



# ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements*

*(Unaudited)*

*For the three and six months ended*

*October 31, 2008 and 2007*



# ALTIUS MINERALS CORPORATION

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# ALTIUS MINERALS CORPORATION

## Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)

	As at <u>October 31, 2008</u> \$	As at <u>April 30, 2008</u> \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	123,224	168,172
Fixed income securities	37,232	-
Accounts receivable and prepaid expenses	4,211	1,613
Income taxes receivable	124	6,668
	<u>164,791</u>	<u>176,453</u>
Mineral properties and deferred exploration costs (Note 4)	7,021	3,538
Royalty interest in mineral property	12,021	12,469
Property and equipment	400	165
Fair value of share purchase warrants	-	13
Equity investments and loans (Note 5)	6,726	6,876
Mining and mineral related investments (Note 6)	7,557	20,421
Fair value of equity forward instrument	38,205	30,335
	<u>236,721</u>	<u>250,270</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	1,437	977
Future income taxes	548	835
	<u>1,985</u>	<u>1,812</u>
Deferred option payments	1,090	1,021
Future income taxes	3,241	3,021
Long-term debt	38,923	38,115
	<u>45,239</u>	<u>43,969</u>
Shareholders' Equity	191,482	206,301
	<u>236,721</u>	<u>250,270</u>

Contingent liability (Note 14)

Approved by the Board,

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

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

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Earnings

(Unaudited)

(In thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	1,844	1,385	2,641	2,779
Interest	1,230	1,562	2,532	2,803
Other	132	102	168	114
	<b>3,206</b>	<b>3,049</b>	<b>5,341</b>	<b>5,696</b>
<b>Expenses</b>				
General and administrative	565	735	1,082	1,327
Royalty tax	369	277	528	471
Amortization	321	267	480	371
Stock-based compensation (Note 8)	281	92	440	233
Mineral properties abandoned or impaired (Note 4)	224	137	279	275
	<b>1,760</b>	<b>1,508</b>	<b>2,809</b>	<b>2,677</b>
Earnings before the following	<b>1,446</b>	<b>1,541</b>	<b>2,532</b>	<b>3,019</b>
Interest and financing charges	(619)	(477)	(1,021)	(862)
Gain on disposal of mining and mineral related investments	-	45,610	-	61,852
Dilution gain on issuance of shares by equity investment	-	-	-	2,369
Write-down of investments (Note 6)	(2,755)	-	(2,755)	-
Share of (loss) in equity investments	(104)	(162)	(177)	(327)
Change in fair value of share purchase warrants	-	(232)	(14)	(475)
Investment income	-	42	-	60
Earnings (loss) before income taxes	<b>(2,032)</b>	<b>46,322</b>	<b>(1,435)</b>	<b>65,636</b>
Income taxes				
current	(691)	8,586	(102)	13,141
future	682	(63)	310	(1,002)
	<b>(9)</b>	<b>8,523</b>	<b>208</b>	<b>12,139</b>
<b>Net earnings (loss)</b>	<b>(2,023)</b>	<b>37,799</b>	<b>(1,643)</b>	<b>53,497</b>
<b>Net earnings (loss) per share (Note 7)</b>				
- basic	<b>(0.07)</b>	<b>1.31</b>	<b>(0.05)</b>	<b>1.85</b>
- diluted	<b>(0.07)</b>	<b>1.28</b>	<b>(0.05)</b>	<b>1.81</b>

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Cash Flows

(unaudited)

(In thousand of dollars)

	For the three months ended October 31,		For the six months ended October 31,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
<b>Operating activities</b>				
Net earnings (loss)	(2,023)	37,799	(1,643)	53,497
Items not affecting cash (Note 10)	4,986	(44,394)	5,476	(62,767)
	<b>2,963</b>	(6,595)	<b>3,833</b>	(9,270)
Change in non-cash operating working capital (Note 10)	3,454	4,411	4,157	(11,048)
	<b>6,417</b>	(2,184)	<b>7,990</b>	(20,318)
<b>Financing activities</b>				
Proceeds from issuance of share capital	142	434	142	629
Repurchase of common shares	(11,646)	(1,608)	(12,112)	(1,608)
	<b>(11,504)</b>	(1,174)	<b>(11,970)</b>	(979)
<b>Investing activities</b>				
Proceeds from disposal of investments	-	49,257	-	77,138
Mineral properties and deferred exploration costs, net of recoveries	(1,835)	(511)	(3,504)	(987)
Net change in fixed income securities	(37,232)	-	(37,232)	-
Investment in equity - accounted investment	-	(2,394)	-	(3,592)
Acquisition of property and equipment	(8)	(3)	(268)	(16)
Decrease (increase) in accounts receivable - related companies	3	(20)	36	(11)
	<b>(39,072)</b>	46,329	<b>(40,968)</b>	72,532
Net increase (decrease) in cash and cash equivalents	<b>(44,159)</b>	42,971	<b>(44,948)</b>	51,235
Cash and cash equivalents, beginning of period	<b>167,383</b>	122,548	<b>168,172</b>	114,284
<b>Cash and cash equivalents, end of period</b>	<b>123,224</b>	165,519	<b>123,224</b>	165,519

### Cash and cash equivalents consist of:

Deposits with banks	263	2,024
Short-term investments	122,961	163,495
	<b>123,224</b>	165,519

Supplemental cash flow information (Note 10)

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Shareholders' Equity

(Unaudited)

(In thousands of dollars, except share amounts)

Six months ended October 31, 2008:

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Contributed Surplus</u>	<u>Accumulated Other Comprehensive Earnings (Note 9)</u>	<u>Retained Earnings</u>	<u>Total Shareholders' equity</u>
	#	\$	#	\$	\$	\$	\$	\$
<b>Balance at beginning of period</b>	<b>30,925,725</b>	<b>77,933</b>	-	-	<b>2,197</b>	<b>29,829</b>	<b>96,342</b>	<b>206,301</b>
<b>Comprehensive earnings:</b>								
Net loss	-	-	-	-	-	-	(1,643)	(1,643)
Currency translation adjustment (net of income taxes of \$5)	-	-	-	-	-	23	-	23
Net unrealized losses on available-for-sale investments (net of income taxes of \$1,680)	-	-	-	-	-	(8,498)	-	(8,498)
Unrealized gain on derivative financial instrument designated as a cash flow hedge (net of income taxes of \$1,299)	-	-	-	-	-	6,572	-	6,572
<b>Total comprehensive earnings (loss)</b>								<b>(3,546)</b>
Shares repurchased under normal course issuer bid	-	-	(2,015,330)	(12,112)	-	-	-	(12,112)
Stock based compensation	-	-	-	-	440	-	-	440
Stock based compensation applied to mineral properties	-	-	-	-	256	-	-	256
Shares issued under stock option plan	35,000	225	-	-	(83)	-	-	142
<b>Balance at end of period</b>	<b>30,960,725</b>	<b>78,158</b>	<b>(2,015,330)</b>	<b>(12,112)</b>	<b>2,810</b>	<b>27,926</b>	<b>94,699</b>	<b>191,481</b>

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Shareholders' Equity (continued)

(Unaudited)

(In thousands of dollars, except share amounts)

Six months ended October 31, 2007:

	<u>Common Shares</u>		<u>Treasury Shares</u>		<u>Contributed</u>	<u>Accumulated Other</u>	<u>Retained</u>	<u>Total</u>
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>	<u>Surplus</u>	<u>Earnings</u>	<u>Earnings</u>	<u>Shareholders'</u>
					<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>equity</u>
								<u>\$</u>
<b>Balance at beginning of period</b>	28,787,825	25,886	-	-	1,312	215	85,779	113,192
Accounting change	-	-	-	-	-	94,535	841	95,376
<b>Adjusted balance beginning of period</b>	28,787,825	25,886	-	-	1,312	94,750	86,620	208,568
<b>Comprehensive earnings:</b>								
Net earnings	-	-	-	-	-	-	53,497	53,497
Currency translation adjustment (net of income taxes of \$121)	-	-	-	-	-	(589)	-	(589)
Net unrealized losses on available-for-sale investments (net of income taxes of \$2,826)	-	-	-	-	-	(13,252)	-	(13,252)
Reclassification adjustment for disposals of available-for-sale investments included in net earnings (net of income taxes of \$10,487)	-	-	-	-	-	(51,696)	-	(51,696)
Unrealized gain on derivative financial instrument designated as a cash flow hedge (net of income taxes of \$657)	-	-	-	-	-	3,323	-	3,323
<b>Total comprehensive earnings (loss)</b>								<b>(8,717)</b>
Shares repurchased under normal course issuer bid	-	-	(101,400)	(1,608)				(1,608)
Stock based compensation	-	-	-	-	233	-	-	233
Stock based compensation applied to mineral properties	-	-	-	-	25	-	-	25
Exercise of stock options	352,000	794	-	-	(165)	-	-	629
<b>Balance at end of period</b>	29,139,825	26,680	(101,400)	(1,608)	1,405	32,536	140,117	199,130

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

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### 1. NATURE OF OPERATIONS

Altius Minerals Corporation's (the "Corporation") principal business activities include the generation and acquisition of projects related to natural resources opportunities. 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. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared following the accounting policies set out in the 2008 annual consolidated financial statements, except as disclosed in note 3.

These unaudited interim consolidated financial statements should be read in conjunction with the April 30, 2008 annual consolidated financial statements. The disclosures in the unaudited consolidated financial statements do not conform in all material respects to the requirements of Canadian generally accepted accounting principles for annual financial statements.

### 3. ADOPTION OF NEW ACCOUNTING POLICIES

#### *Financial Instruments – Disclosures and Financial Instruments – Presentation*

Handbook sections entitled "Financial Instruments – Disclosures" (section 3862) and "Financial Instruments – Presentation" (section 3863), replaced "Financial Instruments – Disclosure and Presentation" (section 3861). The new disclosures standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements and is effective for the Corporation's interim and annual reporting periods beginning May 1, 2008. The new disclosure is included in note 12 to the unaudited consolidated financial statements.

#### *Capital Disclosures*

CICA Handbook section 1535 entitled "Capital Disclosures" was adopted by the Corporation effective May 1, 2008. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. This new disclosure is included in note 13 to the unaudited consolidated financial statements.



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

### 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Location	Primary Metal	Number of Claims	As at April 30, 2008	Net Additions	Abandoned or Impaired	As at October 31, 2008
			\$	\$	\$	\$
Labrador						
	Base metals	2,764	130	317	-	447
	Iron Ore	2,023	391	1,691	-	2,082
	Nickel	1,462	331	159	(77)	413
	Other	-	1	(1)	-	-
	Silica	29	1	3	-	4
	Uranium	3,273	296	69	-	365
		9,551	1,150	2,238	(77)	3,311
Newfoundland						
	Base metals	390	425	-	-	425
	Gold	294	140	6	(2)	144
	Nickel	-	89	10	(8)	91
	Potash	1,814	26	7	-	33
	Uranium	12,144	550	617	(29)	1,138
		14,642	1,230	640	(39)	1,831
New Brunswick - Oil shale						
		-	481	758	-	1,239
Nova Scotia - Potash						
		-	-	18	-	18
Security deposits						
		-	677	52	(107)	622
General exploration						
		-	-	56	(56)	-
<b>Grand total</b>						
		24,193	3,538	3,762	(279)	7,021



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

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

Location	Primary Metal	Number of Claims	As at April 30, 2007	Net Additions	Abandoned or Impaired	As at April 30, 2008
			\$	\$	\$	\$
Labrador						
	Base metals	1,611	50	80	-	130
	Iron Ore	869	58	333	-	391
	Nickel	1,417	45	325	(39)	331
	Uranium	2,754	232	64	-	296
	Silica	77	-	1	-	1
	Other	-	-	1	-	1
		6,728	385	804	(39)	1,150
Newfoundland						
	Base metals	390	577	(27)	(125)	425
	Gold	431	100	83	(43)	140
	Nickel	112	86	158	(155)	89
	Uranium	11,227	369	273	(92)	550
	Potash	1,453	-	26	-	26
		13,613	1,132	513	(415)	1,230
New Brunswick - Oil shale						
		-	105	376	-	481
	Security deposits	-	323	354	-	677
	General exploration	-	-	95	(95)	-
	Grand total	20,341	1,945	2,142	(549)	3,538



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements For the three and six months ended October 31, 2008 and 2007 (Unaudited)

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

### 5. EQUITY INVESTMENTS AND LOANS

	As at October 31, <u>2008</u> \$	As at April 30, <u>2008</u> \$
Investment in Rambler Metals and Mining plc, (percentage ownership: 20.2%) (market value: October 2008 - \$2.0 million; April 2008 - \$11.5 million)	6,726	6,876
Investment in Newfoundland and Labrador Refining Corporation ("NLRC"), (percentage ownership: 39.6%)	-	-
Non-interest bearing demand loan to NLRC, secured by a first charge on the assets, convertible into 1,440,000 common shares at the option of the Corporation (4.6% increase in ownership if exercised)	30,093	30,093
Less provision for demand loan impairment	(30,093)	(30,093)
	<u>6,726</u>	<u>6,876</u>

#### *Newfoundland and Labrador Refining Corporation*

On June 18, 2008, SNC Lavalin, a contractor providing environmental and engineering services to NLRC, served NLRC with a notice of proceedings in the Supreme Court of Newfoundland and Labrador to have NLRC adjudged bankrupt. In response to this filing, NLRC sought and was granted creditor protection under the Bankruptcy and Insolvency Act ("BIA") on June 24, 2008. This protection enables NLRC, under the supervision of a trustee, to formulate a proposal for restructuring and to continue its efforts to attract financing and or partners for the refinery project. The initial period of creditor protection granted was 30 days, and was later extended for two additional periods of 45 days each until October 17, 2008. At October 17, 2008, NLRC submitted a proposal to the creditors for a maintenance and care plan for up to 36 months. Under the maintenance and care plan, it was proposed that ongoing costs be kept to a minimum and that all refinery permits would be kept in good standing until such time as the project can be sold or financed when economic conditions improve. In addition, all creditors' claims would be deferred until the end of the maintenance and care period or until the project obtains financing. On November 6, 2008, the trustee held a meeting of creditors to vote on the proposal. After the vote, the trustee indicated that the outcome of the vote will depend on the legitimacy of claim amounts submitted as part of the voting procedure and, therefore, recessed to evaluate the various claim amounts. We understand this evaluation process to be ongoing.



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

### 6. MINING AND MINERAL RELATED INVESTMENTS

	As at October 31, <u>2008</u> \$	As at April 30, <u>2008</u> \$
Aurora Energy Resources Inc. (2,500,000 shares; Cost - \$1.0 million)	3,250	8,700
Other mining related portfolio investments (Cost: \$10.9 million; April 2008 \$13.6 million)	4,307	11,721
	<u>7,557</u>	<u>20,421</u>

#### *Aurora Energy Resources Inc.*

The Corporation did not dispose of any shares in Aurora during the current period. During the six months ended October 31, 2007, the Corporation sold 4,039,900 shares in Aurora for net proceeds of \$59,945,000 and realized a gain on disposal of \$58,317,000.

The remaining 2,500,000 Aurora shares have been pledged as part of the equity forward agreement, which effectively locks in the economic value of these shares at the contractual price, as described in Note 10 to the annual consolidated financial statements.

#### *Other Mining and Mineral Related Investments.*

Other mining and mineral related investments are reviewed quarterly for possible other-than-temporary impairments in value. In light of recent economic conditions and the widespread adverse impact upon equity markets, the Corporation recorded an impairment charge of \$2,755,000 on its mining and mineral related investments during the six months ended October 31, 2008.



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

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### 7. NET EARNINGS PER SHARE

Basic net earnings per share was calculated using the weighted average number of common shares for the respective periods. The current year diluted loss per share is equivalent to basic loss per share as the inclusion of outstanding options would be anti-dilutive. The prior year diluted net earnings per share was calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options.

	October 31		October 31	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Weighted average number of shares:				
Basic	<b>29,685,732</b>	28,927,075	<b>30,305,514</b>	28,870,950
Diluted	<b>29,782,476</b>	29,613,315	<b>30,509,428</b>	29,599,503



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

### 8. STOCK-BASED COMPENSATION

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.

There were 365,000 stock options awarded and 35,000 exercised during the current period.

The following table summarizes information about stock options outstanding and exercisable at October 31, 2008:

Range	Total Options Outstanding			Total Exercisable Options		
	Outstanding Options	Average Remaining Contractual Life	Weighted Average Strike Price	Vested Options	Average Remaining Contractual Life	Weighted Average Strike Price
			\$			\$
\$3.00 to \$4.00	215,000	0.9	3.65	176,000	0.8	3.59
\$4.01 to \$8.00	600,000	3.9	5.33	218,250	3.4	5.26
\$8.01 to \$10.00	266,000	3.1	8.30	98,000	3.1	8.30
\$10.01 to \$15.00	95,000	3.2	11.11	38,000	3.2	11.11
\$15.01 to \$28.00	192,500	4.0	28.00	38,750	4.0	28.00
Total	1,368,500	3.3	9.24	569,000	2.6	7.21



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

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### 9. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

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

	<u>As at</u> <u>October 31, 2008</u>	<u>As at</u> <u>April 30, 2008</u>
	\$	\$
Unrealized (loss) on the translation of financial statements of self-sustaining equity investment	(332)	(355)
Unrealized gains (losses) on available-for-sale investments	(3,644)	4,854
Unrealized gain on derivative designated as cash flow hedge	31,902	25,330
	<u>27,926</u>	<u>29,829</u>



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements For the three and six months ended October 31, 2008 and 2007 (Unaudited)

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

### 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Six months ended	
	October 31		October 31	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Items not affecting cash:				
Mineral properties abandoned or impaired	224	137	279	275
Stock-based compensation	281	92	440	233
Amortization	321	267	480	371
Gain on disposal of mining and mineral related investments	-	(45,610)	-	(61,852)
Non - cash interest and financing charges	619	389	1,021	775
Write-down of investments	2,755	-	2,755	-
Dilution gain on issuance of shares by equity investment	-	-	-	(2,369)
Share of loss in equity investments	104	162	177	327
Change in fair value of share purchase warrants	-	232	14	475
Future income taxes	682	(63)	310	(1,002)
	<b>4,986</b>	<b>(44,394)</b>	<b>5,476</b>	<b>(62,767)</b>
Change in non-cash operating working capital:				
Accounts receivable and prepaid expenses	(2,255)	136	(2,634)	336
Accounts payable and accrued liabilities	(246)	210	247	(382)
Corporate income taxes payable and receivable	5,955	4,064	6,544	(11,003)
	<b>3,454</b>	<b>4,410</b>	<b>4,157</b>	<b>(11,049)</b>
Income taxes received (paid)	<b>6,646</b>	<b>(4,522)</b>	<b>6,646</b>	<b>(24,144)</b>
Non-cash items:				
Stock based compensation capitalized	178	92	256	233
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	49	450	69	471



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements For the three and six months ended October 31, 2008 and 2007 (Unaudited)

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

### 11. RELATED PARTY TRANSACTIONS

The Corporation's related party transactions are as follows:

	Three months ended		Six months ended	
	October 31, <u>2008</u>	<u>2007</u>	October 31, <u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Revenue from companies subject to significant influence	6	14	12	24
Consulting fees and related services and costs paid to a company controlled by a director, and reflected mineral properties and deferred exploration costs	7	3	13	3
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	4	2	18	9
General and administrative expenses	-	2	2	10
	<u>4</u>	<u>4</u>	<u>20</u>	<u>19</u>

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

Accounts receivable and prepaid expenses include \$9,000 (April 30, 2008 - \$45,000) receivable from the Corporation's equity investment in NLRC. The Corporation has recorded an allowance for \$6,389 for this receivable.

### 12. FINANCIAL INSTRUMENTS AND 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.



# ALTIUS MINERALS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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

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### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

#### *Market value and commodity price risk*

The value of the Corporation's mining and mineral related investments companies 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. Except as noted below, the Corporation does not utilize any derivative contracts to reduce this exposure.

Given the relative size of some of the Corporation's investments compared to the normal trading volume of the underlying investments, 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. The Corporation does not enter into any derivative contracts to reduce this exposure.

#### *Foreign currency risk*

The Corporation is exposed to foreign currency fluctuations on a portion of its accounts receivable related to royalty revenue. 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.

#### *Interest rate risk*

The Corporation's long-term debt has a fixed interest rate and therefore the expected payments are not exposed to interest rate fluctuations.

#### *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.

#### *Credit risk*

The Corporation is exposed to credit-related losses in the event of non-performance by the counterparty to the equity forward agreement but does not expect the counterparty to fail to meet its obligation. 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, marketable securities, and fixed income 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 issues or credit losses on these instruments.



# ALTIUS MINERALS CORPORATION

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### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### *Sensitivity Analysis*

The Corporation has mining and mineral investments that are marked to fair market value at each reporting period, with a corresponding adjustment to other comprehensive earnings. These market value fluctuations are partially offset by the equity forward agreement to sell 2,500,000 Aurora shares in December 2011. The equity forward agreement is also marked to market with the value change going to other comprehensive earnings each period.

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:

The Corporation's mining and mineral related investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings (loss) by \$720,000, net of applicable taxes.



# ALTIUS MINERALS CORPORATION

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For the three and six months ended October 31, 2008 and 2007

(Unaudited)

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### 13. CAPITAL MANAGEMENT

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. 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, or where it believes the current share price does not reflect the true value of the Corporation. In addition, the Corporation may from time to time issue new shares to fund project initiatives, and may consider dividend distributions to shareholders at a future date.

The Corporation is not subject to any external capital requirements.

### 14. CONTINGENT LIABILITY

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

The Corporation believes this claim is without merit and no provision has been recognized for this claim.

### 15. SUBSEQUENT EVENTS

#### *Normal Course Issuer Bid*

Subsequent to the period-end, the Corporation repurchased an additional 607,700 common shares under the normal course issuer bid for a total cost of \$2,941,000 or approximately \$4.84 per share.

On November 28, 2008, the Corporation cancelled 2,623,030 treasury shares that were repurchased under the Corporation's normal course issuer bid. The cancellation brought the Corporation's total common shares outstanding to 28,337,695 shares.