of the asset. The investments in renewable royalties are recorded at fair value and, considering the longevity of the projects, the Corporation has determined that any investment income is a return on investment and is therefore recorded in earnings. The estimates used for amortization and fair value affect the related amount of the equity pickup and the assessment of the recoverability of the carrying value of these investments in joint ventures.

Fair value measurements and valuation processes

If certain of the Corporation's assets and liabilities are measured at fair value, at each reporting date the Corporation determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Corporation uses an income approach valuation methodology such as discounted cash flows and net present valuation calculations. When an income approach is not possible or the purchase is recent, the Corporation uses cost as a proxy for fair value.

The Corporation's joint venture holds investments in certain preferred shares (Note 4) that will (i) have the right to receive distributions based on a percentage of the gross revenues of the renewable assets associated with each investment and (ii) yield distributions in the form of royalty contracts on renewable energy projects at a future date. The joint venture also has the right to receive a gross revenue royalty until the estimated value of such royalties at the time of commercial operations achieve a minimum return threshold on the investment. The number of royalties to be granted is dependent on pricing, timing of permits, and construction timing of commercial operations, technology, size of the project and expected energy rates.

These investments are not traded in the active market and the fair value is determined using an income approach methodology and primarily using the discounted cash flow valuation of the expected portfolio of royalties to be granted. The valuations of these private equity investments can be sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on unobservable inputs and related qualitative analysis are provided in Note 9. The Corporation records its share of these fair value changes through other comprehensive earnings.

Business combinations

For business combinations, the Corporation must make assumptions and estimates to determine the fair value of consideration paid and the purchase price allocation of the business being acquired. To do so, the Corporation must determine the acquisition-date fair value of the identifiable assets acquired, including intangible assets and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses including key judgements such as discount rates and timing of cash flows. Goodwill, if any, is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated balance sheet on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Corporation's future earnings.

4. INTEREST IN JOINT VENTURE

Expressed in United States Dollars, rounded to the nearest hundred	GBR I, LLC	GBR II, LLC	GBR Joint Venture
Balance, December 31, 2019	$ -	$ -	$ -
Equity interest on loss of control of subsidiary	69,810,300	-	69,810,300
Share of loss	(273,500)	$ -	(273,500)
Revaluation of investments [1]	1,471,000	-	1,471,000
Dilution gain	226,600	-	226,600
Balance, December 31, 2020	$ 71,234,400	$ -	$ 71,234,400
Investment in joint venture	450,000	27,430,500	27,880,500
Share of earnings (loss)	(1,630,100)	96,200	(1,533,900)
Revaluation of investments [1]	18,096,100	-	18,096,100
Dilution gain	462,500	-	462,500
Balance, December 31, 2021	$ 88,612,900	$ 27,526,700	$ 116,139,600

(1) Recognized through other comprehensive earnings

Loss of control of subsidiary

On October 11, 2020, the Corporation, through a newly created subsidiary Altius GBR Holdings, entered into a strategic relationship with certain funds (the "Apollo Funds") managed by affiliates of Apollo Global Management, Inc. ("Apollo") to accelerate the growth of its innovative renewable energy royalty business. Under the agreement structure the Apollo Funds had the right to solely fund the next $80,000,000 in approved investment opportunities in Great Bay Renewables Holdings, LLC ("GBR I, LLC") in exchange for a 50% ownership in the joint venture formed and domiciled in Delaware, USA, with opportunities thereafter funded equally by the Apollo Funds and the Corporation with an equally shared governance structure.

The Corporation determined that as a result of the governance structure with Apollo it no longer controlled its subsidiary, Great Bay Renewables, Inc. ("GBR Inc"), which had previously been accounted for under IFRS 10 Consolidated Financial Statements. The Corporation derecognized the assets and liabilities of its former subsidiary, GBR Inc., from the consolidated balance sheet, recognized the investment retained in GBR at its fair value of $69,810,300 and a gain on loss of control of its subsidiary of $638,100. The Corporation now accounts for its interests in GBR I, LLC as a joint venture and equity accounts for its share of earnings or loss and its share of other comprehensive earnings or loss. The renewable energy investments form part of the joint venture and the Corporation's share of revaluation of those investments are recorded in the Corporation's other comprehensive earnings.

On July 30, 2021, a new legal entity, Great Bay Renewables II, LLC. (GBR II, LLC.) was formed. This new entity is jointly controlled by the Corporation and Apollo and is subject to the same governance structure and investment mandate as the original GBR I, LLC entity. There are two joint venture entities, GBR I, LLC and GBR II, LLC, collectively referred to herein as GBR or the joint venture, and each own respectively 100% of the limited liability corporations. The capital of the joint venture is divided into Class A Units issued to Altius GBR Holdings and

Apollo and Class B Units issued to management of GBR. The Class B Units are non-voting and carry no approval or consent rights other than certain actions disproportionately affecting the Class B Units.

The Corporation's share of losses and other comprehensive earnings is reflective of its proportionate ownership which was diluted from 89% to 50% throughout the year as a result of funding by Apollo. The reduction in ownership throughout the year resulted in varied shares of losses and other comprehensive earnings. During the year ended December 31, 2021, dilution gains totalling $462,500 (December 31, 2020 - $226,600) respectively were recorded in the consolidated statement of loss and the Corporation invested $27,880,500 into GBR to maintain its 50% ownership. These funds were used to invest in renewable royalty investments and for general and administrative expenses.

Below is a summary of assets, liability, income, expenses and cash flow of the joint venture, on a 100% basis. The financial information for December 31, 2021 with comparative amounts for the 81 day period ended December 31, 2020 reflect the period for which GBR was not consolidated. Prior to October 11, 2020 comparative information was consolidated in the financial results of the Corporation.

Expressed in United States Dollars, rounded to the nearest hundred	As at December 31, 2021 GBR I, LLC	GBR II, LLC	Total	As at December 31, 2020 GBR I, LLC
Balance Sheets				
Current assets				
Cash	$ 42,137,100	$ 553,200	$ 42,690,300	$ 657,700
Other current assets	45,800	169,600	215,400	59,000
Non-current assets				
Royalty interests	$ 38,398,400	$ -	$ 38,398,400	$ 2,361,200
Investment in TGE	58,780,000	-	58,780,000	38,164,200
Investment in APEX	-	-	-	35,466,800
Investment in Longroad	-	35,495,200	35,495,200	-
Investment in Northleaf	-	53,398,400	53,398,400	-
Other non-current assets	550,400	-	550,400	1,058,400
Current liabilities				
Trade and other payables	$ 17,700	$ 1,300	$ 19,000	$ 197,800
Non-current liabilities				
Loan payable (receivable)	$ (34,869,500)	$ 34,869,500	$ -	$ -

	As at December 31, 2021 GBR I, LLC	GBR II, LLC	Total	81 Days ended December 31, 2020 GBR I, LLC
Statement of Loss and Comprehensive Earnings				
Revenue				
Royalty income	$ 151,900	$ 391,700	$ 543,600	$ 49,200
Other revenue	318,700	(153,700)	165,000	60,000
Expenses				
General and administrative expense	$ (2,325,000)	$ (45,800)	$ (2,370,800)	$ (257,000)
Amortization	(619,100)	-	(619,100)	(159,600)
Net loss	$ (2,473,500)	$ 192,200	$ (2,281,300)	$ (307,400)
Other comprehensive earnings	28,653,100	-	28,653,100	1,653,600
Total comprehensive earnings	$ 26,179,600	$ 192,200	$ 26,371,800	$ 1,346,200
Statement of Cash Flows				
Operating activities	$ (1,976,200)	$ 23,900	$ (1,952,300)	$ (40,600)
Investing activities	7,355,600	(88,893,600)	(81,538,000)	7,051,100
Financing activities	36,100,000	89,422,900	125,522,900	(7,080,200)
Net increase (decrease) in cash and cash equivalents	$ 41,479,400	$ 553,200	$ 42,032,600	$ (69,700)
Cash and cash equivalents, beginning of year	657,700	-	657,700	727,400
Cash and cash equivalents, end of year	$ 42,137,100	$ 553,200	$ 42,690,300	$ 657,700

Joint venture Agreement – GBR

GBR received funds totalling $97,950,000 (December 31, 2020 - $9,930,500) from Apollo and $27,880,500 (December 31, 2020 - $nil) from the Corporation during the year ended December 31, 2021. Amounts received were used to fund investments described below as well as general and administrative expenses within GBR. Issuance costs of $307,600 were recorded during the year (December 31, 2020 – $2,850,300).

Tri Global Energy LLC

On February 7, 2019 the Corporation entered into its first renewable energy royalty transaction with leading Texas-based wind energy developer Tri Global Energy LLC ("TGE"). GBR committed to investing in tranches a total of $30,000,000 over the three year period as TGE achieves certain advancement milestones. On October 28, 2020, the first investment under the arrangement between the Corporation and the Apollo Funds was announced as GBR agreed to an additional $25,000,000 royalty investment in TGE's portfolio of wind and solar energy development project, bringing the total royalty capital commitment to $55,000,000. GBR will be granted a 3% gross revenue royalty on each individual pipeline project created until a target minimum total royalty valuation is achieved.

During the year ended December 31, 2021, GBR invested an additional $14,142,700 including acquisition costs of $142,700 based on the terms of the agreement with TGE (December 31, 2020 - $20,757,900 including acquisition costs of $257,900). As at December 31, 2021, the total cost of the investment in TGE is $45,586,800 including acquisition costs of $586,800.

Apex Clean Energy

On March 10, 2020 GBR entered into a $35,000,000 royalty investment agreement with Apex Clean Energy ("Apex"), one of the largest renewable energy developers in the US, to obtain future royalties related to a broad portfolio of wind and solar energy development projects located across North America. GBR will receive gross revenue royalties for wind energy and solar energy projects as projects are sold until a target valuation of the royalty portfolio is achieved. Upon achieving certain milestones related to the vending of projects in Apex's development pipeline, mutual options became exercisable to provide continuing $10,000,000 tranches of royalty investment. During year ended December 31, 2021, GBR invested an additional $20,170,500 including acquisition costs of $170,500 based on the terms of the agreement with Apex (December 31, 2020 - $35,466,800 including acquisition costs of $466,800).

During the year ended December 31, 2021, three royalties, Jawhawk, El Sauz, and an undisclosed royalty, with a total fair value of $36,148,400 were assigned to GBR. These fair values were determined using a discounted cash flow model and these amounts were reclassified from investments to royalty interests.

On December 31, 2021, the Corporation announced that Apex exercised a change of control-based option to redeem the remaining residual royalty financing provided by GBR following the sale of a majority interest in Apex. Under the buyout option terms, the provisional purchase consideration, including a buyout premium calculated under the investment agreement, was $70,000,000. This included $41,668,900 as a cash payment to GBR with the remainder representing an estimate value ascribed to the retained royalties in accordance with the agreement. GBR also retained the above three royalties earned to date. Under the investment agreements, the final value of royalties assigned to GBR was to be determined six months following the commercial operation date of the associated project. Apex and the Joint venture agreed to a true-up mechanism to be used in the future in the event that the current estimates for the final value of the royalties used in determining the redemption payment differ from the actual final values determined. The true-up mechanism is based on the same valuation methodology that would have been used if the redemption did not occur. Based on the final valuation of each royalty, Apex may owe a cash payment to the Joint venture, or vice versa. As of the date of these financial statements, the amount is not determinable and no amount is reflected herein. For financial reporting purposes, the amount, if any, would be regarded as an adjustment to fair value ascribed to the investment and recorded in other comprehensive income consistent with the treatment of the investment.

Upon the redemption by Apex, GBR received cash of $41,668,900 and recognized a realized gain of $22,180,000 in the consolidated statement of other comprehensive earnings. As a result of the redemption, the Apex investment is $nil at December 31, 2021 (December 31, 2020 - $35,466,800 including acquisition costs of $466,800).

(Expressed in United States dollars, rounded to the nearest hundred, except per share amounts)

Longroad Energy

On August 3, 2021 the Corporation announced that GBR had closed a $35,000,000 investment with Longroad Energy ("Longroad") related to Longroad's 250 MW Prospero 2 solar project located in Andrews County, Texas. Longroad is a top-tier developer, owner and operator of renewable energy projects, having developed over 60 renewable energy projects totaling over 6 GWs across North America. As at December 31, 2021, the total cost of the investment in Longroad is $35,495,200 including acquisition costs of $495,200 (December 31, 2020 - $nil).

Northleaf Capital Partners

On September 30, 2021 the Corporation announced that GBR had closed a $52,500,000 investment with Northleaf Capital Partners ("Northleaf") related to three operating-stage wind and solar renewable energy projects located in Texas. The newly acquired revenue-based royalty portfolio includes: (1) the 150 MW Old Settler wind project, (2) the 50 MW Cotton Plains wind project, and (3) the 15 MW Phantom Solar project. The output from Cotton Plains and Phantom Solar is sold at a fixed price under long-term contracts with the US Department of Defense through January 2045, while the output from Old Settler will be sold into the ERCOT market.

As at December 31, 2021, the total cost of the investment in Northleaf is $53,398,400 including acquisition costs of $898,400 (December 31, 2020 - $nil).

A summary of renewable energy investments that are held in GBR is as follows. Additional information on level 3 investments can be found in Note 9.

Expressed in Untited States Dollars, rounded to the nearest hundred	TGE	Apex	Longroad	Northleaf	Total
Balance, December 31, 2019	$ 10,686,200	$ -	$ -	$ -	$ 10,686,200
Additions	20,757,900	35,466,800	-	-	56,224,700
Revaluation gains through OCI	6,720,100	-	-	-	6,720,100
Balance, December 31, 2020	$ 38,164,200	$ 35,466,800	$ -	$ -	$ 73,631,000
Additions	14,142,700	20,170,500	35,495,200	53,398,400	123,206,800
Reclassification to royalty interest	-	(36,148,400)	-	-	(36,148,400)
Revaluation gains through OCI	6,473,100	22,180,000	-	-	28,653,100
Redemption	-	(41,668,900)	-	-	(41,668,900)
Balance, December 31, 2021	$ 58,780,000	$ -	$ 35,495,200	$ 53,398,400	$ 147,673,600

A summary of royalty interests held in GBR is as follows:

Expressed in United States Dollars, rounded to the nearest hundred	As at December 31, 2020	Additions	As at December 31, 2021
Renewable royalty interests			
Jayhawk - Wind	$ -	$ 8,011,000	$ 8,011,000
El Sauz - Wind	-	8,262,300	8,262,300
Undisclosed	-	19,875,000	19,875,000
Neo Geothermal - Thermal	389,000	-	389,000
Clyde River - Hydro	2,185,000	-	2,185,000
Balance, end of period	$ 2,574,000	$ 36,148,300	$ 38,722,300
Accumulated amortization			
Neo Geothermal - Thermal	(44,200)	(23,100)	(67,300)
Clyde River - Hydro	(168,600)	(88,000)	(256,600)
Balance, end of period	$ (212,800)	$ (111,100)	$ (323,900)
Net book value	$ 2,361,200	$ 36,037,200	$ 38,398,400

Expressed in United States Dollars, rounded to the nearest hundred	As at December 31, 2019	Additions	As at December 31, 2020
Renewable royalty interests			
Neo Geothermal - Thermal	$ 389,000	$ -	$ 389,000
Clyde River - Hydro	2,185,000	-	2,185,000
Balance, end of year	$ 2,574,000	$ -	$ 2,574,000
Accumulated amortization, depreciation			
Neo Geothermal - Thermal	$ (21,200)	$ (23,000)	$ (44,200)
Clyde River - Hydro	(80,600)	(88,000)	(168,600)
Balance, end of year	$ (101,800)	$ (111,000)	$ (212,800)
Net book value	$ 2,472,200	$ (111,000)	$ 2,361,200

Key management compensation

During the year ended December 31, 2021 GBR LLC paid compensation to key management personnel and directors of $690,200 (December 31, 2020 - $268,700) related to salaries and benefits.

Commitments

On January 29, 2021 GBR committed under a short term lease on office space including operating costs for future minimum lease payments of $21,500 per annum until the lease expired in March 2024. GBR has applied the exemptions from IFRS 16 in relation to this lease and has therefore not recorded a right-of-use asset and lease liability.

GBR has committed under the TGE Investment agreement, to fund up to an additional $10,000,000 over the next year as certain milestones are achieved by TGE.

GBR is committed under a consulting agreement to remit the following payments until royalty funding has been completed or the agreement terminated with respect to current investments held in the joint venture:

- $150,000 on each date that GBR signs definitive documentation in connection with a royalty investment
- 1.5% of the first $20,000,000 in funded value; plus
- 1% of funded value greater than $20,000,000 but less than $50,000,000; less the aggregate amount of the above payments.

See Note 8 for a summary of related party transactions; see Note 9 for financial instruments and fair value qualitative and quantitative analysis.

5. INCOME TAXES

Significant components of the deferred tax assets and liabilities are as follows:

Expressed in United States Dollars, rounded to the nearest hundred	December 31, 2021	December 31, 2020
Non capital loss carryforwards	$ -	$ 545,300
Carrying value of investments in excess of tax values	(4,146,100)	(1,385,300)
	$ (4,146,100)	$ (840,000)

	December 31, 2021	December 31, 2020
Deferred tax liabilities	$ (4,146,100)	$ (1,385,300)
Deferred tax assets	-	545,300
Total deferred income tax	$ (4,146,100)	$ (840,000)

Deferred tax assets have not been recognized for the following gross net deductible temporary differences.

Expressed in United States Dollars, rounded to the nearest hundred	Year Ended December 31, 2021	Year Ended December 31, 2020
Non capital losses	$ 3,317,600	$ 453,400
Financing costs	5,307,500	55,300
Unrecognized gross net deductible temporary differences	$ 8,625,100	$ 508,700

A deferred tax asset was not recognized with respect to Canadian non-capital tax losses of $3,317,600 (December 31, 2020- $453,400) and US non-capital losses of $nil (December 31, 2020 - $nil). If not utilized, the Canadian losses expire between 2039 and 2041.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates of 23% (December 31, 2020 – 24%) to earnings before taxes. The differences are from the following items:

Expressed in United States Dollars, rounded to the nearest hundred	Year Ended December 31, 2021	Year Ended December 31, 2020
Expected tax (recovery)	$ (662,200)	$ (727,800)
Foreign tax rate differential	47,300	19,600
Change in recognition of deferred tax assets	348,500	(210,400)
Permanent differences	802,900	(138,500)
	$ 536,500	$ (1,057,100)

Components of income tax expense (recovery) are as follows:

Expressed in United States Dollars, rounded to the nearest hundred	Year Ended December 31, 2021	Year Ended December 31, 2020
Current tax	$ -	$ -
Deferred tax	536,500	(1,057,100)
	$ 536,500	$ (1,057,100)

6. SHAREHOLDERS EQUITY

Share capital

The Corporation is authorized to issue an unlimited number of one class of shares, designated as common shares.

Year ended December 31, 2021

On March 3, 2021 the Corporation completed its IPO of 9,100,000 common shares at a price of C$11.00 per share for total gross proceeds of $79,243,500 (C$100,100,000). Share issuance costs of $6,353,900 were recorded for net proceeds to the Corporation of $72,889,600.

On April 6, 2021 the Corporation announced that the underwriters partially exercised the over-allotment option granted for 694,000 common shares of the Corporation at the IPO price of C$11.00 per share for total gross proceeds of $6,081,500 (C$7,634,000) less share issuance costs of $533,300. The total shares issued and outstanding following the partial exercise of the over-allotment option are 26,513,889 shares.

On January 15, 2021, the Corporation filed articles of amendment and consolidated its common shares on the basis of one post-consolidation common share for every four pre-consolidation common shares. The consolidation was effected on January 15, 2021. The Corporation's number of issued and outstanding shares were retrospectively presented to reflect the 4:1 share consolidation.

Year ended December 31, 2020

During the period from January 1 to April 30, 2020 the Corporation issued 10,375,000 shares to its parent, Altius Royalty Corporation, at $4 per common share for total share proceeds of $41,500,000. On April 30, 2020 the Corporation issued 4,482,500 warrants to ARC with a strike exercise price of $4 and an expiry date of April 2030 of which 1,388,614 were exercised between May 1 and December 31, 2020 resulting in cash proceeds of $5,000,000 and settlement of an outstanding related party loan of $554,500 (Note 8). Certain warrants, included in the 4,482,500, were issued for services provided by the Parent. These were valued using an option pricing model and $955,300 was recorded as share based compensation during the year ended December 31, 2020.

On May 1, 2020 the Corporation issued 892,500 common shares to an outside investor at $4 per common share for a total share proceeds of $3,570,000.

Net loss per share

Basic and diluted net loss per share were calculated using the weighted average number of common shares for the respective periods. The weighted average number of outstanding common shares used in the net loss per share calculations reflect the 4:1 share consolidation of the Corporation's issued common shares which became effective on January 15, 2021.

	Year Ended	
	December 31, 2021	December 31, 2020
Basic and diluted	24,780,083	13,565,214

7. SHARE-BASED COMPENSATION

The Corporation recognized the following share-based compensation:

Expressed in United States Dollars, rounded to the nearest hundred	Year ended			
		December 31, 2021		December 31, 2020
Stock option expense	$	217,100	$	1,346,500
Management services		-		955,300
Deferred share unit expense		60,000	$	-
Restricted share unit expense		13,100		-
Total share-based compensation	$	290,200	$	2,301,800

The Corporation's number of outstanding and exercisable options and warrants were retrospectively presented to reflect the 4:1 share consolidation which became effective on January 15, 2021.

During the year ended December 31, 2021 the Corporation issued 147,082 stock options to directors with an expiry date of January 2026 and a strike price of $8.80. The options were valued using an option pricing model and $217,100 was recorded as share based compensation during the year ended December 31, 2021. During the year, 32,685 options were forfeited.

During the year ended December 31, 2020, the Corporation issued 1,000,000 stock options to a director and employees of its former subsidiary with an expiry date of March 2025 and a strike exercise price of $4. The options were valued using an option pricing model and $1,346,500 was recorded as share based compensation during the year ended December 31, 2020 (Note 8).

A summary of the status of the Corporation's stock option plan as of December 31, 2021, and changes during the year then ended, is as follows:

Expressed in United States Dollars, rounded to the nearest hundred	Year ended December 31, 2021 Number of Options	Year ended December 31, 2021 Weighted Average Exercise Price	Year ended December 31, 2020 Number of Options	Year ended December 31, 2020 Weighted Average Exercise Price
Oustanding, beginning of year	1,000,000	$ 4.00	1,000,000	$ 4.00
Granted	147,082	8.80	-	-
Forfeited	(32,685)	8.80	-	-
Exercised	-	$ -	-	$ -
Outstanding, end of year	1,114,397	$ 4.50	1,000,000	$ 4.00
Outstanding & exercisable, end of year	1,028,599	$ 4.14	1,000,000	$ 4.00

The weighted average remaining contractual life is 4 years. The weighted average fair value of stock options granted during the year ended December 31, 2021 was estimated on the dates of grant to be $1.80 (December 31, 2020 - $1.36) using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2021	December 31, 2020
Expected life (years)	4.00	5.00
Risk-free interest rate (%)	0.13	1.25
Expected Volatility (%)	35.19	36.38
Expected dividend yield (%)	-	-

A summary of the status of the Corporation's warrants as of December 31, 2021 is as follows:

Espressed in United States Dollars, rounded to the nearest hundred	Year ended December 31, 2021 Number of Warrants	Year ended December 31, 2020 Number of Warrants
Oustanding, beginning of year	3,093,835	-
Granted	-	4,482,449
Exercised	-	(1,388,614)
Outstanding & exercisable, end of year	3,093,835	3,093,835

The warrants were issued to the Parent on April 30, 2020 with an exercise price of $4 and an expiry date of April 30, 2030. Included in the warrants granted were 736,400 for management services. The weighted average fair value of warrants issued for management services was estimated on the dates of grant to be $1.28 using the Black-Scholes option pricing model with the following assumptions:

Expected life (years)	5.00
Risk-free interest rate (%)	0.31
Expected Volatility (%)	36.76
Expected dividend yield (%)	-

A summary of the status of the Corporation's RSUs and DSUs as of December 31, 2021 is as follows:

Expressed in United States Dollars, rounded to the nearest hundred	Number of RSUs	Number of DSUs
Oustanding, December 31, 2020	-	-
Granted	9,090	9,090
Exercised	-	-
Outstanding, December 31, 2021	9,090	9,090
Outstanding & exercisable, December 31, 2021	9,090	-

8. RELATED PARTY TRANSACTIONS

Altius Minerals Services Agreement

The Corporation and Altius entered into a services agreement dated January 15, 2021 pursuant to which Altius will provide office space, management, and administrative services, including the services of certain executives to the Corporation for a monthly fee of C$50,000 plus applicable taxes beginning on February 1, 2021, which amount was calculated on a cost recovery basis, and will be reviewed and adjusted by agreement of the parties, if necessary. The fees will be subject to a yearly review by the independent directors of the Corporation. Altius is also entitled to be reimbursed for reasonable out-of-pocket costs it incurs directly for the Corporation. Either the Corporation or Altius may terminate the Altius Minerals Services Agreement on 60 days' written notice to the other and in other prescribed circumstances, including in certain events of insolvency and if there is a violation of the confidentiality and non-use obligations set forth in the agreement.

During the year ended December 31, 2021, Altius billed the Corporation $513,400 (C$632,500) (December 31, 2021 - $nil) for office space, management, and administrative services. At December 31, 2021 the balance owing to Altius is $nil.

GBR Services Agreement

GBR I, LLC and Altius entered into the GBR Services Agreement on October 11, 2020 pursuant to which Altius agreed to provide GBR with certain back office services including bookkeeping, accounting, treasury services as well as other services previously provided to GBR. Under the terms of the GBR Services Agreement, all bookkeeping, accounting and financial reporting services will be provided by Altius to GBR through 2020, with services provided into 2021 to be limited solely to finalizing 2020 accounting and financial reporting. Altius will also invoice GBR for certain direct costs that it incurs on GBR's behalf. During the year ended December 31, 2021, Altius billed the GBR $17,500 (December 31, 2020 - $26,700) for finance and administrative services.

GBR-ARR Services Agreement

GBR and the Corporation entered into the GBR-ARR Services Agreement pursuant to which GBR has agreed to provide certain services to the Corporation on an interim basis in connection with this initial public offering and providing post initial public offering support services, including communications with shareholders and stakeholders of the Corporation, review of public disclosure documents, assistance with the preparation of reports to the Board, attendance at Board meetings and such other services reasonably requested by ARR. As consideration for the services, the Corporation shall pay GBR a daily rate ranging from US$800 to US$2,000 for each individual providing services to the Corporation under the GBR-ARR Services Agreement. The GBR-ARR Services Agreement also stipulates the maximum amount of time per employee that may be spent on various services under the GBR-ARR Services Agreement. During the year ended December 31, 2021 GBR billed the Corporation $105,000 (December 31, 2021 - $nil) for support services. Of this amount, At December 31, 2021 the balance owing to GBR is $nil.

Other

During the year ended December 31, 2021 the Corporation repaid an advance of $164,500 (December 31, 2020 - received an advance of $428,300) from its parent. At December 31, 2021, no amounts remain owing between the two entities. During the year ended December 31, 2020, an outstanding advance of $554,500 was converted to 136,615 common shares at a price of $4 per common share. There was no gain or loss recorded on settlement of the related party loan with shares.

During the year ended December 31, 2021, the Corporation paid salaries and benefits to key management personnel and directors of $263,300 (December 31, 2020 - $298,200) and recognized share-based compensation of $290,200 (December 31, 2021 – $1,346,500)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's financial assets and liabilities are measured at fair value on a recurring basis by level within the fair value hierarchy.

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

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

Level 3 – valuation techniques with significant unobservable market inputs.

The Corporation does not have any financial assets and liabilities subject to the fair value hierarchy. The fair value of the Corporation's other financial instruments approximates the carrying values due to their short term nature. The below note summarizes the financial instruments held in the Corporation's joint venture.

Reconciliation of Level 3 fair value measurements of financial instruments

Refer to Note 4 for a reconciliation of the fair value measurements of the Corporation's level 3 financial assets which included renewable energy investments that are held in a joint venture. Below is a summary of the valuation technique, key inputs, significant unobservable inputs, relationship and sensitivity of these assets.

Valuation technique and key inputs

The Corporation applies an income approach methodology primarily modelled with risk adjusted discounted cash flows to capture the present value of expected future economic benefits to be derived from the ownership of the investments (Longroad and Northleaf) and the royalty contracts that have been or will be granted in exchange for the investments (TGE and Apex). The total number and value of royalty contracts to be ultimately awarded under the TGE and Apex investment Agreements is subject to a minimum return threshold, which has the effect of muting the potential value impact of several of the unobservable inputs. The total cash distributions to be received under the Longroad and Northleaf Agreements is also subject to minimum return thresholds. If an income approach is not possible or the investment is recent, the Corporation utilizes cost as a proxy for fair value. The Corporation works with valuation specialists to establish valuation methodologies and techniques for Level 3 assets including the valuation approach, assumptions using publicly available and internally available information, updates for changes to inputs to the model and reconciling any changes in the fair value of the assets for each reporting date within its financial models.

Significant unobservable inputs

The Corporation uses publicly available information for power purchase agreement prices and merchant power pricing, as well as estimates related to timing of revenues and cash flows, discounts rates and timing of commercial operations all of which are key inputs into the valuation model.

Relationship and sensitivity of unobservable inputs to fair value

The following table gives information about how the fair value of these investments are determined and in particular, the significant unobservable inputs.

Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value	Quantitative impact
Discount rate	The Corporation applies a range of risk adjusted discount rates to the expected project royalties based on the stage of development and an assessment of the likelihood of completion.	The lower the discount rate the higher the value of an individual royalty. The higher the discount rate the lower the value of the individual royalty. A 1% change in discount rates results in a change of $4,938,700 to the valuation of these instruments.
Timing of commercial operations	There are a series of anticipated project development milestones that occur as a project approaches commercial operations. As each project development milestone nears completion or is met, the risk associated with the project reaching commercial operations decreases. The expected timing of the commercial operations date (the date upon which cash flows are expected to commence) will impact the fair value calculation.	As the commercial operations date approach and the time to cashflow shortens, the value will increase based on the time value of money. Impact is dependent on reduction in time and appropriate risk adjusted discount rate. Given the minimum return threshold it is expected that the impact of timing of commercial operations will be muted as delays will result in a higher number of royalties granted and thus a higher value. Nominal impact.

Risk Management

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

A summary of the major financial instrument risks and the Corporation's approach to the management of these risk are highlighted as follows:

Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents and receivables. The Corporation closely monitors its financial assets, including the receivables from royalty operators who are responsible for remitting royalty income.

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

The Corporation has a portion of its cash denominated in Canadian dollars for certain working capital items and corporate costs. The Corporation does not enter into any derivative contracts to reduce this exposure and maintains limited balances in other currencies.

Liquidity risk

The Corporation has adequate working capital, expected future cash flows from its joint venture and continues to explore external funding options and believes that it is able to meet current and future obligations. 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 investments is exposed to fluctuations in price depending on a number of factors, including general market conditions, company-specific operating performance and the success of the sale of projects. The Corporation does not utilize any derivative contracts to reduce this exposure.

COVID -19

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak did not have a significant negative impact on the operations and profitability of the Corporation. The extent of the impact to the financial performance of the Corporation will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, (iv) the effects on the economy overall and (v) the effect on commodity prices, all of which are highly uncertain and cannot be predicted. The impact of COVID-19 on the Corporation's investments could be volatile as financial markets and commodity prices adjust accordingly. The impact of COVID-19 was minimal during the year ended December 31, 2021.

10. CAPITAL MANAGEMENT

The Corporation defines its capital as its total equity attributable to shareholders. The Corporation's objectives when managing capital is to maintain financial liquidity and flexibility to preserve its ability to meet financial obligations and to ensure that sufficient capital and access to capital for potential growth and to pursue additional investment opportunities.

The Corporation monitors and adjusts its capital structure, when necessary, in light of changes to economic conditions, the objectives of its shareholders, the cash requirements of its business and the condition and availability of external funding. The Corporation does not have any externally imposed restrictions.

11. COMMITMENTS

Tri Global Energy

The Corporation has committed, through its interest in joint venture, to investing tranches totaling $10,000,000 as TGE achieves certain advancement milestones (Note 4).