ALTIUS
MINERALS CORPORATION

Consolidated Financial Statements

April 30, 2007 and 2006

ALTIUS MINERALS CORPORATION

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Independent Auditors' Report

To the Shareholders
Altius Minerals Corporation

We have audited the consolidated balance sheet of Altius Minerals Corporation as at April 30, 2007 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at April 30, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 8, 2006 (except as to note 3 in the restated consolidated financial statements which was dated April 19, 2007).

Deloitte & Touche LLP

Chartered Accountants
July 4, 2007

St. John's, Newfoundland and Labrador

ALTIUS
MINERALS CORPORATION

Consolidated Balance Sheets

As at April 30,

	2007	2006
	$	$
Assets		
Current assets		
Cash and cash equivalents	**114,284,363**	35,331,949
Accounts receivable and prepaid expenses	**2,554,971**	807,641
Accounts receivable – related companies	**16,377**	619,757
	116,855,711	36,759,347
Mineral properties and deferred exploration costs (Note 3)	**1,944,586**	1,096,322
Royalty interest in mineral property (Note 4)	**13,176,177**	13,597,930
Property and equipment (Note 5)	**175,160**	94,846
Equity investments (Note 6)	**7,714,224**	10,426,031
Portfolio investments (Note 6)	**30,058,725**	5,726,663
	169,924,583	67,701,139
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,047,861**	901,862
Income taxes payable	**16,186,000**	5,308,000
Future income taxes (Note 8)	**1,297,845**	-
	18,531,706	6,209,862
Deferred option payments (Note 7)	**579,500**	-
Future income taxes (Note 8)	**1,064,026**	1,314,182
Long-term debt (Note 9)	**36,557,385**	-
	56,732,617	7,524,044
Shareholders' Equity		
Share capital (Note 10)	**25,885,903**	25,123,818
Contributed surplus (Note 10)	**1,312,660**	684,447
Foreign currency translation adjustment	**214,673**	-
Retained earnings	**85,778,730**	34,368,830
	113,191,966	60,177,095
	169,924,583	67,701,139

Commitments (Note 12)

Approved by the Board,

"John A. Baker", Director

"Brian F. Dalton", Director

see accompanying notes to the consolidated financial statements

Consolidated Statements of Earnings and Retained Earnings

For the years ended April 30,

	2007 $	2006 $
Revenue		
Royalty revenue	**4,296,966**	78,290
Other revenue	**301,604**	248,745
Interest income	**2,529,705**	211,763
	7,128,275	538,798
Expenses		
General and administrative	**2,577,563**	1,127,821
Mineral properties abandoned or impaired (Note 3)	**260,933**	201,630
Royalty tax	**478,990**	-
Stock-based compensation	**781,091**	299,938
Amortization	**521,126**	74,361
	4,619,703	1,703,750
Earnings (loss) before the following	**2,508,572**	(1,164,952)
Interest on long-term debt	**(245,542)**	-
Gain on disposal of investment	**62,745,711**	32,476,682
Dilution gain on issuance of shares by equity investment	**-**	10,516,844
Share of (loss) in equity investments	**(1,599,184)**	(2,209,508)
Investment income	**1,251,931**	66,080
Earnings before income taxes	**64,661,488**	39,685,146
Income taxes (Note 8)		
- current	**10,886,750**	5,308,000
- future	**1,011,939**	849,182
	11,898,689	6,157,182
Net earnings	**52,762,799**	33,527,964
Retained earnings,		
beginning of year	**34,368,830**	840,866
repurchase of common shares (Note 10)	**(1,352,899)**	-
Retained earnings, end of year	**85,778,730**	34,368,830
Net earnings per share (Note 10)		
- basic	1.83	1.19
- diluted	1.80	1.12

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Cash Flows

For the years ended April 30,

	2007	2006
	$	$
Operating activities		
Net earnings	**52,762,799**	33,527,964
Items not affecting cash:		
Mineral properties abandoned or impaired	**260,933**	201,630
Stock-based compensation costs	**781,091**	299,938
Amortization	**521,126**	74,361
Gain on disposal of investment	**(62,745,711)**	(32,476,682)
Non - cash interest on long-term debt	**245,542**	-
Dilution gain on issuance of shares by equity investment	**-**	(10,516,844)
Share of loss in equity investment	**1,599,184**	2,209,508
Future income taxes	**1,011,939**	849,182
	(5,563,097)	(5,830,943)
Change in non-cash operating working capital (note 13)	**9,276,669**	5,325,862
	3,713,572	(505,081)
Financing activities		
Proceeds from issuance of shares, net of issuance costs	**705,900**	3,382,669
Repurchase of common shares	**(1,530,324)**	-
Proceeds from long-term debt	**36,311,843**	-
	35,487,419	3,382,669
Investing activities		
Proceeds from disposal of investments	**69,228,412**	36,831,288
Deferred exploration costs, net of recoveries	**(767,965)**	(375,275)
Deferred option payments	**20,000**	-
Acquisition of royalty interest in mineral property	**(24,098)**	(5,061)
Acquisition of investments	**(29,152,717)**	(5,727,290)
Acquisition of property and equipment	**(155,589)**	(26,539)
Decrease (increase) in accounts receivable - related companies	**603,380**	(195,435)
	39,751,423	30,501,688
Net increase in cash and cash equivalents	**78,952,414**	33,379,276
Cash and cash equivalents, beginning of year	**35,331,949**	1,952,673
Cash and cash equivalents, end of year	**114,284,363**	35,331,949
Cash and cash equivalents consist of:		
Deposits with banks	**2,396,789**	2,986,088
Short-term investments	**111,887,574**	32,345,861
	114,284,363	35,331,949

see accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Altius Minerals Corporation's (the "Corporation") principal business activities include the generation and acquisition of projects related to natural resources opportunities in the province of Newfoundland and Labrador, including but not limited to mineral exploration and the oil and gas sector. In general, the Corporation prefers to create partnerships or corporate structures related to the opportunities it develops, which results in the Corporation carrying minority and non-operating project or equity interests and/or royalty interests.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Altius Resources Inc. and 10% of the assets, liabilities, revenue and expenses of Labrador Nickel Royalty Limited Partnership, of which the Corporations owns 10% of the outstanding units. All inter-company transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash or have original maturities of 90 days or less.

Investments

Investments in companies over which the Corporation exercises significant influence are accounted for using the equity method. Other long-term investments under which the Corporation cannot exert significant influence are recorded at cost.

If in the opinion of management there has been a permanent decline in value of the investment, the investment is reduced to its net realizable value.

Mineral properties and deferred exploration costs

Mineral properties and deferred exploration costs include the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of management fees, salaries based on time spent, stock-based compensation costs based on time spent, and other costs directly related to specific properties. Mineral properties acquired for share consideration are recorded at the fair value of the shares at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral properties and deferred exploration costs (continued)

Incidental revenue and cost recoveries relating to mineral properties are recorded first as a reduction of the specific mineral property and deferred exploration costs to which the fees and payments relate, and any excess as revenue on the consolidated statement of earnings.

Management reviews the carrying values of mineral properties and deferred exploration costs with internal and external mining professionals on a quarterly basis. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases, and the general likelihood that the Corporation will continue exploration on the project. The Corporation does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and carrying values are appropriate.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or impairment of value. The amounts recorded as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of mineral properties and deferred exploration costs that are developed to the stage of commercial production will be amortized to operations on a units-of-production basis over the life of the economically recoverable reserves.

Royalty interest in mineral property

Royalty interest in mineral property includes the acquired royalty interest in a production stage mineral property. The royalty interest is recorded at cost and is capitalized as an intangible asset.

The acquisition cost of the production stage royalty interest is amortized using the units of production method over the life of the mineral property, which is determined using available estimates of proven and probable reserves.

Asset retirement obligations

The Corporation recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of mineral properties and returning the property to its original condition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset retirement obligations (continued)

The Corporation recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Corporation's credit adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of income. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties and deferred exploration costs.

The Corporation has not incurred any asset retirement obligations relating to its activities to April 30, 2007 and 2006.

Property and equipment

Property and equipment is initially recorded at cost and amortized over its estimated useful life. Amortization is provided using the following methods and annual rates:

Computer equipment	30% declining balance
Computer software	100% straight line and 4 years straight line
Geological equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	5 years straight line

Deferred option payments

The Corporation records the proceeds from option payments on its properties as a deferred liability. Should the third party purchasing the option earn the right to acquire an interest in the Corporation's property, the Corporation will record the option payments as part of the proceeds of disposition from the property in the year that the option is exercised. Should the party purchasing the option not exercise their rights within the agreed upon time frame, the Corporation will record the option payments previously received as a credit against mineral properties to reduce the balance and the remainder of the balance, if any, to other income in the year that the option rights expire.

Revenue recognition

Revenue is recognized when the services are provided and there is reasonable assurance of collection. Interest income is recognized on an accrual basis. Royalty revenue is recognized when management can estimate the amount payable from mine operations, when the underlying price is determinable, when collection is reasonably assured and pursuant to the terms of the royalty agreement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement uncertainty

The valuation of the mineral properties and deferred exploration costs, the royalty interest in mineral property and investments for which there is no available market price are based on management's best estimate of the future recoverability of these assets.

Management's estimate of mineral prices, the operator's estimates of proven and probable reserves related to the mineral property and the operator's estimates of operating, capital and reclamation costs upon which the Corporation relies, are subject to significant risks and uncertainties and affect royalty revenue recognition, amortization – royalty interest and the assessment of the recoverability of the royalty interest in mineral property.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future periods could be significant.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the year. Gains and losses on translation of monetary assets and liabilities are included in the determination of net income for the year.

Self –sustaining subsidiaries and equity investments with non - Canadian dollar functional currencies are accounted for using the current rate method, whereby the assets and liabilities are translated at the rate in effect at the balance sheet date and the revenue and expenses are translated using the average exchange rate for the period. The resulting translation adjustment is accumulated as a separate component of shareholders' equity until there is a permanent reduction in the net investment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation

Stock options granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Corporation are credited to share capital.

Government assistance

Government assistance received or receivable in respect of mineral property exploration costs is reflected as a reduction of the cost of the property and the related deferred exploration costs.

Diluted earnings per share

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.

Financial instruments

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The fair value of long-term debt approximates its carrying value as it has financing conditions similar to those currently available to the Corporation.

The Corporation's royalty revenue is exposed to U.S. dollar foreign exchange fluctuations and the prevailing nickel, copper and cobalt metal prices. The Company does not actively manage this risk.

The Corporation periodically enters into derivative financial instruments such as equity forward price agreements to manage investment price volatility and other risks. The Corporation does not enter into derivative instruments for trading or speculative purposes.

To qualify for hedge accounting the financial instrument is identified as a hedge of the item to which it relates and there is reasonable assurance that it is and will continue to be an effective hedge. The Corporation's policy is to formally assess and document, both at the hedge's inception and on an annual basis, whether the hedging relationships have been highly effective over the period and if there have been any changes in the credit risk of the counterparty. Gains and losses on financial instruments designated as cash flow or fair value hedges are recognized in earnings in the same period as the underlying transactions. In the event a designated hedged item is sold, extinguished, or matures prior to termination of the related financial instrument, gains or losses on such instrument are recognized in earnings in the current period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards

The CICA has issued new accounting standards relating to the recognition and measurement of financial instruments, hedges, and comprehensive income, all of which will be effective for the Corporation's 2008 fiscal year. Under the new pronouncements, the Corporation's balance sheet will display all financial assets and liabilities at their fair value, and any unrealized fair value adjustments (net of future income taxes) will be recorded in a statement of comprehensive income. The Corporation is currently assessing the impact of these new recommendations on its financial statements and intends to implement the change in its interim financial statements for fiscal 2008.

3. MINERAL PROPERTIES AND DEFFERED EXPLORATION COSTS

	Number of Claims	Opening Balance, April 30, 2006	Net Additions	Abandoned or Impaired	Closing Balance
		$	$	$	$
Alexis River	50	12,885	834	-	13,719
Baie d'Espoir	-	24,031	-	(24,031)	-
Duley Lake	-	380	(380)	-	-
General exploration	-	-	130,031	(130,031)	-
Howell's River	-	3,420	32,257	(35,677)	-
Kamistaitussett	80	26,092	31,747	-	57,839
Labrador Trough	60	46,076	4,375	-	50,451
Lac Joseph	24	1,087	11,973	(4,260)	8,800
Lockport	24	70,384	-	-	70,384
Merasheen	137	1,708	14,632	-	16,340
Meshikamau	788	2,637	8,911	-	11,548
Miguel's Trend	73	2,575	-	-	2,575
Moosehead	90	1,693	6,899	-	8,592
Mustang Trend	106	64,919	7,087	(66,934)	5,072
New Brunswick Oil	388	3,998	101,556	-	105,554
Notakwanon River	1,854	22,866	122,212	-	145,078
Nuiklavik	790	-	72,807	-	72,807
Point Leamington	54	29,487	-	-	29,487
Robert's Arm	109	1	6,938	-	6,939
Rocky Brook	437	362,063	(85,095)	-	276,968
Shamrock	8	42,771	400	-	43,171
South Tally Pond	249	113,524	310,067	-	423,591
Taylor Brook	45	76,566	9,545	-	86,111
Victoria River	59	2,950	-	-	2,950
Viking	45	10,262	57,391	-	67,653
Voisey's Bay	258	-	23,907	-	23,907
Other	71	-	91,594	-	91,594
Security deposits	-	173,947	149,509	-	323,456
		1,096,322	1,109,197	(260,933)	1,944,586

4. ROYALTY INTEREST IN MINERAL PROPERTY

Voisey's Bay Royalty

	2007	2006
	$	$
Cost	**13,644,739**	13,620,641
Accumulated amortization	**468,562**	22,711
Net book value	**13,176,177**	13,597,930

5. PROPERTY AND EQUIPMENT

		2007	
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Computer equipment and software	**220,422**	**142,655**	**77,767**
Office equipment	**51,845**	**35,718**	**16,127**
Geological equipment	**105,174**	**42,239**	**62,935**
Leasehold improvements	**27,537**	**9,206**	**18,331**
	404,978	**229,818**	**175,160**

		2006	
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Computer equipment and software	129,168	98,092	31,076
Office equipment	49,145	31,942	17,203
Geological equipment	67,924	23,250	44,674
Leasehold improvements	3,153	1,260	1,893
	249,390	154,544	94,846

6. INVESTMENTS

	2007	2006
Equity investments:		
Rambler Metals and Mining plc,		
(percentage ownership: 2007 - 30%; 2006 - 30%)		
(market value: 2007 - \$17.4 million; 2006 - \$9.4 million)	**4,405,348**	4,715,798
Newfoundland and Labrador Refining Corporation,		
(percentage ownership: 2007 - 37.0%; 2006 - 37.5%)	**3,308,876**	212,769
Aurora Energy Resources Inc.		
(percentage ownership: 2006 - 19.9%)		
(market value: 2006 - \$54.6 million)	**-**	5,497,464
	7,714,224	10,426,031
Portfolio investments:		
Aurora Energy Resources Inc. (6,539,911 shares)		
(percentage ownership: 2007 - 9.9%)		
(market value: 2007 - \$107.4 million)	**2,634,533**	-
Other mining related portfolio investments		
(market value: 2007 - \$36.6 million; 2006 - \$6.2 million)	**27,424,192**	5,726,663
	30,058,725	5,726,663

6. INVESTMENTS (Continued)

Rambler Metals and Mining

In 2005 the Corporation transferred its interest in certain mineral properties located at and near the historic Ming copper-gold mine located on the Baie Verte Peninsula of Newfoundland and Labrador to a wholly owned subsidiary of Rambler Metals and Mining plc ("Rambler"). In exchange for its interest in the properties the Corporation received 12 million ordinary common shares in Rambler representing 30% of the outstanding shares.

If Rambler does not spend directly or indirectly a minimum of $6,000,000 on the transferred mineral properties by June 30, 2008, the Corporation is entitled to purchase all of the issued and outstanding shares of Rambler or its wholly owned subsidiary holding the mineral properties for £240,000 ($536,000 CDN). It is anticipated that Rambler will meet this expenditure requirement prior to this date.

The Corporation began accounting for Rambler as a self-sustaining operation in August 2006 since Rambler established its own management and geological team during the year. The net investment is now adjusted for any changes in value caused by currency fluctuation, with the adjustment (net of applicable taxes) going to a separate component of shareholders' equity.

Aurora Energy Resources Inc.

On March 22, 2006, Aurora Energy Resources Inc. ("Aurora") completed an initial public offering of 6,944,444 shares. The Corporation's interest was diluted to 38.18%, resulting in a gain on dilution of $8,559,637. The Corporation completed a secondary offering of 10,713,164 shares in Aurora at a gross price of $3.60 per share, resulting in total gross proceeds to the Corporation of $38,567,390. The sale of shares in Aurora resulted in a gain on sale in the amount of $32,479,781. The Corporation held a 20.25% interest in Aurora after the sale of shares in the secondary offering.

In April 2006, the underwriters of the initial public offering of the Aurora shares exercised their over-allotment option to purchase an additional 1,041,667 shares of Aurora. The Corporation's interest was diluted to 19.9%, resulting in a gain on dilution of $617,855.

In September and November 2006 the Corporation sold 5,556,527 shares in Aurora for net proceeds of $64,833,335 and realized a gain on disposal of $62,594,947 on the transactions. The Corporation's ownership interest was reduced to 9.9% after these disposals. The Corporation began accounting for its investment in Aurora on a cost basis in August 2006. This change from the equity method was made on the basis of the Corporation's reduced ownership interest in Aurora and the removal of representation on the Aurora Board of Directors.

2.5 million of the Aurora shares have been pledged as part of the equity forward agreement, as described in note 14 to the consolidated financial statements.

7. DEFERRED OPTION PAYMENTS

	2007 $	2006 $
South Tally Pond	**275,000**	-
Rocky Brook	**289,500**	-
Taylor Brook	**15,000**	-
	579,500	-

South Tally Pond

As part of an equity financing agreement with Paragon Minerals Corporation ("Paragon"), Paragon has the right to acquire a 100% undivided ownership interest in the South Tally Pond property by issuing 250,000 common shares to the Corporation upon the effective date of Paragon becoming a publicly listed Company on the TSX Venture Exchange, 250,000 common shares on or before the first anniversary date thereafter, and 500,000 common shares on or before the eighth anniversary date or upon completion of a feasibility study. The first 250,000 shares under this agreement were received from Paragon in January 2007.

Rocky Brook

The Rocky Brook project became subject to an earn-in/joint venture agreement with JNR Resources Inc. ("JNR") in December 2004 that allows JNR to earn up to a 70% interest in the property by spending $2,525,000 on exploration expenditures over a four year period, and making a payment of 125,000 shares and periodic cash/share payments over the four year period totaling $172,000. JNR has met all expenditure commitments to date and further exploration work is planned for the upcoming season.

Taylor Brook

Northern Abitibi Mining Corporation ("Northern Abitibi") may earn an initial 51% interest in the Taylor Brook property by issuing 500,000 shares, paying $200,000 to the Corporation and by spending $1,200,000 on exploration expenditures over a four year period. Thereafter, the Corporation may elect to form a joint venture with a 49% interest or a sliding scale net smelter return nickel royalty of 1.5% to 3.5% in lieu of a property interest or a 30% property interest with Northern Abitibi spending an additional $4,000,000.

8. INCOME TAXES

Significant components of the future tax liability at April 30, 2007 and 2006 are as follows:

	2007	2006
	$	$
Temporary differences related to mineral properties and deferred exploration costs	**(188,169)**	(231,103)
Tax values of property and equipment in excess of net book values	**84,651**	29,168
Carrying value of investments in excess of tax values	**(1,189,663)**	(1,590,646)
Deferred partnership income	**(1,327,047)**	-
Non-capital loss carry forwards	**139,571**	357,709
Other	**118,786**	120,690
	(2,361,871)	(1,314,182)
Distributed as follows:		
Future income taxes - current portion	**(1,297,845)**	-
Future income taxes - long-term portion	**(1,064,026)**	(1,314,182)
	(2,361,871)	(1,314,182)

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 36.12% (2006 - 36.12%) to earnings before income taxes as follows:

	2007	2006
	$	$
Expected tax expense	**23,355,729**	14,334,274
Non-taxable portion of capital gains	**(11,376,250)**	(6,584,296)
Stock-based compensation	**308,040**	108,338
Tax rate reductions	**-**	(833,049)
Future income tax rate adjustments	**(356,406)**	-
Other	**(32,424)**	67,036
Future tax benefits not previously recognized	**-**	(935,121)
	11,898,689	6,157,182

9. LONG-TERM DEBT

Zero-coupon loan, payable at maturity (December 2011) bearing interest at 4.25% per annum. As security the Corporation has pledged the equity forward agreement proceeds. The value of the loan owing upon maturity will approximate the expected proceeds from the Aurora equity forward agreement as described in note 14 to the consolidated financial statements.

10. SHARE CAPITAL

Authorized

Unlimited number of Common voting shares
Unlimited number of First Preferred shares
Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued and outstanding - Common shares

	2007		2006	
	Number	**Stated Value**	Number	Stated Value
		$		$
Balance, beginning of year	**28,722,725**	**25,123,818**	26,896,097	21,448,796
Exercise of warrants	**-**	**-**	1,534,878	3,077,649
Exercise of stock options	**265,000**	**939,510**	266,750	447,373
Cancelled pursuant to normal course issuer bid	**(199,900)**	**(177,425)**	-	-
Issued pursuant to acquisition of mineral properties	**-**	**-**	25,000	150,000
Balance, end of year	**28,787,825**	**25,885,903**	28,722,725	25,123,818

The Corporation repurchased and cancelled 199,900 of its common shares for a total cost of $1,530,324 under its normal course issuer bid (2006 – nil)

10. SHARE CAPITAL (Continued)

Net earnings per share

Basic net earnings per share has been calculated using the weighted average number of common shares of 28,804,424 (2006 – 28,194,282) outstanding during the year. Diluted net earnings per share have been calculated using the weighted average number of common shares of 29,358,797 (2006 – 30,064,739) after giving effect to dilutive stock options and warrants. There was no change in the numerator in calculating net earnings per share.

Warrants

A summary of the status of the Corporation's common share purchase warrants and agents' warrants as of April 30, 2007 and 2006 and changes during the years then ended are as follows:

	2007		2006	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	-	-	1,535,687	2.00
Exercised	-	-	(1,534,878)	2.00
Expired	-	-	(809)	2.00
Outstanding, end of year	-	-	-	-

10. SHARE CAPITAL (Continued)

Contributed surplus

A summary of contributed surplus as at April 30, 2007 and 2006 and changes during the years then ended is as follows:

	2007	2006
	$	$
Balance, beginning of year	**684,447**	447,070
Fair value of stock options	**852,823**	379,730
Transferred to share capital upon the exercise of:		
Stock options	**(224,610)**	(134,460)
Warrants	**-**	(7,893)
Balance, end of year	**1,312,660**	684,447

11. STOCK-BASED COMPENSATION

The Corporation has a stock option plan under which directors, officers, employees and consultants 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 vest 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.

11. STOCK-BASED COMPENSATION (Continued)

A summary of the status of the Corporation's stock option plan as of April 30, 2007 and 2006 and changes during the years then ended is as follows:

	2007		2006	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**1,138,000**	2.93	1,209,750	2.31
Granted	**425,000**	8.55	345,000	4.10
Exercised	**(265,000)**	2.66	(266,750)	1.17
Expired	**(60,000)**	3.92	(150,000)	3.74
Outstanding, end of year	**1,238,000**	4.87	1,138,000	2.93
Exercisable, end of year	**616,000**	3.27	707,000	2.36

11. STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about stock options outstanding and exercisable at April 30, 2007:

Exercise Prices	Number of Outstanding Options	Weighted Average Remaining Contractual life of Outstanding Options	Number of Exercisable Options	Weighted Average Remaining Contractual Life of Exercisable Options
1.35	280,000	0.39	280,000	0.39
3.00	128,000	1.79	94,000	1.79
3.50	10,000	1.93	8,000	1.93
4.00	125,000	2.62	75,000	2.62
3.75	60,000	2.98	20,000	2.98
4.15	210,000	3.64	54,000	3.64
7.60	30,000	4.28	6,000	4.28
6.75	30,000	4.43	6,000	4.43
8.30	290,000	4.58	58,000	4.58
10.60	75,000	4.68	15,000	4.68
	1,238,000	2.88	616,000	1.84

The weighted-average fair value of stock options granted during 2007 and 2006 was estimated on the dates of grant to be $4.01 (2006 - $1.90) using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Expected life (years)	**5.00**	4.13
Risk-free interest rate (%)	**4.00**	3.62
Expected volatility (%)	**48.00**	52.00
Expected dividend yield (%)	**-**	-

Compensation costs of $781,091 (2006 - $299,938) have been expensed, $71,732 (2006 - $35,542) have been capitalized to mineral properties and deferred exploration costs and $nil (2006 –$ 53,250) has been capitalized to investment in Rambler.

12. COMMITMENTS

South Tally Pond

The Corporation has earned a 100% interest in the property, subject to the retention by the Vendor of a 2% Royalty, and the right by the Vendor to purchase up to 100% of concentrate produced from the property on a commercially competitive basis.

In addition, upon commencement of production on any part of the property, the Corporation agrees to either issue to the Vendor 1,000,000 common shares or, in the event that the Corporation assigns its interest to a third party, 1,000,000 common shares pro-rated to the participating interests of the Corporation and the third party, or pay the Vendor $2,000,000.

Viking

Upon payment of $15,000 in February 2008, the Corporation will earn a 100% interest in the mineral claims, subject to retention by the vendor of a 1% royalty.

Moosehead

Agnico Eagle Mines Inc. ("Agnico") has earned an ownership interest in the Moosehead property as part of its agreement dated September 2001. The Corporation's current ownership on the property is 46% and the Corporation can either maintain this ownership by cost-sharing in future exploration and development expenditures or accept a dilution in ownership to a minimum of 10%, at which point the ownership would convert to a 1% net smelter return royalty on the property.

Leases

The Corporation is committed under leases on trucks and office space, including operating costs, for annual future minimum lease payments over the next three years as follows:

	$
2008	52,661
2009	52,524
2010	7,287
	112,472

12. COMMITMENTS (Continued)

Mineral property expenditures

The Corporation has obtained various mineral rights licenses by staking claims and paying refundable security deposits. Certain expenditures are required on an annual basis, from the date of license issuance, in order to maintain the licenses in good standing and for refund of security deposits. On or before the anniversary date of license issuance, and if the required expenditures are not met, the Corporation has the option of reducing claims on a property, post a refundable security bond for the deficient amount or elect to allow title of the license be cancelled. The Corporation is required to spend $695,104 by April 30, 2008 in order to maintain various licenses in good standing, of which $515,671 is required to be spent for a refund of security deposits in the amount of $249,636.

13. CHANGE IN NON-CASH WORKING CAPITAL

	2007	2006
	$	$
Accounts receivable and prepaids	**(1,747,330)**	(181,679)
Accounts payable and accrued liabilities	**145,999**	199,541
Corporate income taxes payable	**10,878,000**	5,308,000
	9,276,669	5,325,862

14. FINANCIAL INSTRUMENTS

The Corporation entered into a five - year equity forward agreement to sell 2.5 million shares in Aurora for gross proceeds of $17.72 per share. The forward agreement matures in December 2011. The arrangement effectively locks in the economic value of the 2.5 million shares at the contractual price. The Corporation will maintain all rights of ownership of the shares, including voting rights, throughout the contractual period.

The equity forward agreement has been designated as an effective hedge against the 2.5 million Aurora shares and will not be recorded on the balance sheet. As at April 30, 2007 the fair value of this equity forward agreement is ($7,880,642).

15. RELATED PARTY TRANSACTIONS

The Corporation's related party transactions are as follows:

	2007	2006
	$	$
Revenue from companies subject to significant influence:		
Management fees	**234,697**	194,767
Consulting fees	**-**	26,928
Consulting fees and related services and costs paid to a company controlled by a director, and reflected as:		
Mineral properties and deferred exploration costs	**67,313**	94,050
General and administrative expenses	**1,875**	7,125
	69,188	101,175
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	**26,420**	1,330
Investments	**-**	26,597
Cost on disposition of investment included in gain on disposal of investment in equity investee	**-**	22,935
Cost on disposition of investment included in dilution gains on issuance of shares by equity investee	**-**	7,893
General and administrative expenses	**23,916**	6,987
	50,336	65,742

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 – related companies are due from significantly influenced investees and a wholly-owned subsidiary of a significantly influenced investee. The balances are payable upon receipt of invoice.

16. INVESTMENT IN LABRADOR NICKEL ROYALTY LIMITED PARTNERSHIP ("LNRLP")

The Corporation's 10% share of LNRLP's assets, liabilities, income, expenses and cash flows, which has been proportionately consolidated in these consolidated financial statements, is as follows:

	2007	2006
	$	$
Balance Sheets		
Current assets	**1,872,877**	78,403
Royalty interest in mineral property	**13,176,177**	13,597,930
Current liabilities	**-**	(20,529)
Statements of Earnings		
Royalty revenue	**4,296,966**	78,290
Royalty tax	**(478,990)**	-
General and administrative	**(70,572)**	(20,416)
Amortization	**(445,851)**	(22,711)
Statements of Cash Flow		
Operating activities	**2,378,252**	113
Investing activities	**(24,098)**	-

17. SUBSEQUENT EVENTS

In May 2007, Rambler, an equity investee of the Corporation, completed a private placement of 9.35 million units, at a price of $1.50 per unit, for gross proceeds of $14,025,000. Each unit comprises one ordinary share of one penny each in Rambler and one-half of one ordinary share purchase warrant. Each warrant entitles the holder to purchase one ordinary share at a price of $2.00 until May 23, 2009. Upon completion of the private placement the Corporation's ownership interest in Rambler will be reduced from 30% to 24.3%.

In June 2007 the Corporation reached an agreement to transfer 100% of the mineral rights on its Victoria River property located in central Newfoundland to Messina Minerals in exchange for 500,000 common shares in Messina Minerals and a 2% net smelter return royalty on base and precious metals in favour of the Corporation.

17. SUBSEQUENT EVENTS (Continued)

In July 2007 the Corporation signed an option agreement with Monroe Minerals to transfer 60% ownership in its Alexis River property located in Labrador. In exchange for a 60% interest, Monroe Minerals will provide 2,500,000 of its common shares to the Corporation over a four year period and will incur exploration expenditures of $1,125,000 on the property. Upon earn-in by Monroe Minerals, the Corporation has various conversion options for its remaining 40% interest, including cost sharing of future expenditures, conversion to royalty interests, or a further reduction in ownership to 30% in exchange for additional expenditure commitments by Monroe Minerals.