



# ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements*

*(Unaudited)*

*For the nine months ended*

*January 31, 2011 and 2010*



# ALTIUS MINERALS CORPORATION

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# ALTIUS MINERALS CORPORATION

## Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)

	As at <u>January 31, 2011</u> \$	As at <u>April 30, 2010</u> \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	51,571	55,492
Marketable securities	117,508	112,018
Accounts receivable and prepaid expenses	938	302
Income taxes receivable	62	3,014
	<b>170,079</b>	170,826
Mineral properties and deferred exploration costs (Note 4)	4,081	7,588
Royalty interest in mineral property	10,659	11,199
Property and equipment	180	165
Equity investments (Note 5)	85,833	3,065
Mining and mineral related investments (Note 6)	43,083	30,715
	<b>313,915</b>	223,558
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,155	1,290
Future income taxes	296	234
	<b>2,451</b>	1,524
Other liabilities (Note 8)	363	-
Future income taxes	17,339	5,952
	<b>20,153</b>	7,476
<b>Equity</b>		
Shareholders' equity	290,019	216,082
Non-controlling interest	3,743	-
	<b>293,762</b>	216,082
	<b>313,915</b>	223,558

Contingent liability (Note 14)

Approved by the Board,

"John A. Baker" \_\_\_\_\_, Director

"Brian F. Dalton" \_\_\_\_\_, Director

see accompanying notes to the consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Earnings (Loss)

(Unaudited)

(In thousands of dollars, except per share amounts)

	Three months ended		Nine months ended	
	January 31,		January 31,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	785	364	1,863	1,466
Interest and investment	287	403	1,905	1,305
Other	31	145	75	344
	<b>1,103</b>	912	<b>3,843</b>	3,115
<b>Expenses</b>				
General and administrative	2,672	889	4,186	2,428
Generative exploration and mineral properties abandoned or impaired (Note 4)	2,708	219	3,648	760
Stock-based compensation (Note 8)	394	348	924	954
Amortization	263	89	591	446
Royalty tax	181	73	396	293
	<b>6,218</b>	1,618	<b>9,745</b>	4,881
Loss before the following	(5,115)	(706)	(5,902)	(1,766)
Gain on disposal of investments (Notes 5 & 6)	2,320	-	3,714	-
Gain on disposal of mineral property (Note 5)	84,675	498	84,675	483
Unrealized gain on fair value adjustment of derivatives	627	-	2,245	-
Dilution gain (loss) on issuance of shares by equity investee (Note 5)	(1,807)	-	(1,807)	137
Share of loss in equity investments	(303)	(83)	(438)	(275)
Earnings (loss) before income taxes and non-controlling interest	<b>80,397</b>	(291)	<b>82,487</b>	(1,421)
<b>Income tax expense (recovery)</b>				
Current	(46)	(251)	(115)	(21)
Future	10,856	62	11,213	(215)
	<b>10,810</b>	(189)	<b>11,098</b>	(236)
Net earnings (loss) before non-controlling interest	<b>69,587</b>	(102)	<b>71,389</b>	(1,185)
Non-controlling interest	(219)	-	(219)	-
<b>Net earnings (loss) attributable to common shareholders</b>	<b>69,368</b>	(102)	<b>71,170</b>	(1,185)
<b>Net earnings (loss) per share</b>				
- basic	2.41	(0.00)	2.49	(0.04)
- diluted	2.38	(0.00)	2.46	(0.04)

see accompanying notes to the consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Cash Flows

(Unaudited)

(In thousand of dollars)

	For the three months		For the nine months	
	ended January 31,		ended January 31,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
<b>Operating activities</b>				
Net earnings (loss) before non-controlling interest	69,587	(102)	71,389	(1,185)
Items not affecting cash (Note 10)	(71,291)	303	(72,013)	1,600
	(1,704)	201	(624)	415
Changes in non-cash operating working capital (Note 10)	2,166	(1,863)	3,181	(1,283)
	462	(1,662)	2,557	(868)
<b>Financing activities</b>				
Proceeds from issuance of share capital	835	449	1,207	473
Repurchase of common shares	-	-	-	(331)
	835	449	1,207	142
<b>Investing activities</b>				
Current liabilities (Note 12)	(2,487)	-	(2,487)	-
Proceeds from sale of investments (Notes 5 and 6)	7,545	-	10,625	151
Mineral properties and deferred exploration costs, net of recoveries	(930)	(463)	(2,316)	(2,136)
Reclassification of cash from (to) marketable securities	3,131	3,579	(5,490)	(14,141)
Acquisition of investments	(6,686)	-	(7,954)	(25,078)
Acquisition of property and equipment	(7)	(2)	(66)	(18)
Net cash acquired on business acquisition (Note 12)	3	-	3	-
Other	-	-	-	9
	569	3,114	(7,685)	(41,213)
Net increase (decrease) in cash and cash equivalents	1,866	1,901	(3,921)	(41,939)
Cash and cash equivalents, beginning of period	49,705	35,491	55,492	79,331
<b>Cash and cash equivalents, end of period</b>	<b>51,571</b>	<b>37,392</b>	<b>51,571</b>	<b>37,392</b>
<b>Cash and cash equivalents consist of:</b>				
Deposits with banks			11,993	393
Short-term investments			39,578	36,999
			51,571	37,392

Supplemental cash flow information (Note 10)

see accompanying notes to the consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Equity

(Unaudited)

(In thousands of dollars, except share amounts)

Nine months ended January 31, 2011:

	<u>Common Shares</u>		<u>Contributed Surplus</u>	<u>Accumulated Other Comprehensive Earnings (Note 9)</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>	<u>Non-controlling interest</u>	<u>Total Equity</u>
	<u>#</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>		
<b>Balance, beginning of period</b>	<b>28,550,895</b>	<b>73,424</b>	<b>4,164</b>	<b>1,379</b>	<b>137,115</b>	<b>216,082</b>	-	<b>216,082</b>
Acquisition of 2260761 Ontario Inc. (Note 12)	-	-	-	-	-	-	<b>3,003</b>	<b>3,003</b>
<b>Comprehensive earnings:</b>								
Net earnings	-	-	-	-	<b>71,170</b>	<b>71,170</b>	<b>219</b>	<b>71,389</b>
Currency translation adjustment								
- recognized during the period	-	-	-	<b>202</b>	-	<b>202</b>	-	<b>202</b>
- reclassified to net earnings	-	-	-	<b>1,133</b>	-	<b>1,133</b>	-	<b>1,133</b>
Net unrealized gain on available-for-sale investments								
- recognized during the period	-	-	-	<b>661</b>	-	<b>661</b>	<b>521</b>	<b>1,182</b>
- reclassified to net earnings	-	-	-	<b>(997)</b>	-	<b>(997)</b>	-	<b>(997)</b>
<b>Total comprehensive earnings</b>						<b>72,169</b>	<b>740</b>	<b>72,909</b>
Stock-based compensation	-	-	<b>561</b>	-	-	<b>561</b>	-	<b>561</b>
Shares issued under stock option plan	<b>235,000</b>	<b>1,802</b>	<b>(595)</b>	-	-	<b>1,207</b>	-	<b>1,207</b>
<b>Balance, end of period</b>	<b>28,785,895</b>	<b>75,226</b>	<b>4,130</b>	<b>2,378</b>	<b>208,285</b>	<b>290,019</b>	<b>3,743</b>	<b>293,762</b>



## Consolidated Statements of Equity (continued)

(In thousands of dollars, except share amounts)

(Unaudited)

Nine months ended January 31, 2010:

	<u>Common Shares</u>		<u>Contributed</u>	<u>Accumulated Other</u>	<u>Retained</u>	<u>Total Equity</u>
	<u>#</u>	<u>\$</u>	<u>Surplus</u>	<u>Earnings (Loss)</u>	<u>Earnings</u>	<u>\$</u>
			<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Balance, beginning of period</b>	28,371,195	71,814	3,203	(4,348)	116,343	187,012
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	-	(1,185)	(1,185)
Currency translation adjustment	-	-	-	(112)	-	(112)
Net unrealized gain on available-for-sale investments	-	-	-	28,692	-	28,692
<b>Total comprehensive earnings</b>						<u>27,395</u>
Shares repurchased under normal course issuer bid	(55,300)	(140)	-	-	(191)	(331)
Stock-based compensation	-	-	954	-	-	954
Stock-based compensation applied to mineral properties	-	-	228	-	-	228
Shares issued under stock option plan	118,750	759	(286)	-	-	473
<b>Balance, end of period</b>	<u>28,434,645</u>	<u>72,433</u>	<u>4,099</u>	<u>24,232</u>	<u>114,967</u>	<u>215,731</u>

see accompanying notes to the audited consolidated financial statements



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

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## 1. NATURE OF OPERATIONS

Altius Minerals Corporation's (the "Corporation") principal business activities include the generation and acquisition of mineral properties, royalties, and investments. The Corporation prefers to generate alliances or corporate structures related to the mineral exploration and natural resource opportunities it generates, which results in the Corporation carrying minority and non-operating project or equity interests and/or royalty interests.

## 2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared following the accounting policies set out in the April 30, 2010 annual consolidated financial statements except as indicated in Note 3. The Corporation also adopted new stock-based compensation plans for share appreciation rights and directors deferred share units in the current fiscal period. The accounting treatment of these new items is described in Note 8 of the unaudited interim consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the April 30, 2010 annual consolidated financial statements. The disclosures in the unaudited interim consolidated financial statements do not conform in all material respects to the requirements of Canadian generally accepted accounting principles for annual consolidated financial statements.

## 3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

### *Business Combinations*

On May 1, 2010, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. These new standards supersede Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. CICA Handbook Section 1582, Business Combinations, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). This Section applies prospectively to business combinations for which the acquisition date is on or after May 1, 2010.

CICA Handbook Section 1601, Consolidated Financial Statements, together with the new Section 1602, Non-Controlling Interests, replaces the former Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS 27, Consolidated and Separate Financial Statements (January 2008).

The early adoption of these three sections had no material impact on the financial statements of the Corporation.





# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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### 3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

#### *International Financial Reporting Standards (“IFRS”)*

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with appropriate comparative data from the prior year. The Corporation’s IFRS transition date of May 1, 2011, will require the restatement, for comparative purposes, of amounts reported on the Corporation’s consolidated opening statement of financial position as at May 1, 2010 and amounts reported for the year ended April 30, 2010.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

The Corporation acquires mineral properties through staking and from third party vendors. In addition, the Corporation sells some or a portion of its mineral properties to third parties in exchange for exploration expenditures, royalty interests, and cash and share based payments.

Project	As at April 30, 2010	Additions, net of recoveries	Abandoned or impaired	Sold	As at January 31, 2011
	\$	\$	\$		\$
<b>Labrador</b>					
Kamistaitusset - Iron Ore	1,850	322	-	(2,172)	-
Labrador Trough - Base Metals	633	-	(2)	-	631
Natashquan River - Nickel	299	80	-	-	379
Notakwanon River - Uranium	139	22	-	-	161
Labrador West - Iron Ore	15	2	-	-	17
Trough Iron - Iron Ore	-	53	-	-	53
Red Cross Lake South - Nickel	19	3	-	-	22
Snelgrove Lake - Iron Ore	116	195	(7)	-	304
Other	-	2	-	-	2
<b>Newfoundland</b>					
Topsails - Uranium/Copper	1,055	220	(2)	-	1,273
Rocky Brook - Uranium	85	7	-	-	92
Mustang Trend - Gold	128	(99)	-	-	29
White Bay - Gold	62	39	-	-	101
Moosehead - Gold	58	(46)	-	-	12
Taylor Brook - Nickel	14	202	-	-	216
Wing Pond - Gold	-	97	-	-	97
Other	68	71	(74)	-	65
<b>New Brunswick</b>					
New Brunswick Oil Shale	2,881	(107)	(2,774)	-	-
<b>General Exploration</b>					
GENEX - General Exploration	-	765	(765)	-	-
<b>Security Deposits</b>					
	166	485	(24)	-	627
<b>Grand Total</b>	<b>7,588</b>	<b>2,313</b>	<b>(3,648)</b>	<b>(2,172)</b>	<b>4,081</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

Project	As at April 30, 2009	Additions, net of recoveries	Abandoned or impaired	As at April 30, 2010
	\$	\$	\$	\$
<b>Labrador</b>				
Kamistaitusset - Iron Ore	2,241	(391)	-	1,850
Labrador Trough - Base metals	604	43	(14)	633
Natashquan River - Nickel	241	58	-	299
Notakwanon River - Uranium	126	13	-	139
Nuiklavik - Uranium	69	(67)	(2)	-
Labrador West - Iron Ore	14	2	(1)	15
Red Cross Lake South - Nickel	-	19	-	19
Wabush - Silica	-	2	(2)	-
Other	-	135	(19)	116
<b>Newfoundland</b>				
Topsails - Uranium/Copper	835	241	(21)	1,055
Viking - Gold	39	(39)	-	-
Rocky Brook - Uranium	40	45	-	85
Mustang Trend - Gold	37	91	-	128
White Bay - Gold	24	41	(3)	62
Boxey - Uranium	20	41	(61)	-
Moosehead - Gold	15	43	-	58
Taylor Brook - Nickel	-	14	-	14
Other	4	90	(26)	68
<b>New Brunswick and Nova Scotia</b>				
New Brunswick Oil Shale	2,287	594	-	2,881
New Brunswick Potash	-	3	(3)	-
Nova Scotia Potash - Potash	86	76	(162)	-
<b>General Exploration</b>				
GENEX - General Exploration	-	628	(628)	-
<b>Security Deposits</b>	332	(113)	(53)	166
<b>Grand Total</b>	<b>7,014</b>	<b>1,569</b>	<b>(995)</b>	<b>7,588</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 5. EQUITY INVESTMENTS

	As at January 31, <u>2011</u> \$	As at April 30, <u>2010</u> \$
Investment in Alderon Resource Corp., (percentage ownership: January 2011 - 39.6%, April 2010 - 0%) (market value: January 2011 - \$115.6 million)	85,833	-
Investment in Rambler Metals and Mining plc, (percentage ownership: January 2011 - 0%, April 2010 - 12.6%) (market value: January 2011 - \$nil, April 2010 - \$6.5 million)	-	3,065
	<u>85,833</u>	<u>3,065</u>

On December 8, 2010, Alderon Resource Corporation (“Alderon”) earned a 100% interest in the Kamistaitusset (“Kami”) iron ore project located in western Labrador by meeting all requirements of an option agreement between the companies. In conjunction with its transfer of title to the project, the Corporation received 32,285,006 shares of Alderon (representing 44.6% of the issued Alderon common shares at the time of award) with a market value of \$86,847,000 at the time of closing. The Corporation also holds a 3% gross sales royalty relating to any potential future mining operations on the Kami property. The Corporation recognized a gain on the disposal of a mineral property of \$84,675,000 as a result of the exchange.

On December 15, 2010, Alderon completed a bought deal financing whereby Alderon raised gross proceeds of \$20,075,000 by issuing 9,125,000 units comprised of one common share and one half common share purchase warrant exercisable for two years at \$2.80 per share. As a result of the transaction, the Corporation’s ownership interest in Alderon was reduced to 39.6% and the Corporation recognized a dilution loss of \$1,807,000. The Corporation also acquired additional shares in Alderon for a total cost of \$660,000 during the current quarter.

On January 5, 2011, the Corporation sold its 12 million shares in Rambler for cash proceeds of \$5,925,000 and realized a net gain on disposal of investments on the transaction of \$1,451,000.

In addition to the amounts noted in the table above, the Corporation holds a 39.6% investment in Newfoundland and Labrador Refining Corporation (“NLRC”), a private company proposing to construct a 300,000 barrel per day oil refinery in Newfoundland, and a loan to NLRC of \$30,093,000. The Corporation reduced the current value of this investment and loan to zero in April 2008.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 6. MINING AND MINERAL RELATED INVESTMENTS

	As at January 31, <u>2011</u> \$	As at April 30, <u>2010</u> \$
Equity investments		
(Cost: January 2011 - \$36.8 million; April 2010 - \$27.5 million)	<b>40,135</b>	30,715
Share purchase warrants		
(Cost: January 2011 - \$2.5 million; April 2010 - \$nil)	<b>2,948</b>	-
	<b>43,083</b>	30,715

The Corporation holds investments in other publicly traded entities participating in the resource sector, either through direct investment or in exchange for an interest in the Corporation's mineral properties. The investments in equities are classified as available for sale with any change in fair value being recorded in other comprehensive income until the investment is de-recognized. The fair market value is determined by reference to the unadjusted quoted prices in active markets, normally either the TSX or TSX Venture exchange. The Corporation acquired additional investments at a cost of \$6,686,000 for the three months ended January 31, 2011 and \$7,954,000 for the nine months ended January 31, 2011.

The share purchase warrants are considered derivative financial instruments for accounting purposes, and any change in fair value is included in net earnings (loss) for the period. The fair value of the share purchase warrants is estimated using the Black-Scholes option pricing model, which uses inputs other than quoted market prices to determine the estimated fair market value.

In June 2010, the Corporation acquired beneficial ownership and control of an aggregate of 4,227,273 common shares of Millrock Resources Inc. ("Millrock"), representing approximately 7.3% of the issued and outstanding common shares, pursuant to the exercise of 4,227,273 common share purchase warrants (the "Warrants") at an exercise price of \$0.30 per warrant.

Millrock also issued to the Corporation, through a private placement, a total of 3,450,000 new common share purchase warrants. Each new warrant entitles the Corporation to purchase one common share at an exercise price of \$0.45. The new warrants expire in June 2015.

During the nine months ended January 31, 2011, the Corporation sold mining and mineral related investments for gross proceeds of \$4,700,000 (2010 - \$151,000) and recognized a gain on disposal of \$2,263,000 (2010 - \$nil).

During the three months ended January 31, 2011, the Corporation sold mining and mineral related investments for gross proceeds of \$1,620,000 (2010 - \$nil) and recognized a gain on disposal of \$869,000 (2010 - \$nil).



# ALTIUS MINERALS CORPORATION

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(Unaudited)

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## 7. NET EARNINGS (LOSS) PER SHARE

Basic net earnings per share was calculated using the weighted average number of common shares for the respective periods. The diluted net earnings per share was calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options.

	Three months ended January 31		Nine months ended January 31	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Weighted average number of shares:				
Basic	<b>28,734,503</b>	28,391,251	<b>28,629,289</b>	28,363,160
Diluted	<b>29,105,542</b>	28,391,251	<b>28,977,771</b>	28,363,160

## 8. STOCK-BASED COMPENSATION PLANS

### Stock Options

The Corporation has a stock option plan under which directors, officers and employees of the Corporation and of its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Corporation at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Corporation. Options granted under the plan generally have a term of five years but may not exceed five years and typically vest over a five-year period or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchange(s) on which the Corporation's common shares are then listed.

A summary of the status of the Corporation's stock option plan as of January 31, 2011 and changes during the period then ended is as follows:



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 8. STOCK-BASED COMPENSATION PLANS (CONTINUED)

	<u>January 31, 2011</u>		<u>April 30, 2010</u>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Outstanding, beginning of period	1,433,500	9.67	1,298,500	9.57
Granted	10,000	10.13	370,000	7.00
Exercised	(235,000)	5.13	(235,000)	4.89
Forfeited	(215,500)	11.70	-	-
Outstanding, end of period	993,000	10.31	1,433,500	9.67
Exercisable, end of period	658,000	11.21	751,250	10.14

The following table summarizes information about stock options outstanding and exercisable at January 31, 2011:

Range	<u>Total Options Outstanding</u>			<u>Total Exercisable Options</u>		
	Outstanding Options	Average Remaining Contractual Life	Weighted Average Strike Price	Vested Options	Average Remaining Contractual Life	Weighted Average Strike Price
	#		\$	#		\$
\$4.15 to \$6.00	269,000	2.7	5.60	153,000	2.7	5.60
\$6.01 to \$8.00	348,000	3.2	7.03	171,000	2.6	7.06
\$8.01 to \$12.00	201,000	1.0	8.39	193,000	0.9	8.32
\$12.01 to \$15.00	20,000	1.3	13.04	16,000	1.3	13.04
\$28.00	155,000	1.8	28.00	125,000	1.8	28.00
Total	993,000	2.4	10.31	658,000	1.9	11.21



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(Unaudited)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

## 8. STOCK-BASED COMPENSATION PLANS (CONTINUED)

### Share Appreciation Rights Plan

During the current fiscal year, the Corporation adopted a share appreciation rights plan. Under the terms of the plan, share appreciation rights will vest over a specified period and have a reference price based on the common share price at the date of grant. Any payouts will be cash-settled on the scheduled vesting date.

During the current period, the Corporation awarded 700,000 share appreciation rights to management at an exercise price of \$10.82. The share appreciation rights vest in three tranches over a five year period, with one third vesting on the third, fourth, and fifth anniversary of the award date.

The total compensation cost to be recognized over the vesting period for the share appreciation rights is measured as the amount by which the quoted market price of the Corporation's shares exceeds the exercise price of \$10.82. The total liability will be re-measured at each period-end with any increase or decrease in value affecting the compensation cost.

Because the units are cash-settled, the estimated net obligation of the amount expensed to date based on the vesting schedule will be disclosed as a liability on the Corporation's consolidated balance sheet. At January 31, 2011, \$175,000 was recognized related to the share appreciation rights.

### Directors' Deferred Share Unit Plan ("DSU")

During the current period, the Corporation introduced a Directors' DSU plan. Under the plan, each non-executive director receives credit for a portion of their annual retainer to a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equal to the value of one common share of the Corporation. During the current year, 18,484 DSUs were awarded to current non-executive directors. As at January 31, 2011, there were 13,860 vested DSUs.

### Other Liability

Other liability consists of the following:

	<b>January 31, 2011</b>	<b>April 30, 2010</b>
	<u>\$</u>	<u>\$</u>
Director DSUs	188	-
Share appreciation rights	175	-
	<u>363</u>	<u>-</u>





# ALTIUS MINERALS CORPORATION

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(Unaudited)

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## 9. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

The balances related to each component of accumulated other comprehensive earnings, net of related income taxes, are as follows:

	<b>January 31, 2011</b>	April 30,
	<u>\$</u>	<u>2010</u>
		<u>\$</u>
Unrealized loss on the translation of financial statements of self-sustaining equity investment (net of income taxes: April 2010 - \$234)	-	(1,333)
Unrealized gains on available-for-sale investments (net of income taxes: January 2011 - \$(396) and April 2010 - \$(477))	<b>2,378</b>	2,712
	<hr/> <b>2,378</b> <hr/>	<hr/> 1,379 <hr/>



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## 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	January 31		January 31	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
<b>Items not affecting cash:</b>				
Generative exploration and mineral properties abandoned or impaired	2,708	219	3,648	760
Stock-based compensation	394	348	924	954
Amortization	263	89	591	446
Share of loss in equity investments	303	83	438	275
Dilution (gain) loss on issuance of shares by equity investment	1,807	-	1,807	(137)
Future income taxes	10,856	62	11,213	(215)
Unrealized gain on fair value adjustment of derivatives	(627)	-	(2,245)	-
Gain on disposal of mineral property	(84,675)	-	(84,675)	-
Gain on disposal of investments	(2,320)	(498)	(3,714)	(483)
	<b>(71,291)</b>	<b>303</b>	<b>(72,013)</b>	<b>1,600</b>
<b>Changes in non-cash operating working capital:</b>				
Accounts receivable and prepaid expenses	(74)	190	(636)	614
Accounts payable and accrued liabilities	1,665	(4)	865	(412)
Income taxes payable and receivable	575	(2,049)	2,952	(1,485)
	<b>2,166</b>	<b>(1,863)</b>	<b>3,181</b>	<b>(1,283)</b>
<b>Income taxes (paid) received</b>	<b>306</b>	<b>(1,802)</b>	<b>2,862</b>	<b>(1,521)</b>
<b>Non-cash items:</b>				
Stock-based compensation capitalized	-	58	-	228
Receipt of shares in Alderon Resource Corporation in exchange for interests in mineral property	86,847	-	86,847	-
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	-	693	3	726



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## 11. RELATED PARTY TRANSACTIONS

	Three months ended		Nine months ended	
	January 31,		January 31,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
Revenue from companies subject to significant influence	-	6	-	18
Legal services received from a partnership, one of the partners of which is a director of the Corporation and reflected as:				
Mineral properties and deferred exploration costs	7	6	14	7
General and administrative expenses	12	8	14	18
	<b>19</b>	14	<b>28</b>	25

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 related parties.

Accounts receivable and prepaid expenses include a net receivable from Newfoundland and Labrador Refining Corporation ("NLRC") of \$12,000 after adjusting for an allowance for doubtful accounts of \$6,400 (April 30, 2010 - \$6,400).



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(Unaudited)

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## 12. ACQUISITION OF 2260761 ONTARIO INC. ("2260761")

On November 1, 2010, the Corporation co-founded 2260761 Ontario Inc. by acquiring 89% of the class B preferred shares and 72.8% of the common shares of the new entity. 2260761 Ontario Inc. is a newly formed company that will invest principally in early stage mineral exploration businesses.

The purchase price of the Corporation's interest in 2260761 consisted of \$25,007,000 in cash.

The Corporation followed the acquisition method of accounting for this transaction and has consolidated the financial results into its consolidated financial statements, with a corresponding deduction for the non-controlling interest portion of net assets, earnings, and other comprehensive earnings. The following table summarizes the preliminary estimated fair values of the Corporation's acquired interest in the assets and liabilities on November 1, 2010. These amounts are based on preliminary valuation data and, as such, are subject to revision and update pending additional available information.

	\$
Mining and mineral related investments	5,487
Current liabilities	(2,487)
Non- controlling interest	(3,003)
	(3)
Cash acquired	25,010
Net assets acquired	25,007
Cash consideration	25,007

The non- controlling interest arising from the 2260761 transaction represents the minority shareholders' net portion of assets and liabilities at the acquisition date. Cranberry Capital Inc. ("Cranberry"), a company controlled by the president of 2260761, owns 27.2% of the outstanding common shares of 2260761.

## 13. SEGMENTED INFORMATION

On November 1, 2010, the Corporation restructured its business into two reportable segments of exploration and investments/royalty acquisition. Corporate operating costs are not allocated to the segments and are presented separately. Intersegment transactions are not significant and are eliminated upon consolidation. These segments reflect the revised legal and internal reporting structure of the Corporation. The Corporation's key decision makers assess performance and make resource allocation decisions based on net earnings before taxes and non-controlling interest. The Corporation operates in one geographic segment of Canada.

The Corporation has retroactively restated the segment performance for comparative figures, as if this structure existed in prior periods. The restatements are based on management's best estimate of the cost breakdowns and transactions had this structure existed in the comparative periods.



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## 13. SEGMENTED INFORMATION (CONTINUED)

### Three months ended January 31, 2011

	<u>Royalty and</u> <u>Investment</u>	<u>Exploration</u>	<u>Corporate</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	785	-	-	785
Interest and investment income	287	-	-	287
Other	-	31	-	31
	<b>1,072</b>	<b>31</b>	<b>-</b>	<b>1,103</b>
<b>Expenses</b>				
General and administrative	117	613	1,942	2,672
Generative exploration and mineral properties abandoned or impaired	-	2,708	-	2,708
Stock-based compensation	-	-	394	394
Amortization	248	15	-	263
Royalty tax	181	-	-	181
	<b>546</b>	<b>3,336</b>	<b>2,336</b>	<b>6,218</b>
Earnings (loss) before the following	526	(3,305)	(2,336)	(5,115)
Gain on disposal of investments	2,320	-	-	2,320
Gain on disposal of mineral property	-	84,675	-	84,675
Unrealized gain on fair value adjustment of derivatives	627	-	-	627
Dilution loss on issuance of shares by equity investee	(1,807)	-	-	(1,807)
Share of loss in equity investments	(303)	-	-	(303)
Earnings (loss) before income taxes and non-controlling interest	<b>1,363</b>	<b>81,370</b>	<b>(2,336)</b>	<b>80,397</b>
<b>Income tax expense (recovery)</b>				
Current				(46)
Future				10,856
				<b>10,810</b>
Net earnings (loss) before non- controlling interest				<b>69,587</b>
Non-controlling interest				(219)
<b>Net earnings (loss) attributable to common shareholders</b>				<b>69,368</b>



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## 13. SEGMENTED INFORMATION (CONTINUED)

### Three months ended January 31, 2010

	<u>Royalty and</u> <u>Investment</u>	<u>Exploration</u>	<u>Corporate</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	364	-	-	364
Interest and investment income	403	-	-	403
Other	-	145	-	145
	<u>767</u>	<u>145</u>	<u>-</u>	<u>912</u>
<b>Expenses</b>				
General and administrative	373	422	94	889
Generative exploration and mineral properties abandoned or impaired	-	219	-	219
Stock-based compensation	-	123	225	348
Amortization	73	16	-	89
Royalty tax	73	-	-	73
	<u>519</u>	<u>780</u>	<u>319</u>	<u>1,618</u>
Earnings (loss) before the following	248	(635)	(319)	(706)
Gain on disposal of investments	-	-	-	-
Gain on disposal of mineral property	-	498	-	498
Unrealized gain on fair value adjustment of derivatives	-	-	-	-
Dilution loss on issuance of shares by equity investee	-	-	-	-
Share of loss in equity investments	(83)	-	-	(83)
Earnings (loss) before income taxes and non-controlling interest	<u>165</u>	<u>(137)</u>	<u>(319)</u>	<u>(291)</u>
<b>Income tax expense (recovery)</b>				
Current				(251)
Future				62
				<u>(189)</u>
Net earnings (loss) before non- controlling interest				(102)
Non-controlling interest				-
<b>Net earnings (loss) attributable to common shareholders</b>				<u>(102)</u>



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## 13. SEGMENTED INFORMATION (CONTINUED)

### Nine months ended January 31, 2011

	<u>Royalty and</u> <u>Investment</u>	<u>Exploration</u>	<u>Corporate</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	1,863	-	-	1,863
Interest and investment income	1,881	24	-	1,905
Other	-	75	-	75
	<b>3,744</b>	<b>99</b>	<b>-</b>	<b>3,843</b>
<b>Expenses</b>				
General and administrative	211	1,235	2,740	4,186
Generative exploration and mineral properties abandoned or impaired	-	3,648	-	3,648
Stock-based compensation	-	-	924	924
Amortization	543	48	-	591
Royalty tax	396	-	-	396
	<b>1,150</b>	<b>4,931</b>	<b>3,664</b>	<b>9,745</b>
Earnings (loss) before the following	2,594	(4,832)	(3,664)	(5,902)
Gain on disposal of investments	3,714	-	-	3,714
Gain on disposal of mineral property	-	84,675	-	84,675
Unrealized gain on fair value adjustment of derivatives	2,245	-	-	2,245
Dilution loss on issuance of shares by equity investee	(1,807)	-	-	(1,807)
Share of loss in equity investments	(438)	-	-	(438)
Earnings (loss) before income taxes and non-controlling interest	<b>6,308</b>	<b>79,843</b>	<b>(3,664)</b>	<b>82,487</b>
<b>Income tax expense (recovery)</b>				
Current				(115)
Future				11,213
				<b>11,098</b>
Net earnings (loss) before non- controlling interest				71,389
Non-controlling interest				(219)
<b>Net earnings (loss) attributable to common shareholders</b>				<b>71,170</b>



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## 13. SEGMENTED INFORMATION (CONTINUED)

### Nine months ended January 31, 2010

	<u>Royalty and</u> <u>Investment</u>	<u>Exploration</u>	<u>Corporate</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	1,466	-	-	1,466
Interest and investment income	1,305	-	-	1,305
Other	-	344	-	344
	2,771	344	-	3,115
<b>Expenses</b>				
General and administrative	633	1,094	701	2,428
Generative exploration and mineral properties abandoned or impaired	-	760	-	760
Stock-based compensation	-	257	697	954
Amortization	331	115	-	446
Royalty tax	293	-	-	293
	1,257	2,226	1,398	4,881
Earnings (loss) before the following	1,514	(1,882)	(1,398)	(1,766)
Gain (loss) on disposal of investments	-	-	-	-
Gain on disposal of mineral property	(15)	498	-	483
Dilution gain on issuance of shares by equity investee	137	-	-	137
Share of loss in equity investments	(275)	-	-	(275)
Earnings (loss) before income taxes and non-controlling interest	1,361	(1,384)	(1,398)	(1,421)
<b>Income tax expense (recovery)</b>				
Current				(21)
Future				(215)
				(236)
Net earnings (loss) before non- controlling interest				(1,185)
Non-controlling interest				-
<b>Net earnings (loss) attributable to common shareholders</b>				(1,185)





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## 13. SEGMENTED INFORMATION (CONTINUED)

	<u>January 31, 2011</u>				<u>April 30, 2010</u>			
	<b>Royalty and Investment</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>	<b>Royalty and Investment</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Total assets	<b>304,176</b>	<b>7,641</b>	<b>2,098</b>	<b>313,915</b>	209,892	12,618	1,048	223,558

## 14. CONTINGENT LIABILITY

The Corporation was served with a statement of claim issued by BAE-Newplan Group Ltd (“BAE”), a wholly owned subsidiary of SNC-Lavalin Inc., in the Supreme Court of Newfoundland and Labrador on October 1, 2008. In the statement of claim, BAE claims damages, including punitive and exemplary damages, interest and costs against the Corporation and others. In particular, BAE claims \$20,594,000, which is the amount of billing alleged as outstanding from NLRC to BAE for engineering services.

The Corporation believes this claim is without merit and no provision has been recognized for this claim. The Corporation’s defense of the claim is ongoing and a date has not yet been set for the trial of the matter.

## 15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from other income to interest and investment income to conform to the current year presentation.