ALTIUS MINERALS CORPORATION

Consolidated Financial Statements
For the years ended
April 30, 2013 and 2012

ALTIUS MINERALS CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Altius Minerals Corporation

We have audited the accompanying consolidated financial statements of Altius Minerals Corporation, which comprise the consolidated balance sheets as at April 30, 2013 and April 30, 2012, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Altius Minerals Corporation as at April 30, 2013 and April 30, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
July 4, 2013
St. John's, NL, Canada

ALTIUS MINERALS CORPORATION

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at April 30,

	Note #	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	16	**67,806**	50,374
Marketable securities		**77,926**	111,640
Accounts receivable and prepaid expenses		**1,362**	1,548
Income taxes receivable		**1,004**	6,801
		148,098	170,363
Non-current assets			
Exploration and evaluation assets	5	**2,826**	3,238
Royalty interest in mineral property	6	**8,029**	9,182
Property and equipment	7	**192**	256
Investments in associates	8	**73,223**	79,906
Mining and other investments	9	**37,621**	32,079
Deferred income taxes	10	**2,851**	1,539
		124,742	126,200
TOTAL ASSETS		**272,840**	296,563
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**1,945**	2,259
		1,945	2,259
Non-current liabilities			
Other liabilities	14	**1,404**	1,481
Deferred income taxes	10	**8,988**	10,628
		12,337	14,368
EQUITY			
Shareholders' equity		**257,734**	280,204
Non-controlling interest		**2,769**	1,991
		260,503	282,195
TOTAL LIABILITIES AND EQUITY		**272,840**	296,563

Commitment (Note 22)

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Loss

(In thousands of Canadian dollars, except per share amounts)

For the years ended April 30,

	Note #	2013	2012
		$	$
Revenue			
Royalty		**3,136**	4,115
Interest and investment		**2,500**	2,722
Other		**229**	4,211
		5,865	11,048
Expenses			
General and administrative	11	**3,809**	3,731
Amortization		**1,229**	1,288
Generative exploration		**518**	402
Royalty tax		**627**	823
Exploration and evaluation assets abandoned or impaired	5	**565**	1,257
Share-based compensation	14	**14**	780
		6,762	8,281
(Loss) earnings before the following		**(897)**	2,767
Loss on disposal of investments and impairment recognition	9	**(5,467)**	(1,157)
Unrealized gain (loss) on fair value adjustment of derivatives	9	**1,272**	(1,894)
Dilution gain on issuance of shares by associate	8	**1,717**	596
Share of loss in associates	8	**(11,735)**	(6,719)
Loss before income taxes		**(15,110)**	(6,407)
Income tax (recovery) expense			
Current		**887**	585
Deferred		**(2,846)**	(2,071)
	10	**(1,959)**	(1,486)
Net loss		**(13,151)**	(4,921)
Net loss attributable to:			
Common shareholders		**(13,339)**	(4,611)
Non-controlling interest		**188**	(310)
		(13,151)	(4,921)
Net loss per share			
- basic and diluted	13	**(0.47)**	(0.16)

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Comprehensive (Loss) Earnings

(In thousands of Canadian dollars)

For the years ended April 30,

	2013	2012
	$	$
Net loss	**(13,151)**	(4,921)
Other comprehensive loss, net of tax		
Net unrealized loss on available-for-sale investments (net of deferred income taxes of $796 (2012 - $1,021))	**(4,820)**	(6,670)
Adjustment for realized loss on available-for-sale investments recognized in net earnings (net of deferred income taxes of $690 (2012 - $7))	**4,184**	44
Total comprehensive loss	**(13,787)**	(11,547)
Total comprehensive (loss) earnings attributable to:		
Common shareholders	**(14,217)**	(9,880)
Non-controlling interest	**430**	(1,667)
	(13,787)	(11,547)

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

For the years ended April 30,

	Note #	2013 $	2012 $
Operating activities			
Net loss		**(13,151)**	(4,921)
Adjustments for:			
Generative exploration		**518**	402
Exploration and evaluation assets abandoned or impaired		**565**	1,257
Share-based compensation		**14**	780
Amortization		**1,229**	1,288
Loss on disposal of investments and impairment recognition		**5,467**	1,157
Unrealized (gain) loss on fair value adjustment of derivatives		**(1,272)**	1,894
Non-cash other revenue		**-**	(3,979)
Share of loss in associates		**11,735**	6,719
Dilution gain on issuance of shares by associates		**(1,717)**	(596)
Income tax recovery		**(1,959)**	(1,486)
Income taxes received (paid)		**5,053**	(10,358)
		6,482	(7,843)
Changes in non-cash operating working capital	16	**(43)**	(353)
		6,439	(8,196)
Financing activities			
Payments from (to) non-controlling interests		**348**	(288)
Repurchase of common shares		**(8,366)**	(2,299)
Proceeds from exercise of stock options		**22**	1,042
		(7,996)	(1,545)
Investing activities			
Proceeds from sale of investments	9	**7,122**	4,857
Generative exploration		**(561)**	(402)
Exploration and evaluation assets, net of recoveries	5	**(253)**	(1,779)
Decrease in marketable securities		**33,714**	13,126
Acquisition of investments	8 & 9	**(21,022)**	(20,055)
Acquisition of property and equipment		**(11)**	(183)
		18,989	(4,436)
Net increase (decrease) in cash and cash equivalents		**17,432**	(14,177)
Cash and cash equivalents, beginning of year		**50,374**	64,551
Cash and cash equivalents, end of year		**67,806**	50,374

Supplemental cash flow information (Note 16)

see accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars, except share amounts)

	Common Shares		Share-based Payment Reserve	Accumulated Other Comprehensive (Loss) Earnings	Retained Earnings	Total Shareholders' Equity	Non-controlling interest	Total Equity
	#	$	$	$	$	$	$	$
Balance, April 30, 2011	28,815,895	75,505	4,320	4,357	206,912	291,094	3,946	295,040
Net loss and comprehensive loss,								
May 1, 2011 to April 30, 2012	-	-	-	(5,269)	(4,611)	(9,880)	(1,667)	(11,547)
Payments to non-controllling interest	-	-	-	-		-	(288)	(288)
Shares repurchased and cancelled	(210,933)	(557)	-	-	(1,742)	(2,299)	-	(2,299)
Share-based compensation	-	-	247	-	-	247	-	247
Shares issued under stock option plan	154,713	1,933	(891)	-	-	1,042	-	1,042
Balance, April 30, 2012	28,759,675	76,881	3,676	(912)	200,559	280,204	1,991	282,195
Net (loss) earnings and comprehensive loss,								
May 1, 2012 to April 30, 2013	-	-	-	(878)	(13,339)	(14,217)	430	(13,787)
Payments from non-controlling interests	-	-	-	-	-	-	348	348
Shares repurchased and cancelled	(777,428)	(2,078)	-	-	(6,288)	(8,366)	-	(8,366)
Share-based compensation	-	-	91	-	-	91	-	91
Shares issued under stock option plan	20,557	103	(81)	-	-	22	-	22
Balance, April 30, 2013	**28,002,804**	**74,906**	**3,686**	**(1,790)**	**180,932**	**257,734**	**2,769**	**260,503**

see accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Altius Minerals Corporation's ("Altius" or the "Corporation") principal business activities include the generation and acquisition of exploration and evaluation assets, 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.

Altius Minerals Corporation is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 202, 66 Kenmount Road, St. John's, Newfoundland and Labrador, Canada A1B 3V7.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 4, 2013.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities, and financial assets classified as at fair value through profit or loss, or available-for-sale which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 significant intercompany transactions and balances have been eliminated.

The consolidated financial statements included in the accounts of the Corporation for the periods presented are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Altius Minerals Corporation	100%	Parent company
Altius Resources Inc.	100%	Exploration company
Altius Investments Limited	100%	Holding Company
2260761 Ontario Inc.	72.8%	Holding Company

Non-controlling interests in the net assets of 2260761 Ontario Inc. are identified separately from the Corporation's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets, earnings, and other comprehensive earnings.

Investments in associates and investments in jointly controlled operations are accounted for using the equity method. Under this method, the Corporation's share of the investment's earnings or losses is included in the statement of earnings (loss) and the carrying amount of the investment is adjusted by a like amount.

Investments in jointly controlled assets are accounted for using the proportionate consolidation method whereby the Corporation records its share of any revenues, expenses, assets, and liabilities of the joint operations.

Financial instruments

Financial assets
The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of earnings (loss) in the period of determination.

Fair value through profit or loss - This category includes derivatives and investments acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated balance sheet at fair value with changes in fair value recognized in the consolidated statement of earnings (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings (loss) and recognized in the statement of earnings (loss).

All financial assets except for those classified as fair value through earnings or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities
The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the consolidated statement of earnings (loss).

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

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 with maturities of three months or less at the time of purchase. Cash and cash equivalents are classified as loans and receivables and carried at their fair market value.

Marketable securities

Marketable securities consist of Canadian government guaranteed and corporate backed commercial paper, bonds and marketable securities with maturities of greater than three months at the time of purchase. All marketable securities are classified as fair value through earnings (loss) and are adjusted to fair market value at each balance sheet reporting date, with the corresponding adjustment going to current period earnings. Transactions are recorded on a trade date basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in associates over which the Corporation exercises significant influence are accounted for using the equity method. Mining and other investments under which the Corporation cannot exert significant influence are recorded initially at cost and adjusted to reflect changes in the fair value in subsequent periods. For mining and other investments classified as available for sale, any subsequent changes in the fair value are recorded in other comprehensive earnings (loss). If there has been a decline in value of the investment below the carrying value that is considered to be other than temporary, the valuation adjustment is recorded in net earnings (loss) in the period of determination. The fair value of the investments is based on the quoted market price on the closing date of the period.

Exploration and evaluation assets

The Corporation defers costs for mineral properties and exploration costs when the Corporation has in its possession the legal right to explore for mineral deposits on a given property. General prospecting and exploration costs incurred prior to the staking of specific mineral claims are expensed immediately ("Genex"). Exploration and evaluation assets include the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of geologists and propectors salaries 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 mineral properties received.

Incidental revenue and cost recoveries relating to exploration and evaluation assets are recorded first as a reduction of the specific exploration and evaluation assets to which the fees and payments relate, and any excess as other revenue on the consolidated statement of earnings (loss).

Management reviews the carrying values of exploration and evaluation assets costs 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 further exploration is warranted and if the carrying values are appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 earnings in the year of abandonment or determination of impairment. The amounts recorded as exploration and evaluation assets represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of exploration and evaluation assets that are developed to the stage of technical feasibility and commercial viability 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 production stage royalty interest is recorded initially at its cost and is being amortized using the units of production basis over the expected life of the mineral property, which is determined using available estimates of proven and probable reserves.

Decommissioning and restoration provision

The Corporation recognizes a provision for decommissioning and restoration costs associated with long-lived assets, which includes the abandonment of exploration and evaluation assets and costs required to return the property to its original condition.

The Corporation recognizes the fair value of the provision 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 risk-free interest rate. The provision is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of earnings (loss). The provision is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows. The increase in the carrying value of the asset is amortized on the same basis as exploration and evaluation assets.

The Corporation has not incurred any decommissioning and restoration provisions relating to its activities as of April 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

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

Computer equipment	30% - 100%
Geological equipment	30%
Office equipment	20%

Impairment of equipment and intangible assets

At each reporting date the carrying amounts of the Corporation's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of earnings (loss) for the period.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where 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 the depreciation charge for the period.

Revenue recognition

Royalty revenue is recognized when management can estimate the amount receivable from mine operations pursuant to the terms of the royalty agreement and when collection is reasonably assured. Interest income is recognized on an accrual basis. Other revenue is recognized when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable, and there is reasonable assurance of collection.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 realized.

Foreign currency translation

The presentation currency and the functional currency of the Corporation and each of its subsidiaries is the Canadian 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 earnings (loss) for the period.

Share-based payments

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 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. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The Corporation also has a share appreciation rights plan ("SARs") under which awarded SARs 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. SARs granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for SARs granted is determined based on the estimated fair value of the SARs at each reporting period using the Black-Scholes option pricing model and is amortized over the vesting period with an offsetting credit to other liabilities.

The total liability will be re-measured at each period-end with any increase or decrease in value of the obligation affecting the compensation cost. The amount recognized as expense is adjusted to reflect the number of SARs expected to vest. Because the SARs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation also has a Directors' deferred share unit ("DSU") plan. Under the terms of the DSU 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.

Because the DSUs 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. The total liability will be re-measured at each period-end with any increase or decrease in value of the obligation affecting the compensation cost.

Earnings (loss) per share

Basic net earnings (loss) per share is calculated using the weighted average number of common shares outstanding for the respective periods.

Diluted earnings(loss) 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.

Use of estimates, judgments and assumptions

The preparation of 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.

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:

Amortization of royalty interest: Determination of proven and probable reserves by the operators associated with the Corporation's royalty impact the measurement of the respective assets. These estimates affect amortization of the Corporation's royalty and the assessment of the recoverability of the carrying value of the royalty.

Income taxes: The Corporation has available unused operating losses as disclosed in note 10 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share based compensation: The fair value of certain share based compensation units require judgment in the determination of fair value using assumptions on expected volatility, expected lives and other factors that could affect the value reported as an expense and as an obligation.

Investments: All investments are reviewed at each reporting period to determine if an investment is impaired. Impairment losses are recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In particular, for available-for-sale investments, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment. If an available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive earnings (loss) are reclassified to earnings (loss) in the period.

Alderon Iron Ore Corporation ("Alderon"): The Corporation acquired its interest in Alderon by vending its Kami mineral property to Alderon in exchange for common shares. The Corporation equity accounts for its investment in Alderon, by virtue of its Board participation right and its ownership interest of 25.3%.

At the reporting date, the fair value of the Alderon shares was $33,855,000 versus the carrying value of $68,867,000.

Management reviewed the investment in Alderon for impairment indicators, using the same criteria as applied to available-for-sale investments. The evaluation of whether there were impairment indicators present included consideration of a number of factors including an evaluation of the market, economic and legal environment in which Alderon operates; consideration of whether Alderon was in significant financial difficulty, and considerations relating to the existence of any contractual breaches of Alderon.

Management also considered facts specific to Alderon in determining whether or not an impairment adjustment was warranted. Factors considered included the duration and amount of the decline in the share price of Alderon relative to the carrying value; the implied valuation of the investment based on the recent partnership and off-take agreement between Alderon and Hebei Iron and Steel (whereby Hebei purchased 25% of the Kami Project for $119,900,000); and recent private placements completed by Alderon. The Corporation also assessed the current financial position and evaluated the expected cash flows of Alderon based on the recently completed Feasibility Study on the Kami project which was filed on January 15, 2013.

Based on the evaluation of the above-noted factors, management has concluded that there are no impairment indicators in respect of the Corporation's investment in Alderon.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not early adopted these standards and is currently assessing the impact they will have on the consolidated financial statements.

Disclosures, Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7): On December 16, 2011 the IASB published new disclosure requirements jointly with the Financial Accounting Standards Board "(FASB") that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and *SIC-12, Consolidation – Special Purpose Entities.*

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IAS 32 – Financial Instruments Presentation: the IASB published amendments to IAS 32, on December 16, 2011, to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier adoption permitted.

IFRS 9, Financial Instruments: In July 2011, the IASB agreed to defer the effective date of IFRS 9 from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The Corporation has not early adopted these standards and is currently assessing the impact they will have on the consolidated financial statements.

5. EXPLORATION AND EVALUATION ASSETS

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

Project	**Note**	**As at April 30, 2012**	**Additions, net of recoveries**	**Abandoned or impaired**	**As at April 30, 2013**
		$	**$**	**$**	**$**
Labrador					
Natashquan River - Nickel		368	153	-	**521**
Notakwanon River - Uranium		166	68	-	**234**
Julienne Lake - Iron Ore	a	600	558	-	**1,158**
Snelgrove Lake - Iron Ore	b	640	(640)	-	**-**
Alexis River & Other - Uranium/Nickel	c	16	14	(30)	**-**
Newfoundland					
Topsails - Uranium/Copper	d	734	11	(409)	**336**
Rocky Brook - Uranium	e	92	2	-	**94**
Moosehead - Gold	f	15	6	-	**21**
Taylor Brook - Nickel	g	217	46	-	**263**
Wing Pond - Gold		108	1	(109)	**-**
Other		-	19	(1)	**18**
Quebec					
Grand Portage - Nickel/Copper	h	-	114	-	**114**
Security Deposits	m	282	(199)	(16)	**67**
Grand Total		**3,238**	**153**	**(565)**	**2,826**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Project	Note	As at April 30, 2011	Additions, net of recoveries	Abandoned or impaired	As at April 30, 2012
		$	$	$	$
Labrador					
Labrador Trough - Base Metals		-	1	(1)	-
Natashquan River - Nickel		371	1	(4)	368
Notakwanon River - Uranium		166	-	-	166
Julienne Lake - Iron Ore	a	81	519	-	600
Trough Iron - Iron Ore	i	58	(58)	-	-
Red Cross Lake South - Nickel		22	-	(22)	-
Snelgrove Lake - Iron Ore	b	302	338	-	640
Alexis River & Other - Uranium/Nickel	c	3	12	1	16
Newfoundland					
Topsails - Uranium/Copper	d	1,299	68	(633)	734
Rocky Brook - Uranium	e	92	-	-	92
Mustang Trend - Gold		28	3	(31)	-
Moosehead - Gold	f	12	3	-	15
Taylor Brook - Nickel	g	193	31	(7)	217
Wing Pond - Gold		99	9	-	108
Other		73	85	(158)	-
Nunavut					
Wager Bay - Gold		18	384	(402)	-
Security Deposits		581	(299)	-	282
Grand Total		**3,398**	**1,097**	**(1,257)**	**3,238**

a – Julienne Lake Iron Ore

In 2008 the Corporation acquired exploration and evaluation assets adjacent to Government of Newfoundland and Labrador Exempt Mineral Lands (“EML”) that hold the historic Julienne Lake iron ore deposit located in Western Labrador. In October 2012, the Government of Newfoundland and Labrador requested expressions of interest (“EOI”) regarding development of the designated EML. In May 2013 the Corporation, with its partners, submitted a detailed proposal to the Province to develop the EML and the adjacent claims held by the Corporation as one combined, larger open-pit operation. The Corporation has no assurance that its proposal will be acceptable.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b – Snelgrove Lake Iron Ore

On July 30, 2012 the Corporation announced an earn in and royalty agreement with a subsidiary of Capital Investment Partners, CIP Magnetite Limited ("CIP") to explore the Snelgrove Lake property. Under the terms of the agreement, CIP may earn 100% of the property by investing $6,500,000 in exploration expenditures over a three year period. The property will be held in a newly formed public entity listed on the Australian Stock Exchange, Mamba Minerals, and the Corporation will be entitled to approximately 20% of the shares of the public entity upon earn-in and will also retain a 3% gross sales royalty ("GSR") on the property. The agreement remains in good standing.

c - Alexis River – Uranium/Nickel

Kirrin Resources Limited ("Kirrin") (formerly named Monroe Minerals Inc.) signed an agreement with the Corporation in July 2007 whereby they may earn up to a 60% interest in the Corporation's Alexis River uranium project in southeast Labrador by paying up to 250,000 shares and spending up to $1,250,000 on exploration on the property. In February 2013, the Corporation received notice that Kirrin was withdrawing from the agreement. The Corporation is currently seeking a partner.

d - Topsails – Uranium/Copper

The Corporation and JNR Resources Inc. ("JNR") signed a 50/50 cost shared agreement in September 2007 to explore for volcanic-hosted uranium and copper deposits in a defined area in central Newfoundland. In return for generating the project, the Corporation has retained a 2% GSR on uranium products and a 2% net smelter return on all other commodities. JNR was taken over by Denison Mines Corp. ("Denison"). The project remains in good standing.

e - Rocky Brook - Uranium

The Corporation acquired the rights to the Rocky Brook uranium property in western Newfoundland in April 2001 by making payments of $2,400 and 75,000 common shares over a three year period. The acquisition agreement is also subject to an underlying 2% net smelter return royalty that can be reduced to 1% with an additional $1,000,000 payment.

JNR earned a 70% interest in the Rocky Brook property by spending $2,525,000 on exploration expenditures by December 2008, and making a payment of 125,000 shares and other cash or share payments over the four year period totaling $172,000. Upon earn-in, the net smelter return obligation of the initial property acquisition agreement became an obligation of the joint venture. The Corporation did not participate in the recent exploration programs and the Corporation's current ownership interest in the property has been diluted to 26.6%. JNR was taken over by Denison Mines Corp. ("Denison"). The project remains in good standing.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

f – Moosehead - Gold

The Corporation acquired the mineral rights to the Moosehead gold property in western Newfoundland in August 1997 by making payments of $30,000 and 60,000 common shares over a three year period. The acquisition agreement is also subject to an underlying 1.16% net smelter return royalty.

Agnico Eagle Mines Inc. ("Agnico") has earned an 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 future exploration and development expenditures, increase ownership by deleting the ownership of Agnico by sole-funding future exploration and development expenditures, or accepting 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. The original 1.16% net smelter return royalty obligation is now an obligation of the joint venture.

g - Taylor Brook - Nickel

The Corporation acquired the rights to the Taylor Brook nickel property in western Newfoundland in July 1999 by making payments of $35,000 over a three year period. The acquisition agreement is subject to an underlying 2% net smelter return royalty that can be reduced to 1% with an additional $1,000,000 payment. The Corporation is currently seeking a partner.

h – Grand Portage – Nickel/Copper

The Corporation entered into an earn-in agreement to acquire the rights to the Grand Portage nickel/copper property located in southeastern Quebec in July 2012. Under the terms of the agreement, the Corporation must make total cash payments of $50,000 over a three year period ($10,000 as of April 30, 2013) and must incur $100,000 in exploration expenditures prior to January 2014 (commitment has been met). The original property holders also retained a 1% net smelter return royalty, half of which can be repurchased for $1,500,000. The agreement remains in good standing.

In March 2013, the Grand Portage property was added to the Grenville Alliance (see item *k - Grenville Alliance* below).

i – Trough Iron Ore

Century Iron Mines ("Century") signed an agreement with the Corporation in September 2011 whereby they may earn a 100% interest in the Corporation's four Trough Iron projects (Astray, Grenville, Menihek, and Schefferville) by incurring $7,000,000 in exploration expenditures on each of the four projects by September 2016. Under the terms of the agreement, the Corporation may receive 5,000,000 shares in Century during the earn-in period, and may be eligible to receive additional shares if National Instrument 43-101 compliant iron-ore resource targets are met. The Corporation also retained a 1% to 4% sliding scale GSR on the properties. The Corporation has received 2,000,000 shares to date and the agreement remains in good standing.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

i – Trough Iron Ore (Continued)

In October 2012, Century transferred one of the four properties (Astray) to Northern Star Minerals. Northern Star Minerals assumed all obligations of the original earn-in agreement with Century, including share based payments, exploration commitments, and an underlying net smelter return royalty. The agreement remains in good standing.

j - Labrador West – Iron Ore

The properties are subject to an agreement signed in December 2008 whereby Rio Tinto Exploration Canada Inc. (“Rio Tinto”) may earn, in stages, up to a 70% interest in the properties by incurring $7,000,000 in exploration expenditures by December 2013. In December 2011, Rio Tinto earned an initial 51% interest in the properties by incurring exploration expenditures of $3,000,000. Rio Tinto also informed the Corporation that it intends to enter the next phase of the earn-in to bring its interest to 70% by incurring an additional $4,000,000 in exploration expenditures by December 2013. This project is subject to 3% gross overriding royalty in favor of the Corporation, subject to a buy-back of 1% for $10,000,000 on or before the tenth anniversary of the agreement. The agreement remains in good standing.

k - Grenville Alliance – Nickel/Copper/PGE

On July 4, 2012 the Corporation formed an exploration alliance with Virginia Mines Limited, a Quebec based mineral exploration company, to explore for base and precious metals in the southern Labrador and Quebec North Shore region. Both companies will cost-share in early stage exploration expenditures over a multi-year exploration program to evaluate this region.

l - Cliffs Alliance Newfoundland & Labrador – Nickel/Chromium

Cliffs Natural Resources Exploration Inc. ("Cliffs") signed an alliance agreement with the Corporation in December 2010 for nickel and chromium exploration within specific areas of Newfoundland and Labrador. Under the agreement Cliffs had the right to acquire up to a 90% project interest in designated areas by reaching certain exploration expenditure levels. In January 2013 the Program was terminated by Cliffs after the completion of the generative exploration phase. Targets are being evaluated and an exploration program is under consideration.

m – Security Deposits

Security deposits are refundable to the Corporation if a minimum level of exploration expenditures is incurred on the subject properties. The Corporation is required to spend $202,000 by April 30, 2014 in order to maintain various licenses in good standing, of which $193,000 is required to be spent for a refund of security deposits in the amount of $67,000.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

6. ROYALTY INTEREST IN MINERAL PROPERTY

Voisey's Bay Royalty:	Cost	Accumulated Amortization	Carrying Value
	$	$	$
Balance, April 30, 2011	13,645	(3,279)	10,366
Amortization	-	(1,184)	(1,184)
Balance, April 30, 2012	13,645	(4,463)	9,182
Amortization	-	(1,153)	(1,153)
Balance, April 30, 2013	**13,645**	**(5,616)**	**8,029**

7. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Geological Equipment	Total
	$	$	$	$
Cost:				
Balance April 30, 2011	346	82	264	692
Additions	77	-	106	183
Disposals	(280)	(57)	(63)	(400)
Balance April 30, 2012	143	25	307	475
Additions	17	-	(6)	11
Balance April 30, 2013	**160**	**25**	**301**	**486**
Accumulated Amortization:				
Balance April 30, 2011	297	56	162	515
Additions	53	5	46	104
Disposals	(280)	(57)	(63)	(400)
Balance April 30, 2012	70	4	145	219
Additions	24	4	47	75
Balance April 30, 2013	**94**	**8**	**192**	**294**
Carrying Value:				
Balance April 30, 2011	49	26	102	177
Balance April 30, 2012	73	21	162	256
Balance April 30, 2013	**66**	**17**	**109**	**192**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

8. INVESTMENTS IN ASSOCIATES

	Alderon	Sparkfly	Synodon	Mining Equity	Total
	$	$	$	$	$
Balance April 30, 2011	83,400	-	-	-	83,400
Reclassification from mining and other investments	-	2,529			2,529
Additions, net of disposals	-	100	-	-	100
Share of loss in associates	(6,388)	(331)	-	-	(6,719)
Dilution gain on issuance of shares by associate	518	78	-	-	596
Balance April 30, 2012	77,530	2,376	-	-	79,906
Reclassification from mining and other investments	-	-	1,800	-	1,800
Additions, net of disposals	-	1,036	-	499	1,535
Share of loss in associates	(10,401)	(579)	(256)	(499)	(11,735)
Dilution gain (loss) on issuance of shares by associate	1,738	-	(21)	-	1,717
Balance April 30, 2013	**68,867**	**2,833**	**1,523**	**-**	**73,223**
Fair market value:					
At April 30, 2012:	92,012	n/a	-	n/a	92,012
At April 30, 2013:	**33,855**	**n/a**	**2,693**	**n/a**	**36,548**
Percentage ownership:					
At April 30, 2012:	32.9%	22.5%	-	-	
At April 30, 2013:	**25.3%**	**24.8%**	**19.6%**	**49.0%**	

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Corporation's share of loss in associates was derived from the most recent set of available financial statements of the investments. Financial highlights of the Corporation's investments in associates include the following:

As at:	March 31, 2013		January 31, 2013	April 30, 2013
	Alderon	Sparkfly	Synodon	Mining Equity
	$	$	$	$
Total assets	265,197	3,916	1,160	2,119
Total liabilities	(10,327)	(976)	(470)	(2,717)

	Three months ended			Twelve months ended
	March 31, 2013		January 31, 2013	April 30, 2013
Total revenue	-	106	101	0
Comprehensive loss	(6,548)	(2,167)	(500)	(1,371)

On December 8, 2010, Alderon earned a 100% interest in the Kami iron ore property by meeting all the requirements of the option agreement and delivered to the Corporation shares of Alderon at the time of closing. The Corporation currently holds 32,869,006 shares in Alderon or 25.3% of the total shares outstanding. The Corporation also retains a 3% gross sales royalty relating to any potential future mining operations on the Kami property. See note 3 for discussion on the valuation of Alderon.

A subsidiary of the Corporation, 2260761 Ontario Incorporated ("2260761"), holds a 24.8% interest in Sparkfly Inc. ("Sparkfly"), a private Georgia corporation that operates an innovative promotions and rewards platform integrated with retail point of sale systems.

2260761 also holds a 19.6% interest in Synodon Inc. ("Synodon"). Synodon is a technology company which has developed an advanced airborne remote gas sensing system called *realSens*, based on technologies developed under the Canadian Space Program and by Synodon scientists.

On November 12, 2012 the Corporation co-founded Fondo de Inversion Privado Mining Equity ("Mining Equity"), a private Chilean entity formed to perform regional early stage exploration and prospect generation in Chile. The initial investment amount was $499,000 for a 49% ownership interest, and the Corporation may invest an additional $2,900,000 over a four year period to maintain its 49% ownership interest. The Corporation has determined that it has joint control of Mining Equity and has chosen to equity-account for its investment.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

9. MINING AND OTHER INVESTMENTS

	Investments	Share Purchase Warrants	Total
	$	$	$
Balance, April 30, 2011	23,595	2,169	25,764
Additions	19,094	860	19,954
Receipt in exchange for interest in mineral properties	4,438	-	4,438
Reclassification to available - for - sale investments	382	(382)	-
Reclassification to investment in associates	(2,529)	-	(2,529)
Disposals	(5,535)	(479)	(6,014)
Revaluation	(7,640)	(1,894)	(9,534)
Balance, April 30, 2012	31,805	274	32,079
Additions	19,159	328	19,487
Reclassification to available - for - sale investments	32	(32)	-
Reclassification to investment in associates	(1,637)	(163)	(1,800)
Disposals	(8,659)	(358)	(9,017)
Revaluation	(4,400)	1,272	(3,128)
Balance, April 30, 2013	**36,300**	**1,321**	**37,621**

The Corporation holds investments in other publicly listed and privately owned entities participating predominantly in early stage exploration, resource related and technology companies with a goal of long-term capital appreciation, either through direct investment or in exchange for an interest in the Corporation's mineral properties. These investments are classified as available-for-sale. The fair value of the publicly traded entity is determined by reference to the unadjusted quoted prices in active markets, normally either the TSX or TSX Venture exchange. The Corporation holds investments in private companies that may become publicly traded in the future pending a public listing. Because there is no readily available market value, the Corporation carries these investments at their original cost until more information becomes available. As at April 30, 2013, the Corporation had investments in privately held companies, most of which are in the early stage of exploration, with a carrying value of $1,623,000 (April 30, 2012 – $1,023,000).

The share purchase warrants are considered derivative financial instruments for accounting purposes, and any change in fair value is included in net 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.

The Corporation sold investments at a carrying value of $9,049,000 for gross proceeds of $7,122,000 and recognized a loss on disposal of $1,927,000 during the year ended April 30, 2013. The Corporation sold investments at a carrying value of $6,014,000 for gross proceeds of $4,857,000 and recognized a loss on disposal of $1,157,000 during the year ended April 30, 2012.

As a result of the recognition of impairment in the value of certain investments, the fair value adjustment of $3,540,000 (2012 - $nil) was reallocated from other comprehensive loss to net loss.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

10. INCOME TAXES

Significant components of the net deferred income tax liability are as follows:

	2013	2012
	$	$
Temporary differences related to exploration and evaluation assets	**142**	(148)
Tax values of property and equipment and royalty interests in mineral properties in excess of carrying values	**733**	568
Non capital and net capital loss carryforwards	**1,505**	668
Property and equipment	**(14)**	-
Carrying value of investments in excess of tax values	**(8,746)**	(10,336)
Deferred partnership income	**(541)**	(640)
Deferred and deductible share-based compensation	**806**	828
Other	**(22)**	(29)
	(6,137)	(9,089)

The gross movements in deferred income taxes were as follows:

	2013	2012
	$	$
Balance, net deferred income tax liability beginning of the year	**(9,089)**	(12,175)
Statement of earnings recovery	**2,846**	2,071
Tax recovery relating to components of other comprehensive income	**106**	1,015
Balance, net deferred income tax liability end of year	**(6,137)**	(9,089)

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 29.0% (2012 – 30%) to (loss) earnings before income taxes as follows:

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

10. INCOME TAXES (CONTINUED)

	2013	2012
	$	$
Expected tax recovery	**(4,382)**	(1,922)
Non-taxable portion of capital gains and losses	**603**	382
Non- deductible share-based compensation	**26**	74
Tax rate differences arising from dilution gains, associate earnings and warrant revaluation	**1,794**	426
Effect of changes in the income tax rate in the expected period of reversal	**-**	(446)
	(1,959)	(1,486)

The Corporation has recognized non-capital loss carry forwards of $3,611,000 (2012 -$1,516,000) that expire in 2032 and 2033 and net capital losses of $3,554,000 (2012 - $876,000) that have no expiry date.

11. GENERAL AND ADMINISTRATIVE

	2013	2012
	$	$
Salaries and benefits	**1,823**	1,709
Office and administrative	**1,057**	964
Professional and consulting fees	**646**	763
Travel and accommodations	**283**	295
	3,809	3,731

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

12. 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. The Corporation has not issued any First or Second Preferred shares.

During the year ended April 30, 2013, the Corporation repurchased and cancelled 777,428 common shares for a total cost of $8,366,000 under its normal course issuer bid (2012 - 210,933 common shares repurchased and cancelled for a total cost of $2,299,000).

13. NET LOSS PER SHARE

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

	2013	2012
Weighted average number of shares:		
Basic and diluted	**28,399,693**	28,798,644

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION

The Corporation recognized the following share-based compensation:

	2013	2012
	$	$
Stock option expense	**91**	247
Share appreciation rights ("SAR") (recovery) expense	**(273)**	255
Directors' deferred share unit ("DSU") expense	**196**	278
	14	780

Stock Option Plan

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.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at April 30, 2013:

	Total Options Outstanding			Total Exercisable Options		
Range	**Outstanding Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**	**Vested Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**
	#	**Years**	**$**	**#**	**Years**	**$**
5.60	227,000	0.5	5.60	227,000	0.5	5.60
7.00	281,500	1.5	7.00	222,500	1.5	7.00
10.13	10,000	2.0	10.13	6,000	2.0	10.13
Total	518,500	1.1	6.45	455,500	1.0	6.34

A summary of the status of the Corporation's stock option plan as of April 30, 2013 and changes during the year then ended is as follows:

	2013		2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**728,500**	**11.18**	963,000	10.43
Exercised	**(35,000)**	**5.74**	(234,500)	8.12
Expired	**(175,000)**	**26.29**	-	-
Outstanding, end of year	**518,500**	**6.45**	728,500	11.18
Exercisable, end of year	**455,500**	**6.34**	546,500	12.69

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION (CONTINUED)

There were no stock options granted during the years ended April 30, 2013 and 2012.

The weighted average market price of shares on the date of exercise for the year ended April 30, 2013 was $12.45 (April 30, 2012 - $10.87).

A summary of the status of the Corporation's share appreciation rights as of April 30, 2013 and changes during the year then ended is as follows:

	Number of SARs	Reference Price
Balance, April 30, 2012	700,000	11
Balance, April 30, 2013	**700,000**	**11**

A summary of the status of the Corporation's deferred share units as of April 30, 2013 and changes during the year then ended is as follows:

	Number of DSUs
Balance, April 30, 2011	18,484
Awarded	24,568
Balance, April 30, 2012	43,052
Awarded	23,450
Balance, April 30, 2013	**66,502**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION (CONTINUED)

Other Liabilities

Other liabilities consist of the following:

	2013	2012
	$	$
DSUs	**714**	518
SARs	**690**	963
	1,404	1,481

15. ACCUMULATED OTHER COMPREHENSIVE (LOSS) EARNINGS

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

	2013	2012
	$	$
Unrealized gains on available-for-sale investments	**(2,080)**	(1,061)
Less: income taxes	**290**	149
Total	**(1,790)**	(912)

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2013	2012
	$	$
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	**186**	(151)
Accounts payable and accrued liabilities	**(229)**	(202)
	(43)	(353)

	2013	2012
	$	$
Cash and cash equivalents consist of:		
Deposits with banks	**10,217**	7,746
Short-term investments	**57,589**	42,628
	67,806	50,374

Non-cash items:
The Corporation received investments from earn-in partners with an initial value of $nil (2012 -$4,438,000) that were applied as follows:

	2013	2012
	$	$
Other revenue	-	3,979
Mineral properties and deferred exploration costs	-	459
	-	4,438

17. RELATED PARTY TRANSACTIONS

	2013	2012
	$	
Legal services received from a partnership, one of the partners of which is a director of the Corporation and reflected as:		
General and administrative expenses	**78**	43
	78	43

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended April 30, 2013, the Corporation billed Mining Equity (an equity-accounted investment – see Note 8) for the reimbursement of exploration and consulting assistance totaling $47,000 (2012-$nil).

Compensation for key management personnel and directors is as follows:

	2013	2012
	$	$
Salaries and benefits	**1,240**	1,087
Share-based compensation	**64**	714
	1,304	1,801

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

18. 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:

	2013	2012
	$	$
Balance Sheets		
Current assets	**863**	1,056
Royalty interest in mineral property	**8,029**	9,182
Statement of Earnings		
Royalty revenue	**3,136**	4,115
Royalty tax	**(627)**	(823)
General and administrative	**(14)**	(11)
Amortization	**(1,153)**	(1,184)
Statements of Cash Flows		
Operating activities	**2,688**	3,200

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

19. SEGMENTED INFORMATION

The Corporation operates 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 legal and internal reporting structure of the Corporation. The Corporation's key decision makers assess performance and make resource allocation decisions based on consolidated net earnings (loss) before taxes and non-controlling interest.

2013

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	**3,136**	**-**	**-**	**3,136**
Interest and investment income	**2,405**	**22**	**73**	**2,500**
Other	**1**	**222**	**6**	**229**
	5,542	**244**	**79**	**5,865**
Loss before income taxes	**(8,807)**	**(4,716)**	**(1,587)**	**(15,110)**
Income tax recovery				**(1,959)**
Net loss				**(13,151)**

2012

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	4,115	-	-	4,115
Other	-	4,191	20	4,211
Interest and investment income	2,614	40	68	2,722
	6,729	4,231	88	11,048
Loss before income taxes	(4,790)	1,107	(2,724)	(6,407)
Income tax recovery				(1,486)
Net loss				(4,921)

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

19. SEGMENTED INFORMATION (CONTINUED)

Total assets:

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
April 30, 2012	270,525	13,294	12,744	296,563
April 30, 2013	**263,109**	**7,144**	**2,587**	**272,840**

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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; and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 – valuation techniques with significant unobservable market inputs.

Fair value of the Corporation's financial assets and financial liabilities was determined as follows:

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

As at April 30, 2013:

	Level 1	Level 2	Level 3	TOTAL
	$	$	$	$
FINANCIAL ASSETS				
Short-term investments in cash equivalents	**57,589**	**-**	**-**	**57,589**
Marketable securities	**77,926**	**-**	**-**	**77,926**
Mining and other investments	**34,677**	**1,321**	**-**	**35,998**
TOTAL FINANCIAL ASSETS	**170,192**	**1,321**	**-**	**171,513**
FINANCIAL LIABILITIES	**714**	**690**	**-**	**1,404**

As at April 30, 2012:

	Level 1	Level 2	Level 3	TOTAL
	$	$	$	$
FINANCIAL ASSETS				
Short-term investments in cash equivalents	42,628	-	-	42,628
Marketable securities	111,640	-	-	111,640
Mining and other investments	30,782	274	-	31,056
TOTAL FINANCIAL ASSETS	185,050	274	-	185,324
FINANCIAL LIABILITIES	518	963	-	1,481

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. Hedge accounting is applied only when appropriate documentation and effectiveness criteria are met.

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

Credit risk

The Corporation has some credit risk with accounts receivable balances owing from earn-in partners but the amount is not considered significant.

The Corporation's cash and cash equivalents and marketable securities are distributed among government guaranteed instruments and investment grade commercial paper. All funds are held in fully segregated accounts and include only Canadian dollar instruments. The Corporation does not expect any liquidity

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

issues or credit losses on these instruments.

Foreign currency risk

The Corporation is exposed to foreign currency fluctuations on a portion of its accounts receivable related to royalty revenue, which is denominated and paid in US dollars. The Corporation does not enter into any derivative contracts to reduce this exposure since the receivable is short-term in nature and the expected receivable amount cannot be predicted reliably. The following table shows the Corporation's receivable in US dollars.

	April 30, 2013	April 30, 2012
	$US	$US
Accounts Receivable	**712**	889

As at April 30, 2013, a 10% change in the US dollar to Canadian dollar exchange rate could affect net earnings by approximately $50,000.

Liquidity risk

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

Other price risk

The value of the Corporation's mining and mineral related investments is exposed to fluctuations in the quoted market price depending on a number of factors, including general market conditions, company-specific operating performance and the market value of the commodities that the companies may focus on. The Corporation does not utilize any derivative contracts to reduce this exposure.

The Corporation may be unable to sell its entire interest in an investment without having an adverse effect on the fair value of the security due to low trading volumes on some investments. The Corporation does not enter into any derivative contracts to reduce this exposure.

Interest rate risk

The Corporation does not have any debt and is therefore not exposed to interest rate risk on liabilities. The Corporation's cash and cash equivalents and marketable securities may fluctuate in value depending on the market interest rates and the time to maturity of the instruments. The Corporation manages this risk by limiting the maximum term to maturity on invested funds or holding the investments to maturity.

As at April 30, 2013, a +/- 1% change in the effective interest rates on cash and cash equivalents and marketable securities would affect comprehensive earnings by $1,015,000 net of applicable taxes.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Sensitivity Analysis

The Corporation has mining and other investments that are marked to fair market value at each reporting period, with a corresponding adjustment to other comprehensive (loss) earnings for increases in value and for other temporary declines in value. Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are "reasonably possible" over a twelve month period:

As at April 30, 2013, the Corporation's mining and other investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings by $6,192,000 net of applicable taxes.

21. CAPITAL MANAGEMENT

The Corporation defines its capital as its total equity attributable to common shareholders. The Corporation's objectives when managing capital are to minimize shareholder dilution while maximizing shareholder return. The Corporation also believes it should maintain sufficient capital for potential investment opportunities and to pursue generative exploration opportunities. The Corporation manages its capital by repurchasing its common shares under its normal course issuer bid to offset the dilutive effect of its stock option plan. Where it believes the current share price does not reflect the true value, the Corporation may repurchase additional shares to enhance the value to existing shareholders. In addition, the Corporation may from time to time issue new shares to fund specific project initiatives, and may consider dividend distributions to shareholders at a future date.

The Corporation is not subject to any external capital requirements.

22. COMMITMENTS

Operating leases

The Corporation is committed under leases on office space, including operating costs, for annual future minimum lease payments as follows:

	$
2014	**188**
2015	**15**
	203

22. 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

Mineral property expenditures (Continued)

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 $202,000 by April 30, 2014 in order to maintain various licenses in good standing, of which $193,000 is required to be spent for a refund of security deposits in the amount of $67,000.